**LUXEMBOURG LISTING OFFERING MEMORANDUM**

# U.S.$476,120,000

# Banco de Crédito del Perú

**acting through our Panamanian branch**

## 6.875% FIXED-TO-FLOATING RATE SUBORDINATED NOTES DUE 2026

We, Banco de Crédito del Perú, or BCP, a commercial bank organized and existing under the laws of the Republic of Peru, acting through our Panamanian branch, are listing U.S.$476,120,000 aggregate principal amount of fixed-to-floating rate subordinated notes due 2026, or the notes. The notes will mature on September 16, 2026. The notes will bear interest of 6.875% per year to, but excluding September 16, 2021 and from September 16, 2021 at a floating rate of three-month LIBOR plus 7.708% per year. Interest will be payable on March 16 and September 16 of each year, commencing on March 16, 2012 until September 16, 2021, and quarterly on each March 16, June 16, September 16 and December 16 thereafter.

Payments in respect of the notes will be made without deduction of, withholding for or on account of, taxes imposed by the Republic of Peru, the Republic of Panama or other then applicable jurisdictions, subject to certain exceptions. See "Description of the Notes—Payment of Additional Amounts." With the prior approval of the *Peruvian Superintendencia de Banca, Seguros y AFPs* (Superintendency of Banks, Insurance and Private Pension Fund Administrators, or the "SBS"), or other then applicable Peruvian governmental authority, if then required, we may redeem the notes, in whole or in part, on September 16, 2016 or on any date occurring thereafter until September 16, 2021, by paying the greater of the outstanding principal amount of the notes and the "make-whole" amount set forth in this offering memorandum. With the prior approval of the SBS, or other then applicable Peruvian governmental authority, if then required, we may also redeem the notes, in whole or in part, on September 16, 2021 or on any interest payment date occurring thereafter at a redemption price equal to 100% of the principal amount of the notes on such redemption date. Following the occurrence of certain changes in Peruvian, Panamanian or other then applicable tax laws or regulations or regulatory events under Peruvian laws, with the prior approval of the SBS, or other then applicable Peruvian governmental authority, if then required, we may redeem the notes in whole, but not in part, at a redemption price equal to 101% of the principal amount of the notes on such redemption date in the case of a redemption following a change in tax law, and at a redemption price equal to the "make-whole" amount set forth in this offering memorandum, in the case of a redemption following a regulatory event. See "Description of the Notes—Redemption Prior to Maturity."

The notes will be our direct, unsecured, subordinated obligations and will rank *pari passu* without preference among themselves. In the event of our bankruptcy, liquidation or dissolution under Peruvian Banking law, the notes will rank junior in right of payment to the payment of all of our Senior Obligations, *pari passu* in right of payment with our Parity Securities, and senior in right of payment to our Junior Securities. The terms "Senior Obligations," "Parity Securities" and "Junior Securities" are defined under "Description of the Notes—Certain Definitions." The notes will be structurally subordinated to the existing and future obligations of our subsidiaries, including trade payables. The notes will not be guaranteed by our parent company or any of our subsidiaries.

For a more detailed description of the notes, see "Description of the Notes" beginning on page 118.

No public market currently exists for the notes. We have applied to list the notes on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF Market. See "Listing and General Information." This offering memorandum constitutes a prospectus for the purposes of Luxembourg Law dated July 10, 2005, on Prospectuses for Securities.

**Investing in the notes involves risks. See "Risk Factors" beginning on page 14.**

**Price: 100% and accrued interest, if any, from September 16, 2011.**

The notes have not been registered under the U.S. Securities Act of 1933, as amended, or the Securities Act, and are being offered only to (1) qualified institutional buyers, or QIBs, under Rule 144A and (2) outside the United States in compliance with Regulation S. Prospective purchasers that are QIBs are hereby notified that the sellers of the notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. Any offer or sale of the notes in any member state of the European Economic Area which has implemented Directive 2003/71/EC (the ''Prospectus Directive'') must be addressed to qualified investors (as defined in the Prospectus Directive). For more information about restrictions on transfer of the notes, see "Notice to Investors" beginning on page 145.

The notes have not been registered in the Republic of Peru or the Republic of Panama. The notes (or beneficial interests therein) may not be offered or sold in Peru or Panama except in compliance with the securities laws thereof. The notes do not have the benefit of bank deposit insurance under the laws of Peru, Panama, the United States or any other jurisdiction.

Merrill Lynch, Pierce, Fenner & Smith Incorporated and Morgan Stanley & Co. LLC delivered the notes to purchasers in book-entry form on September 16, 2011.

*Joint Book-Running Managers*

**BofA Merrill Lynch** | **Morgan Stanley**

*Peruvian Placement Agent*

**Credibolsa**

November 15, 2011

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You should only rely on the information contained in this offering memorandum. We have not authorized anyone to provide you with different information. Neither we nor the initial purchasers are making an offer of the notes in any jurisdiction where the offer is not permitted. You should not assume that the information contained in this offering memorandum is accurate as of any date other than the date on the cover of this offering memorandum regardless of time of delivery or any sale of the notes.

The initial purchasers assume no responsibility for, and make no representation or warranty, express or implied, as to the accuracy or completeness of the information contained in this offering memorandum. Nothing contained in this offering memorandum is or shall be relied upon as, or a promise or representation by the initial purchasers as to the past or future. The initial purchasers accept no responsibility in relation to the information in this offering memorandum or any other information provided by the issuer.

We, having made all reasonable inquiries, confirm that the information contained in this offering memorandum with regard to our company is true and accurate in all material respects, that the opinions and intentions we express in this offering memorandum are honestly held, and that there are no other facts the omission of which would make this offering memorandum as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect. We accept responsibility accordingly.

Unless otherwise indicated or the context otherwise requires, all references in this offering memorandum to "Banco de Crédito del Perú," "BCP," "Bank," "we," "our," "ours," "us" or similar terms refer to Banco de Crédito del Perú and our subsidiaries. References to the "Issuer" refer only to Banco de Crédito del Perú acting through our Panamanian branch, excluding our subsidiaries.

**This offering memorandum does not constitute an offer to sell, or a solicitation of an offer to buy, any notes offered hereby by any person in any jurisdiction in which it is unlawful for such person to make such an offer or solicitation. Neither the delivery of this offering memorandum nor any sale made hereunder shall under any circumstances imply that there has been no change in our affairs or the affairs of our subsidiaries or that the information set forth in this offering memorandum is correct as of any date subsequent to the date of this offering memorandum.**

This offering memorandum has been prepared by us solely for use in connection with the proposed offering of the notes. We reserve the right to reject any offer to purchase, in whole or in part, for any reason, or to sell less than all of the notes offered by this offering memorandum. Merrill Lynch, Pierce, Fenner & Smith Incorporated and Morgan Stanley & Co. LLC will act as initial purchasers with respect to the offering of the notes. This offering memorandum does not constitute an offer to any other person or to the public in general to subscribe for or otherwise acquire the notes.

You must (1) comply with all applicable laws and regulations in force in any jurisdiction in connection with the possession or distribution of this offering memorandum and the purchase, offer or sale of the notes, and (2) obtain any required consent, approval or permission for the purchase, offer or sale by you of the notes under the laws and regulations applicable to you in force in any jurisdiction to which you are subject or in which you make such purchases, offers or sales, and neither we nor the initial purchasers or their agents have any responsibility therefor. See "Notice to Investors" for information concerning some of the transfer restrictions applicable to the notes.

You acknowledge that:

- you have been afforded an opportunity to request from us, and to review, all additional information considered by you to be necessary to verify the accuracy of, or to supplement, the information contained in this offering memorandum;

- you have not relied on the initial purchasers or their respective agents or any person affiliated with the initial purchasers or their respective agents in connection with your investigation of the accuracy of such information or your investment decision; and

- no person has been authorized to give any information or to make any representation concerning us or the notes other than those as set forth in this offering memorandum. If given or made, any such other information or representation should not be relied upon as having been authorized by us, the initial purchasers or their agents.

**In making an investment decision, you must rely on your own examination of our business and the terms of this offering, including the merits and risks involved. The notes have not been recommended by the Securities and Exchange Commission, or the "SEC," or any state securities commission or any Peruvian, Panamanian or other regulatory authority. Furthermore, these authorities have not confirmed the accuracy or determined the adequacy of this offering memorandum. Any representation to the contrary is a criminal offense.**

**In connection with this offering, the initial purchasers may over-allot notes or effect transaction with a view to supporting the market price of the notes at a level higher than that which might otherwise prevail. However, there is no assurance that the initial purchasers will undertake stabilization action at all. Any stabilization action may begin on or after the date on which adequate public disclosure of the terms of the offer of the notes is made and, if begun, the initial purchasers may discontinue it at any time, but it must end no later than 30 days after the issuance of the notes.**

**The notes may not be transferred or resold except as permitted under the Securities Act and related regulations and applicable state securities laws. In making your purchase, you will be deemed to have made certain acknowledgements, representations and agreements set forth in this offering memorandum under the caption "Notice to Investors." You should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time.**

**This offering memorandum may only be used for the purpose for which it has been published. Neither the initial purchasers nor any of their agents is making any representation or warranty as to the accuracy or completeness of the information contained in this offering memorandum, and nothing contained in this offering memorandum is, or shall be relied upon as, a promise or representation, whether as to the past or the future. Neither the initial purchasers nor any of their agents has independently verified any of such information and assumes no responsibility for the accuracy or completeness of the information contained in this offering memorandum.**

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See "Risk Factors," following "Summary," for a description of certain factors relating to an investment in the notes, including information about our business. None of us, the initial purchasers or any of our or their representatives is making any representation to you regarding the legality of an investment by you under applicable legal investment or similar laws. You should consult with your own advisors as to legal, tax, business, financial and related aspects of a purchase of the notes.

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The notes will be available initially only in book-entry form. We expect that the notes offered and sold in the United States to QIBs in reliance upon Rule 144A will be represented by beneficial interests in a permanent global note in fully registered form without interest coupons, or the Rule 144A note. We expect that the notes offered and sold outside the United States to non-U.S. persons pursuant to Regulation S will be represented by beneficial interests in a permanent global note in fully registered form without interest coupons, or the Regulation S note and, together with the Rule 144A note, the global notes). The global notes will be deposited with The Depository Trust Company. Notes shall be issued in minimum denominations of U.S.$10,000 and integral multiples of U.S.$1,000 in excess thereof. See "Description of the Notes" for further discussion of these matters.

## NOTICE TO NEW HAMPSHIRE RESIDENTS

**NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY, OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER, OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.**

### ENFORCEABILITY OF CIVIL LIABILITIES

We are a commercial bank organized and existing under the laws of Peru, and we will issue the notes through our Panamanian branch. Substantially all of our directors and officers reside in Peru, and all or a significant portion of the assets of such persons may be, and substantially all of our assets are, located outside the United States. As a result, it may not be possible for investors to effect service of process upon such persons or entities outside Peru or Panama or to enforce against them in the courts of jurisdictions other than Peru or Panama any judgments obtained in such courts that are predicated upon the laws of such other jurisdictions.

We have been advised by our Peruvian counsel, Payet Rey Cauvi Abogados, that any final and conclusive judgment for a fixed and definitive sum obtained against us in any foreign court having jurisdiction in respect of any suit, action or proceeding against us for the enforcement of any of our obligations under the notes that are governed by New York law will, upon request, be deemed valid and enforceable in Peru without the local court reopening the case provided that: (a) there is in effect a treaty between the country where said foreign court sits and Peru regarding the recognition and enforcement of foreign judgments or (b) in the absence of such a treaty, the following requirements are met:

(i) the judgment does not resolve matters under the exclusive jurisdiction of Peruvian courts, and the matters contemplated in respect of this offering memorandum or the notes are not such matters;

(ii) such court had jurisdiction under its own conflicts of law rules and under general principles of international procedural jurisdiction;

(iii) we received service of process in accordance with the laws of the place where the proceeding took place, we were granted a reasonable opportunity to appear before such foreign court, and we were guaranteed due process rights;

(iv) the judgment has the status of *res judicata* as defined in the jurisdiction of the court rendering such judgment;

(v) no pending litigation in Peru between the same parties for the same dispute was initiated before the commencement of the proceeding that concluded with the foreign judgment;

(vi) the judgment is not incompatible with another judgment that fulfills the requirements of recognition and enforceability established by Peruvian law unless such foreign judgment was rendered first;

(vii) the judgment is not contrary to public order or good morals; and

(viii) it is not proven that such foreign court denies enforcement of Peruvian judgments or engages in a review of the merits thereof.

There is no existing treaty between the United States and Peru for the reciprocal enforcement of foreign judgments. We have been advised by Payet Rey Cauvi Abogados, our Peruvian counsel, that in the absence of such treaty, the requirements listed above need to be fulfilled for the recognition of a foreign judgment in Peru and that there is no reason to believe that any obligation under the notes, which are governed by New York law, would be contrary to Peruvian public policy and international treaties binding upon Peru or generally accepted principles of international law.

We will issue the notes through our Panamanian branch. There is no existing treaty between the United States and Panama for the reciprocal enforcement of foreign judgments of courts outside Panama, including but not limited to, judgments of United States courts. We have been advised by Arias, Alemán & Mora, our Panamanian counsel, that judgments rendered by foreign courts may only be recognized and enforced by the courts of Panama in the event that the Supreme Court of Panama validates such judgment by the issuance of a writ of exequatur. Subject to a writ of exequatur, any final judgment rendered by any New York Court will be recognized, conclusive and enforceable in the courts of Panama without reconsideration of the merits, provided that:

(i) such foreign court grants reciprocity to the enforcement of judgments of courts of Panama;

(ii) the party against which the judgment was rendered, was personally served (service by mail not being sufficient) in such action within such foreign jurisdiction;

(iii) the judgment arises out of a personal action against the defendant;

(iv) the obligation in respect of which the judgment was rendered is lawful in Panama and does not contradict the public policy of Panama;

(v) the judgment is properly authenticated by diplomatic or consular officers of Panama or pursuant to the 1961 Hague Convention on the legalization of documents; and

(vi) a copy of the final judgment is translated into Spanish by a licensed translator in Panama.

In connection with the issuance of the notes, we will designate National Registered Agents, Inc. as our agent upon whom process may be served in connection with any proceedings in New York.

## MARKET AND INDUSTRY INFORMATION

Market data and certain industry forecast data used in this offering memorandum were obtained from internal reports and studies, where appropriate, as well as estimates, market research, publicly available information, including information available from the Peruvian *Superintendencia de Banca, Seguros y Administradoras Privadas de Fondos de Pensiones* (the Superintendency of Banks, Insurance and Private Pension Fund Administrators, or the "SBS"), and industry publications. Market share, deposit and other data obtained from the SBS is limited to the banking operations of Peruvian banks, including any foreign branches and representative offices of Peruvian banks, such as our agency in Miami and our branch in Panama, which has an international banking license. However, the SBS information is presented on an unconsolidated basis and excludes all Peruvian and foreign subsidiaries of Peruvian banks. Therefore, the SBS information as it relates to us excludes the operations of our Bolivian subsidiary, Banco de Crédito de Bolivia, as well as our Peruvian subsidiaries, including Crédito Leasing S.A. (up to June 30, 2009, prior to the merger with BCP), Credifondo Sociedad Administradora de Fondos Mutuos de Inversión de Valores, or "Credifondo," Credibolsa Sociedad Agente de Bolsa, or "Credibolsa," and Empresa Financiera Edyficar, or "Financiera Edyficar." Industry publications generally state that the information they contain has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information are not guaranteed. Similarly, internal reports and studies, estimates and market research, while believed to be reliable and accurately extracted by us for the purposes of this offering memorandum, have not been independently verified. However, we believe such data is accurate and agree that we are responsible for the accurate extraction of such information from such sources and its correct reproduction in this offering memorandum.

## CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS

This offering memorandum contains statements that constitute estimates and forward-looking statements, including but not limited to the sections "Summary," "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations." These statements appear in a number of places in this offering memorandum and include statements regarding our intent, belief or current expectations, and those of our officers, with respect to (among other things) our financial condition.

Our estimates and forward-looking statements are based mainly on current expectations and estimates of future events and trends, which affect, or may affect, our business and results of operations. Although we believe that these estimates and forward-looking statements are based upon reasonable assumptions, they are subject to several risks and uncertainties and are based on information currently available to us.

Our estimates and forward-looking statements may be influenced by the following factors, among others:

- changes in the demand from, and the financial condition of, our customers, and competitive conditions in the markets we serve;
- changes in economic, political and business conditions in Peru;
- governmental interventions resulting in changes in the Peruvian economy, taxes, tariffs or regulatory environment;
- our ability to compete successfully;
- changes in our business;
- our ability to successfully implement marketing strategies;
- our identification of business opportunities;
- our ability to develop and introduce new products and services;
- changes in the cost of products and our operating costs;

- our level of indebtedness and other financial obligations;
- our ability to obtain financing on satisfactory terms;
- our ability to attract new customers;
- inflation in Peru, devaluation or revaluation of the Nuevo Sol against the U.S. dollar and interest rate fluctuations;
- changes in the level of dollarization of the Peruvian economy;
- present or future changes in laws and regulations;
- our ability to maintain existing business relationships, and to create new relationships; and
- other risk factors discussed under the "Risk Factors" in this offering memorandum.

The words "believe," "may," "may have," "would," "estimate," "continues," "anticipates," "intends," "hopes," and similar words are intended to identify estimates and forward-looking statements. Estimates and forward-looking statements refer only to the date when they were made, and we undertake no obligation to update or review any estimate or forward-looking statement due to new information, future events or any other factors. Estimates and forward-looking statements involve risks and uncertainties and do not guarantee future performance, as actual results or developments may be substantially different from the expectations described in the forward-looking statements. In light of the risks and uncertainties described above, the events referred to in the estimates and forward-looking statements included in this offering memorandum may or may not occur, and our business performance and results of operation may differ materially from those expressed in our estimates and forward-looking statements, due to factors that include but are not limited to those mentioned above. Investors are warned not to place undue reliance on any estimates or forward-looking statements in making decisions regarding investment in the notes.

Neither we nor the initial purchasers undertake any obligation to update or revise any estimates or forward-looking statements, whether as a result of new information, future events or otherwise.

## PRESENTATION OF FINANCIAL INFORMATION

Our consolidated financial statements as of December 31, 2009 and 2010 and for the years ended December 31, 2008, 2009 and 2010, or the annual audited consolidated financial statements, and as of June 30, 2011 and for the six months ended June 30, 2010 and 2011 included herein, or the interim unaudited consolidated financial statements (and together with the annual audited consolidated financial statements, the "financial statements"), have been prepared and presented in accordance with generally accepted accounting principles prescribed by the SBS for financial institutions subject to supervision by the SBS, or "Peruvian GAAP." Peruvian GAAP differs in certain significant respects from International Financial Reporting Standards, or "IFRS," as adopted by the International Accounting Standards Board, or "IASB," and United States generally accepted accounting principles, or "U.S. GAAP." For a description of highlights of certain differences among Peruvian GAAP, IFRS, as adopted by the IASB, and U.S. GAAP, see "Accounting Practices" set forth in Appendix A.

The annual consolidated financial statements have been audited by Medina, Zaldívar, Paredes & Asociados, a member firm of Ernst & Young Global, or "MZP." See MZP's report dated February 22, 2011 included in this offering memorandum. The interim consolidated financial statements have not been audited but have undergone a limited review by MZP in accordance with the International Standard on Review Engagements No. 2410 as specified by the International Federation of Accountants. See the unaudited interim consolidated financial statements included in this offering memorandum. Unless otherwise indicated, the financial information presented herein is based upon the financial statements.

Unless otherwise specified, in accordance with Peruvian GAAP, the financial statements and other financial information contained in this offering memorandum are presented in consolidated form. Consolidation principles under both Peruvian GAAP and IFRS, are based upon the concept of control and are substantially similar, requiring consolidation of all controlled entities irrespective of the sector in which they operate. Under Peruvian GAAP and IFRS, an enterprise is required to consolidate special purpose entities, or "SPEs," when the substance of the relationship between them indicates that the enterprise controls the SPE.

Unless otherwise specified or the context otherwise requires, references in the financial statements to "*$*," "*U.S.$*," "*dollars*" and "*U.S. dollars*" are to United States dollars and references to "*S/.*," "*Nuevo Sol*" or "*Nuevos Soles*" are to Peruvian Nuevos Soles.

For the convenience of the reader, this offering memorandum presents translations of certain Nuevo Sol amounts into U.S. dollars at specified rates, or the S/./$ exchange rate. Any data in U.S. dollars derived from the financial statements have been translated from Nuevos Soles to U.S. dollars as follows:

- data as of and for the period ended December 31, 2010 have been translated from Nuevos Soles into U.S. dollars at a rate of S/.2.809 = U.S.$1.00 (the December 31, 2010 exchange rate as published by the SBS); and

- data as of and for the period ended June 30, 2011 have been translated from Nuevos Soles into U.S. dollars at a rate of S/.2.749 = U.S.$1.00 (the June 30, 2011 exchange rate as published by the SBS).

No representation is made that the Nuevo Sol or U.S. dollar amounts in this offering memorandum at any time could have been or could be converted into U.S. dollars or Nuevos Soles, as the case may be, at any particular rate or at all. For a discussion of the effects on us of fluctuating exchange rates, see "Management's Discussion and Analysis of Financial Condition and Results of Operations" — "Results of Operations for the Six Months Ended June 30, 2010 and 2011" and "—Results of Operations for the Years Ended December 31, 2008, 2009 and 2010."

Certain amounts and percentages included in this offering memorandum have been rounded, and the totals presented in certain tables therefore may not be an arithmetic aggregation of the figures that precede them.

## SUMMARY

*The following summary should be read in conjunction with, and is qualified in its entirety by, the detailed information and the financial statements and notes thereto appearing elsewhere in this offering memorandum. Prospective investors should review the section entitled "Risk Factors" for a discussion of certain factors that should be considered in connection with an investment in the notes.*

### BCP

We were established in 1889 in Lima, Peru under the name of Banco Italiano by a group of Italian immigrants. By 1920, we had become, as we are today, the largest commercial bank in Peru, based upon total assets, loans, deposits, shareholders' equity and branch network. We are currently controlled by Credicorp Ltd. (NYSE: BAP), or "Credicorp", which holds directly and through Grupo Crédito S.A., a wholly owned-subsidiary domiciled in Peru, 97.60% of our capital stock. Mr. Dionisio Romero Paoletti, our Chairman and President, is the Chairman and Chief Executive Officer of Credicorp. Members of the Romero family hold 15.00% of Credicorp's common shares. We are listed and our common shares are traded on the Lima Stock Exchange. As of June 30, 2011, 2.40% of our common stock was publicly held.

We have the leading banking franchise in Peru, including commercial, retail and investment banking. Our corporate structure includes a group of local subsidiaries offering, among others, specialized financial services that complement our commercial banking activities. These subsidiaries include Credifondo Sociedad Administradora de Fondos Mutuos de Inversión de Valores, or "Credifondo" (mutual funds), Credibolsa Sociedad Agente de Bolsa, or "Credibolsa" (brokerage) and Empresa Financiera Edyficar, or "Financiera Edyficar" (microfinance). We acquired Financiera Edyficar in October 2009 as part of our strategy of increasing our presence in underbanked segments. As of June 30, 2011, Financiera Edyficar, which specializes in providing financial services to lower-income people as well as micro-lending, represented 0.6% of our net income and 1.8% of our total assets. As of June 30, 2011, our subsidiary Banco de Crédito de Bolivia, or "BCB," was the fourth-largest bank in Bolivia in terms of assets and total deposits and the third-largest based on total loans. BCB represented 0.6% of our net income and 4.3% of our total assets as of June 30, 2011. We also have an agency in Miami and a branch in Panama.

We provide a full range of corporate and retail banking products to our corporate and retail clients through our nationwide distribution network. According to information from the SBS, as of June 30, 2011, and excluding Financiera Edyficar, we had the largest branch and second-largest automated teller machine, or "ATM," network among banks in Peru with 335 domestic branches and agencies, including 216 in Lima and the adjoining city of Callao. We also had 1,309 ATMs and 4,098 BCP Agents, a form of automated teller service, as of June 30, 2011. Additionally, as of June 30, 2011, Financiera Edyficar had 103 branches, including 24 in Lima and Callao.

As of June 30, 2011, on an unconsolidated basis according to figures published by the SBS, we were the largest bank in Peru in terms of total assets of S/.68.4 billion (or U.S.$24.9 billion), total net direct loans of S/.39.7 billion (or U.S.$14.4 billion), total deposits of S/.44.7 billion (or U.S.$16.3 billion), and shareholders equity of S/.5.6 billion (or U.S.$2.0 billion). According to the SBS, as of June 30, 2011, our direct loans and deposits represented 35.1% and 35.8%, respectively, of the entire Peruvian banking system. Given our relatively higher concentration on corporate clients, of our total loans and deposits, 61.0% and 52.9%, respectively, were denominated in U.S. dollars as compared to 52.1% and 49.9%, respectively, for the entire Peruvian banking system. As of June 30, 2011, our unconsolidated capital adequacy ratio was 13.5% (compared to the minimum regulatory capital requirement of 9.8%), and our net income for the first six months of 2011 was S/.686.8 million (or U.S.$249.8 million).

Our extensive retail network, strong reputation and brand recognition allow us to benefit from a diversified and stable deposit base. According to unconsolidated figures published by the SBS, we have one of the highest core-deposit ratios (*i.e*., demand deposits plus savings and CTS deposits (severance indemnity deposits) to total deposits (*i.e.*, time deposits plus core deposits)) in the Peruvian banking sector, which as of December 31, 2010, stood at 62.2% compared to the average ratio of the sector of 53.6%. We have historically focused on our core lending activities as a major source of income. As of June 30, 2011, our core-deposit ratio to total deposits was 68.5%, compared to an average ratio of the sector of 57.6%, and our ratios of loans to total assets and loans to total deposits were 58.1% and 88.8%, respectively.

We believe that we have a strong competitive position due to the diversity and size of our customer portfolio, our extensive relationships with prominent corporate clients in Peru, our widespread branch network, our low-cost funding structure, our high level of investment in technology and the experience and professionalism of our management.

Our operations, including those of Financiera Edyficar, are supervised and regulated by the SBS and the *Banco Central de Reserva del Perú* (the Central Bank, or the "BCRP"). The operations of our Panamanian branch are supervised and regulated by the SBS and the *Superintendencia de Bancos de la República de Panamá* (the Panamanian Superintendency of Banks, or the "PSB") and we hold an international banking license issued by the PSB. Our agency in Miami is regulated by the Federal Reserve System and by the Florida Office of Financial Regulation. In addition, the operations of our subsidiary in Bolivia are regulated by the *Autoridad de Supervision del Sistema Financiero* (the Supervising Authority of the Financial System, or the "ASFI").

**Strategy**

Our strategy is to continue:

- diversifying our client base by developing under-banked segments, which include small companies and low-income individuals, through specially tailored loans, such as microfinance loans, and cash management products and services, and by introducing more efficient distribution channels that respond to our clients' needs while maintaining our high-quality standards;
- developing and growing our retail banking business by expanding our distribution network and increasing bank penetration along with a strengthening of credit scoring, collection, distribution, cross selling and commercial intelligence processes;
- improving profitability through productivity enhancement, control of operating costs and more aggressive use of electronic distribution channels;
- maintaining the stability of our net income and further strengthening our balance sheet and our capital structure in order to establish a strong capital base to support future growth; and
- improving our comprehensive approach to risk management, with a focus on assessing credit risk, market risk, operational risk and reputational risk.

We believe we have been a pioneer in the Peruvian financial system, offering innovative financing solutions for the local market. Furthermore, we believe we have been able to deliver cost-competitive products with high levels of service and quality, due to our broad deposit base and our efficient operating cost structure.

We expect to continue, through a combination of organic growth and selective acquisitions, our strategy of expanding our retail banking business, which is characterized by higher margins. This strategy will allow us to continue to grow in segments in which BCP has a below-average market share due to our historic focus on the corporate segment.

We will continue to expand our branch network by establishing new offices in under-banked areas of Lima and Peru in general, where we expect demand for banking services to grow quickly. Excluding Financiera Edyficar and Banco de Crédito de Bolivia, the number of our branches increased from 207 as of December 31, 2004, to 337 as of June 30, 2011, including our branch in Panama and our agency in Miami, and the number of ATMs increased from 1,159 as of December 31, 2010 to 1,309 as of June 30, 2011 as reported by the SBS. We intend to continue to focus on serving historically under-banked sectors in the main metropolitan areas of Peru as well as on lending to small and micro-businesses. Our management expects these segments to continue growing at above average rates. Also, we expect our distribution network to further increase efficiencies, resulting in higher profitability.

In the near term, we believe that the financial sector and the availability of credit in Peru will continue to expand. The rebalancing of the loan mix towards products with higher spreads and towards products denominated in Nuevos Soles is expected to offset the anticipated reductions in spreads in the corporate sector and lower spreads in U.S. dollars. As a result, we expect overall interest margins to remain relatively stable. We also expect that declines in fees and commissions due to increased competition will be offset by higher transaction and loan volumes.

We expect to benefit from certain positive trends in the Peruvian economy. In retail banking, we expect that the growing Peruvian economy will help produce continued growth in mortgage loans, consumer loans and loans to micro-businesses. Our management believes that Peru's continued economic growth should also be beneficial to middle-market banking, which we believe will continue to expand. In wholesale banking, we believe that competition in the Peruvian capital markets, which represents an attractive source of funding, will continue to drive this segment at a rate similar to the growth in the Peruvian economy.

## THE OFFERING

The following is a brief summary of certain terms of this offering. Some of the terms and conditions described below are subject to important limitations and exceptions. For a more complete description of the terms of the notes, see "Description of the Notes" in this offering memorandum.

| | |
|---|---|
| Issuer | Banco de Crédito del Perú, acting through our Panamanian branch. |
| Notes | U.S.$476,120,000 aggregate principal amount of fixed-to-floating rate subordinated notes due 2026. |
| Maturity | September 16, 2026. |
| Issue Date | September 16, 2011. |
| Interest | The notes will bear interest at the rate of 6.875% per annum to, but excluding September 16, 2021, and from September 16, 2021 at a floating rate of three-month LIBOR plus 7.708% per year. Interest will be payable on March 16 and September 16 of each year, commencing on March 16, 2012 until September 16, 2021, and quarterly on each March 16, June 16, September 16 and December 16 thereafter. |
| Issue Price | 100% of the principal amount, plus accrued interest, if any, from September 16, 2011. |
| Ranking | The notes will be our direct, unsecured subordinated obligations. In the event of our bankruptcy, liquidation, or dissolution under Peruvian law, the notes will rank:<br>• junior in right of payment to all our existing and future Senior Obligations;<br>• pari passu among themselves;<br>• at least pari passu with all our Parity Securities; and<br>• senior in right of payment to our Junior Securities.<br>As of June 30, 2011, we had a total Senior Obligations of approximately S/.64.0 billion (approximately U.S.$ 23.3 billion) of which S/. 47.9 billion (approximately U.S.$17.4 billion) represents bank deposits. Payments on the notes will be subordinated to the payment of Senior Obligations, which include employee liabilities (such as payroll), bank deposits and other types of saving instruments |

and taxes, among other types of obligations. The indenture will permit us to incur additional Senior Obligations.

"Senior Obligations" means (a) all claims of our unsubordinated creditors and other claims and obligations that rank senior in right of payment under mandatory provisions of Peruvian law, including all labor claims of our employees, all claims of our depositors and all claims of the Peruvian social security administration (*Seguro Social de Salud*) for healthcare obligations and claims for taxes; and (b) all claims of all of our other creditors, except those whose claims rank, or are expressed to rank, *pari passu* with, or junior to, the claims of holders of Parity Securities.

"Parity Securities" means (i) all securities or other subordinated obligations which qualify as consolidated Tier II Regulatory Capital and (ii) any other securities or obligations which rank (pursuant to mandatory provisions of law or otherwise) or are expressed to rank, *pari passu* with our obligations under the notes.

"Junior Securities" means (i) all hybrid instruments which qualify as consolidated Tier I and Tier II Regulatory Capital, as applicable; (ii) all classes of capital stock and preferred stock and (iii) any other securities or obligations which rank *pari passu* with any class of our capital stock with respect to the payment of dividends and distributions of assets upon liquidation, dissolution or winding up.

Make-Whole Redemption .................................................... We may (with the prior approval of the SBS or any other then applicable Peruvian governmental authority, if then required) redeem the notes, in whole or in part, on September 16, 2016 or on any date occurring thereafter until September 16, 2021, by paying the greater of the outstanding principal amount of the notes and a "make-whole" amount, in each case plus any accrued and unpaid interest on the principal amount of the notes up to, but not including, the date of redemption, plus additional amounts, if any. See "Description of the Notes—Redemption Prior to Maturity—Make-Whole Redemption."

Optional Redemption ........................................................... We may (with the prior approval of the SBS or any other then applicable Peruvian governmental authority, if then required) redeem the notes in whole or in part on September 16, 2021 or on any interest payment date occurring thereafter at a redemption price equal to 100% of the principal amount of the notes on such redemption date plus any accrued and unpaid interest on the principal amount of the notes up to, but not

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| | including, the date of redemption, and additional amounts, if any. See "Description of the Notes—Redemption Prior to Maturity—Optional Redemption." |
| Optional Redemption for Taxation or Regulatory Reasons... | We may (with the prior approval of the SBS or any other then applicable Peruvian governmental authority, if then required) redeem the notes in whole, but not in part, upon giving not less than 30 nor more than 60 days' notice to the holders of the notes, following the occurrence of certain changes in Peruvian, Panamanian or other then applicable tax laws or regulations or regulatory events under Peruvian laws, at a redemption price equal to 101% of the principal amount of the notes on such redemption date, in case of redemption following a change in tax law, and at a redemption price equal to a "make-whole" amount, in case of redemption following a Regulatory Event (as defined below), in each case plus any accrued and unpaid interest on the principal amount of the notes up to, but not including, the date of redemption, plus additional amounts, if any. See "Description of the Notes—Redemption Upon Tax Event or Regulatory Event." |
| Covenants ............................................................................ | The indenture governing the notes will contain covenants that, among other things:<br>• limit our ability to consolidate with or merge into any other corporation or convey or transfer our properties and assets substantially as an entirety to any person; and<br>• require us to furnish to the trustee certain supplementary and periodic information, documents and reports.<br>These covenants are subject to a number of important limitations and exceptions. See "Description of the Notes—Covenants." |
| Acceleration Event, Waivers and Rescission ....................... | If we fail to make payment of principal of or interest or additional amounts, if any, on the notes (and, in the case of payment of interest or additional amounts, such failure to pay continues for 30 days), each holder of the notes has the right to demand and collect under the indenture, and we will pay to the holders of the notes the applicable amount of such due and payable principal, accrued interest and additional amounts, if any, on the notes. **There is no right of acceleration in the case of a default in any payment on the notes (whether when due upon stated maturity, upon redemption or otherwise) or the performance of any of our other obligations under the indenture or the notes.** |

Acceleration of any payments due under the notes will occur only if the SBS or any other then-applicable Peruvian Governmental Authority (as defined in "Description of the Notes—Certain Definitions—Governmental Authority"), enters a decree or order for "Intervention" (as defined in "Regulatory Environment—Peruvian Regulation—Intervention by the SBS and Liquidation") or for the appointment of a custodian, conservator, receiver, liquidator, assignee, trustee, sequestrator or other similar official in any liquidation, insolvency or similar proceeding with respect to us or all or substantially all of our property and such decree or order has been communicated by the SBS to us. In the event that we become subject to Intervention, the rate at which interest will accrue on the notes (to the extent the notes have not been used to absorb losses) during the Intervention and liquidation process will be limited to the legal interest rate for Dollar-denominated indebtedness determined by the Central Bank. See "Description of the Notes—Peruvian Bankruptcy Considerations."

Pursuant to the Peruvian Banking Law, upon an acceleration event of the notes, the SBS will have the power to interrupt our operations in order to prevent, or to control and reduce the effects of, our failure. Upon Intervention by the SBS and subsequent liquidation, the notes may be used to absorb losses. See "Description of the Notes—Peruvian Bankruptcy Considerations."

Loss Absorption .................................................................... Pursuant to the Peruvian Banking Law, as amended, and regulations promulgated thereunder, the SBS may decree that in the case of an intervention by the SBS or our liquidation the principal amount and/or interest on the notes be used to absorb our losses. If the SBS were to do so, any of our losses would be absorbed first by current and retained earnings, donations and premiums on the issuance of shares, and legal and voluntary reserves, then by common and preferred shares, followed by hybrid instruments which qualify as Tier I and Tier II regulatory capital (as applicable) and finally by redeemable subordinated debt which qualifies as Tier II Regulatory Capital, such as the notes.

Book-Entry; Form and Denomination.................................. The notes will be issued in the form of one or more global notes without coupons, registered in the name of a nominee of The Depository Trust Company ("DTC"), as depositary, for the accounts of its participants including Euroclear Bank S.A./N.V. ("Euroclear"), and Clearstream Banking, *société anonyme*, Luxembourg ("Clearstream"). The notes will be issued in minimum denominations of

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| | U.S.$10,000 and integral multiples of U.S.$1,000 in excess thereof. The notes will not be issued in definitive form except under certain limited circumstances. See "Description of the Notes—Book-Entry System; Delivery and Form—Certificated Notes." |
| Use of Proceeds | The net proceeds from the offering will be available for general corporate purposes. |
| Further Issuances | Subject to the limitations contained in the indenture, we may from time to time, without notice to or consent of the holders of the notes, create and issue an unlimited principal amount of additional notes of the same series as the notes offered hereby. |
| Governing Law; Submission to Jurisdiction | The notes are being issued by BCP as redeemable subordinated notes under Article 233 of the Peruvian Banking Law and will be governed by the law of New York. We will submit to the non-exclusive jurisdiction of the United States federal and state courts located in the Borough of Manhattan in The City of New York in respect of any action arising out of or based on the notes. |
| Listing and Trading | Application has been made to list the notes on the Luxembourg Stock Exchange and to trading on the Euro MTF Market. The approval for such listing is not a condition to the consummation of this offering. |
| Peruvian SBS Registration | Application will be made with the Foreign Investment Instruments Registry (*Registro de Instrumentos de Inversión Extranjeros*) of the SBS, in order to make the notes eligible for investment by Peruvian private pension funds. We cannot assure you, however, that the application will be approved. |
| Trustee, Security Registrar, Calculation Agent and Paying Agent | The Bank of New York Mellon |
| Luxembourg Paying Agent, Transfer Agent and Listing Agent | The Bank of New York Mellon (Luxembourg) S.A. |
| Transfer Restrictions; no Registration Rights | The notes have not been registered under the Securities Act and are subject to restrictions on transfer and resale. The notes may only be offered and sold (1) to persons who are QIBs, in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A; or (2) to non-U.S. Persons (as defined in Regulation S of the Securities Act) in offshore transactions in reliance on Regulation S under the Securities Act; and (3) in |

accordance with any applicable law.

We will not be required to, nor do we intend to, register the notes for resale under the Securities Act or to offer to exchange the notes for notes registered under the Securities Act or the securities laws of any jurisdiction.

| | |
|---|---|
| No Established Trading Market............................................ | The notes are a new issue of securities with no established trading market. We cannot assure you that an active or liquid trading market for the notes will develop. If an active or liquid trading market for the notes does not develop, the market price and liquidity of the notes may be adversely affected. |
| Risk Factors........................................................................... | Investing in the notes involves substantial risks and uncertainties. See "Risk Factors" and other information included in this offering memorandum for a discussion of factors you should carefully consider before deciding to purchase any notes. |

## SUMMARY FINANCIAL INFORMATION

The following summary of financial and operating data as of and for each of the years ended December 31, 2008, 2009 and 2010 have been derived from the audited annual consolidated financial statements. The audited consolidated financial statements as of December 31, 2009 and 2010 and for each of the three-years ended on December 31, 2010, along with MZP's report therein are included in this offering memorandum. This information should be read in conjunction with the annual consolidated financial statements and the interim unaudited consolidated financial statements as of June 30, 2011 and for the six months ended June 30, 2010 and 2011, and the notes thereto as well as the sections entitled "Capitalization," "Selected Financial Information" and "Management's Discussion and Analysis of Financial Condition and Results of Operations." As indicated above, the annual consolidated financial statements have been prepared in accordance with Peruvian GAAP, which differs in certain significant respects from IFRS and U.S. GAAP. For a description of certain significant differences among Peruvian GAAP, IFRS, and U.S. GAAP, see Appendix A.

| | As of and for the years ended December 31, | | | |
|---|---|---|---|---|
| | 2008 | 2009 | 2010 | 2010 |
| | *(Nuevos Soles in thousands)* | | | *(U.S. dollars in thousands) (unaudited)* |
| **INCOME STATEMENT DATA:** | | | | |
| Financial income | 3,806,220 | 3,716,174 | 3,790,337 | 1,349,355 |
| Financial expense | (1,642,574) | (1,257,112) | (1,142,336) | (406,670) |
| Gross financial margin | 2,163,646 | 2,459,062 | 2,648,001 | 942,685 |
| Provision for loan losses(1) | (272,463) | (517,892) | (600,533) | (213,789) |
| Gross financial margin after provision for loan losses | 1,891,183 | 1,941,170 | 2,047,468 | 728,896 |
| Gain (loss) for exchange difference | 49,435 | (252,547) | 24,404 | 8,688 |
| Net financial margin | 1,940,618 | 1,688,623 | 2,071,872 | 737,584 |
| Fees and commissions from banking services | 990,698 | 1,088,567 | 1,298,332 | 462,204 |
| Net gains (loss) from sales of securities | 74,955 | 254,964 | 174,876 | 62,256 |
| Net gains on foreign exchange transactions | 324,420 | 202,528 | 243,978 | 86,856 |
| Other income | 234,586 | 272,114 | 319,261 | 113,656 |
| Operating expenses | (1,891,599) | (2,203,888) | (2,381,381) | (847,768) |
| Income before workers' profit sharing and income tax | 1,673,678 | 1,302,908 | 1,726,938 | 614,788 |
| Workers' profit sharing | (41,557) | (49,265) | (69,929) | (24,895) |
| Income tax | (297,575) | (329,142) | (447,668) | (159,369) |
| **Net income** | **1,334,546** | **924,501** | **1,209,341** | **430,524** |
| Basic and diluted earnings per share (in Nuevos Soles)(2) | 0.5218 | 0.3615 | 0.4728 | 0.1683 |
| Dividends declared per common share (in Nuevos Soles) | 0.4070 | 0.2670 | 0.2010 | 0.0716 |
| **BALANCE SHEET DATA:** | | | | |
| **Total assets** | **55,495,160** | **55,287,406** | **70,969,725** | **25,265,121** |
| Investments in trading and available-for-sale securities, net and investments in associates | 9,691,035 | 8,974,048 | 4,572,414 | 1,627,773 |
| **Gross loans(3)** | **32,787,477** | **33,459,686** | **40,266,971** | **14,334,984** |
| Reserves for loan losses(4) | (739,480) | (1,033,148) | (1,181,389) | (420,573) |
| **Net loans** | **32,047,997** | **32,426,538** | **39,085,582** | **13,914,411** |
| Past due loans | 246,866 | 531,147 | 587,471 | 209,139 |
| **Total deposits** | **43,780,574** | **41,784,815** | **47,900,771** | **17,052,606** |
| Issued bonds | 2,497,227 | 3,571,842 | 5,546,470 | 1,974,535 |
| **Shareholders' equity** | **4,099,932** | **4,829,276** | **5,539,050** | **1,971,894** |

(1) Provision for loan losses includes provisions with respect to total direct and indirect loans. While direct loans represent outstanding loans, indirect loans include guarantees and stand-by letters of credit, import and export letters of credit, and due from bank acceptances, which are not included as assets on our balance sheet.

(2) Basic and diluted per common share data presented assumes 2,557.7 million common shares outstanding on all periods, including 329.5 million common shares due to the capitalization of retained earnings on March 31, 2010, according to the accounting policy described in note 3(u) of the annual consolidated financial statements.

(3) Net of deferred interest on discounted notes and leasing receivables, plus accrued interest from performing loans, but prior to reserve for loan losses. In addition to direct loans outstanding, we had indirect loans of S/.6.2 billion, S/.7.2 billion and S/.9.0 billion as of December 31, 2008, 2009 and 2010, respectively.

(4) Reserves for loan losses include reserves with respect to direct loans only.

The following summary financial and operating data as of and for the six months ended June 30, 2010 and 2011 have been derived from the interim consolidated financial statements. This information should be read in conjunction with the interim consolidated financial statements and the notes thereto. The unaudited financial and operating data include all adjustments (consisting of normal recurring adjustments) that are, in the opinion of our management, necessary for a fair presentation of our financial position and results of operations for the periods presented. The interim results of operations are not necessarily indicative of operations for a full fiscal year. As noted above, the interim consolidated financial statements have been prepared in accordance with Peruvian GAAP. For a description of certain significant differences among Peruvian GAAP, IFRS and U.S. GAAP, see Appendix A.

| | **As of and for the six months ended June 30,** | | |
|---|---|---|---|
| | **2010** | **2011** | **2011** |
| | *(Nuevos Soles in thousands)* *(unaudited)* | | *(U.S. dollars in thousands)* |
| **INCOME STATEMENT DATA:** | | | |
| Financial income | 1,800,596 | 2,247,013 | 817,393 |
| Financial expense | (547,746) | (693,817) | (252,389) |
| Gross financial margin | 1,252,850 | 1,553,196 | 565,004 |
| Provision for loan losses(1) | (281,234) | (326,827) | (118,889) |
| Gross financial margin after provision for loan losses | 971,616 | 1,226,369 | 446,115 |
| Loss for exchange difference | (33,264) | (21,491) | (7,818) |
| Net financial margin | 938,352 | 1,204,878 | 438,297 |
| Fees and commissions from banking services | 629,203 | 706,910 | 257,152 |
| Net gains (loss) from sales of securities | 107,140 | (7,070) | (2,572) |
| Net gains on foreign exchange transactions | 149,382 | 185,262 | 67,393 |
| Other income | 149,567 | 86,056 | 31,304 |
| Operating expenses(2) | (1,172,132) | (1,248,098) | (454,019) |
| Income before income tax | 801,512 | 927,938 | 337,555 |
| Income tax | (219,173) | (241,140) | (87,719) |
| **Net income** | **582,339** | **686,798** | **249,836** |
| Basic and diluted earnings per share (in Nuevos Soles)(3) | 0.2277 | 0.2685 | 0.0977 |
| **BALANCE SHEET DATA:** | | | |
| **Total assets** | **57,998,149** | **71,526,350** | **26,019,043** |
| Investments at fair value through profit or loss, available-for-sale investments, net and investments in associates | 10,670,205 | 11,035,747 | 4,014,459 |
| **Gross loans(4)** | **35,607,058** | **43,785,060** | **15,927,632** |
| Reserves for loan losses(5) | (1,096,847) | (1,310,424) | (476,691) |
| **Net loans** | **34,510,211** | **42,474,636** | **15,450,941** |
| Past-due loans | 575,026 | 669,039 | 243,375 |
| **Total deposits** | **39,650,233** | **47,859,851** | **17,409,913** |
| Bonds issued | 3,398,080 | 7,240,184 | 2,633,752 |
| **Shareholders' equity** | **4,761,460** | **5,626,072** | **2,046,589** |

(1) Provisions for loan losses include provisions with respect to total direct and indirect loans. While direct loans represent outstanding loans, indirect loans include guarantees and stand-by letters of credit, import and export letters of credit, and due from bank acceptances.

(2) Includes expenses related to worker's profit sharing. For further details, see "Management's Discussion and Analysis of Financial Condition and Results of Operations–Critical Accounting Policies."

(3) Basic and diluted per common share data presented assumes 2,557.7 million common shares outstanding on all periods, as indicated in note 12 of the interim consolidated financial statements.

(4) Net of deferred interest on discounted notes and leasing receivables, plus accrued interest from performing loans, but prior to reserve for loan losses. In addition to direct loans outstanding, we had indirect loans of S/.8.3 billion and S/.9.6 billion, as of June 30, 2010 and 2011, respectively.

(5) Reserves for loan losses include reserves with respect to direct loans only.

The following summary financial and operating data as of and for each of the years ended December 31, 2008, 2009 and 2010 and for the six months ended June 30, 2011 and 2010 have been derived from the audited annual consolidated financial statements and the interim consolidated financial statements, respectively. This information should be read in conjunction with the annual consolidated financial statements and the interim consolidated financial statements and the notes thereto. As indicated above, Peruvian GAAP differs in certain significant respects from IFRS and U.S. GAAP. For a description of certain significant differences among Peruvian GAAP, IFRS and U.S. GAAP, see Appendix A.

| | As of and for the years ended December 31, | | | As of and for the six months ended June 30, | |
|---|---|---|---|---|---|
| | **2008** | **2009** | **2010** | **2010** | **2011** |
| | *(Nuevos Soles in millions, except as otherwise indicated)* | | | | |
| **OTHER FINANCIAL DATA:** | | | | *(unaudited)* | |
| Total operating revenue(1) | 3,515.8 | 3,759.3 | 4,083.9 | 2,006.9 | 2,197.5 |
| Dividends | 613.9 | 595.0 | 514.1 | — | — |
| Average interest-earning assets(2) | 46,725.5 | 49,557.8 | 56,750.4 | 52,108.1 | 55,940.4 |
| Average total assets(3) | 49,604.5 | 55,391.3 | 63,123.6 | 56,663.7 | 71,248.0 |
| Average shareholders' equity(4) | 3,653.9 | 4,464.6 | 5,184.2 | 4,795.4 | 5,582.6 |
| Risk-weighted assets(5) | 35,528.9 | 37,592.5 | 42,965.7 | 40,848.7 | 46,328.7 |
| Total regulatory capital | 4,092.0 | 5,457.1 | 5,517.3 | 5,564.9 | 6,266.9 |
| **SELECTED FINANCIAL RATIOS:** | | | | | |
| **Profitability and Efficiency** | | | | | |
| Return on average shareholders' equity(6) | 37.8% | 20.9% | 24.1% | 24.6% | 28.9% |
| Return on average total assets(7) | 2.6% | 1.7% | 1.9% | 2.0% | 2.2% |
| Dividend payout ratio(8) | 46.0% | 64.4% | 42.5% | — | — |
| Net interest margin(9) | 4.6% | 5.0% | 4.7% | 4.8% | 5.6% |
| Provisions for loans losses as a percentage of total operating revenue | 21.0% | 27.5% | 28.9% | 27.3% | 29.8% |
| Efficiency ratio(10) | 45.3% | 54.4% | 54.5% | 54.7% | 50.1% |
| Net fee income as a percentage of total operating revenue(11) | 28.2% | 29.0% | 31.8% | 31.4% | 32.2% |
| **Capitalization and Balance Sheet Structure** | | | | | |
| Equity-to-asset ratio(12) | 7.4% | 8.1% | 8.2% | 8.5% | 7.8% |
| Total regulatory capital as a percentage of risk-weighted assets | 11.5% | 14.5% | 12.8% | 13.6% | 13.5% |
| Total loans as a percentage of total deposits | 73.2% | 77.6% | 81.6% | 87.1% | 88.7% |
| Total deposits as a percentage of total assets | 78.9% | 75.6% | 67.5% | 68.4% | 66.9% |
| **Credit Quality** | | | | | |
| Reserve for loan losses as a percentage of total gross loans(13) | 2.3% | 3.1% | 2.9% | 3.4% | 3.2% |
| Reserve for loan losses as a percentage of past due loans (coverage ratio) (13) | 299.5% | 194.5% | 201.1% | 206.3% | 210.2% |
| Past due loans as a percentage of total gross loans | 0.8% | 1.6% | 1.5% | 1.7% | 1.5% |

(1) Operating revenue is the aggregate of gross financial margin after provisions for loan losses, and non-financial income, net.

(2) Average interest-earning assets include deposits in the Central Bank, deposits in other banks, interbank funds, investment securities and loans and the sum is calculated based on the average of month-end balances.

(3) Average total assets is defined as the simple average between the value of total assets at the end of the period (December 31 for annual figures and June 30 for six-month figures) and the value of total assets at the end of the previous corresponding period.

(4) Average shareholders' equity is defined as the simple average between the value of shareholders' equity at the end of the period (December 31 for annual figures and June 30 for six-month figures) and the value of shareholders' equity at the end of the previous corresponding period.

(5) Includes on and off balance sheet assets on an unconsolidated basis as reported to the SBS.

(6) Net income as a percentage of average shareholders' equity, computed as the average of month-end balances.

(7) Net income as a percentage of average total assets, computed as the average of month-end balances.

(8) Declared dividends per share divided by net income per share.

(9) Net interest income as a percentage of average interest-earning assets, computed as the average of month-end balances.

(10) Salaries and employee benefits, general and administrative expenses, and depreciation and amortization divided by total operating revenue.

(11) Fees and commissions from banking services, net, as a percentage of total operating revenue.

(12) Average equity divided by average total assets, both calculated as the average of month-end balances.

(13) Reserve for loan losses includes reserves with respect to direct and indirect loans.

## RISK FACTORS

*You should carefully consider the following risk factors, as well as other information set forth in this offering memorandum, prior to making an investment in the notes. The risks described below are not the only ones that we face. Additional risks not presently known to us or that we currently deem immaterial may also have a negative effect on our business operations. In general, investing in the securities of issuers in emerging market countries, such as Peru, involves risks not typically associated with investing in the securities of U.S. companies.*

### Risk Factors Relating to BCP and our Business

***A significant deterioration of our loan portfolio may have an adverse effect on our business, financial condition and results of operations.***

Given that a significant percentage of our interest income is related to lending activities, a significant deterioration of loan quality would have a material adverse effect on our business, financial condition and results of operations. We are subject to concentration default risks in our loan portfolio. Problems with one or more of our largest borrowers may adversely affect our financial condition and results of operations. As of June 30, 2011, the aggregate outstanding principal amount of our 20 largest borrowing relationships represented approximately 15.2% of our total consolidated loan portfolio (compared to 17.3% as of December 31, 2010). While loan portfolio risk associated with lending to certain economic sectors or clients in certain market segments can be mitigated through adequate diversification, our pursuit of opportunities in which we can charge higher interest rates, and thereby increasing revenue, may reduce diversification of the loan portfolio and expose us to greater credit risk.

In addition, loan concentrations in commercial sectors are unavoidable in Peru, principally in mining and natural resources, and significant deteriorations in such sectors may have a material adverse effect on our business, financial condition and results of operations. Our current strategy includes increasing our exposure to sectors with heightened credit risk, including middle-market and consumer sectors, including unsecured consumer loans and consumer mortgages, which have higher risk profiles as compared to loans to large corporate customers. We follow this by using conservative credit assessments, risk-adjusted pricing methodologies and strong capital support. Given the changing composition of our loan portfolio and possible adverse changes in the environment in which we operate, historical loss experience may not be indicative of future loan loss experience.

***We face strong competition from existing and new competitors in our markets, which may put pressure on our margins and reduce our profitability.***

We have experienced increased competition, which has put pressure on our margins. Competition comes primarily from highly liquid multinational commercial banks with innovative technology and marketing resources, and from local pension funds that lend to our corporate customers through the capital markets. We have also experienced an increase in competition from financial companies and microfinance entities. In addition, larger Peruvian companies have gained access to new sources of funding, through local and international capital markets, and our traditional and new competitors have increasingly made inroads into the higher-margin middle-market and retail banking sectors. As of June 30, 2011, the Peruvian financial system was composed of 63 financial institutions, including 15 commercial banks, 13 municipal and 10 rural savings and loan associations (*cajas*), 10 small-business development non-bank institutions, 10 financial companies, 2 leasing companies and 3 state-owned banks (not including the Central Bank): Banco de la Nación, Development Finance Corporation (*Corporación Financiera de Desarrollo* or COFIDE) and Banco Agropecuario. Of the 15 commercial banks in operation, 10 were majority-owned (more than 80% ownership) by foreign institutions. As of June 30, 2011, the Peruvian financial sector also included 14 insurance companies and 4 private pension fund managers.

Increased competition may affect our loan growth and reduce the average interest rates that we charge our customers. Competitors may also direct greater resources and be more successful in the development and/or marketing of technologically advanced products and services that may compete directly with our products and services, adversely affecting the acceptance of our products and/or leading to adverse changes in the spending and saving habits of our customer base. We may not be able to maintain our market share if we are not able to match our competitors' loan pricing or keep pace with their development of new products and services.

In addition, the entry of new competitors into the market could adversely affect our market share. Scotiabank Perú, through a merger between Banco Sudamericano and Banco Wiese Sudameris in 2006, became the third largest bank in the Peruvian banking system in terms of gross loans. In 2008, Scotiabank Perú acquired Banco del Trabajo, which was subsequently converted into a financial company under the name CrediScotia Financiera. HSBC Bank Plc was authorized to establish a banking subsidiary in Peru in 2006 and HSBC Bank Perú S.A. started operating during the second semester of 2006. In 2007, the SBS authorized the Chilean banks Banco Falabella and Banco Ripley to transform their existing non-banking financial institutions into banks. In 2008, the SBS authorized the Mexican bank Banco Azteca and the Spanish bank Banco Santander to establish banking subsidiaries in Peru. All of these banks have started operations. Finally, Deutsche Bank began its financial operations in Peru in 2009, having obtained its banking license in 2008. Intensified merger activity in the financial services industry produces larger, better capitalized and more geographically diverse firms that are capable of offering a wider array of financial products and services at more competitive prices.

***Our allowances for impairment losses may not be adequate to cover the future actual losses to our loan portfolio.***

We record allowances for impairment losses on loans and other assets. The amount of allowances we record is based on our current assessment of and expectations concerning various factors affecting the quality of our loan portfolio and follows SBS guidelines. These factors include, among other things, our borrowers' financial condition, repayment abilities and repayment intentions, the realizable value of any collateral, the prospects for support from any guarantor, Peru's economy, government macroeconomic policies, interest rates and the legal and regulatory environment. As the recent global financial crisis has demonstrated, many of these factors are beyond our control. In addition, as these factors evolve, the models we use to determine the appropriate level of allowance for impairment losses on loans and other assets require recalibration, which can lead to increased provision expense. We believe our allowance is adequate as of the date hereof for all known losses. If our assessment of and expectations concerning the above mentioned factors differ from actual developments, or if the quality of our loan portfolio deteriorates or the future actual losses exceed our estimates, our allowance for impairment losses may not be adequate to cover actual losses and we may need to make additional provisions for impairment losses, which may materially and adversely affect our results of operations and financial condition.

***Our operations are supervised and regulated by the SBS and the Central Bank, which may take actions that could adversely affect our business, financial condition and results of operations.***

Our operations are supervised and regulated by the SBS and the Central Bank. The Peruvian Constitution and the *Ley General del Sistema Financiero y del Sistema de Seguros y Orgánica de la Superintendencia de Banca y Seguros y AFP*, or the "Peruvian Banking Law," grant the SBS the authority to oversee and control banks and other financial institutions. The SBS and the Central Bank have general administrative responsibilities over us, including authority to set loan loss provisions, capitalization and deposit reserve requirements. In past years, the Central Bank has, on numerous occasions, changed the deposit reserve requirements (*encaje*) applicable to Peruvian commercial banks and both the rate of interest paid on deposit reserves and the amount of deposit reserves on which no interest is payable by the Central Bank. Also, we could be required to increase our level of provisions in response to pro-cyclical provisioning requirements that could be activated by regulators under certain favorable macroeconomic conditions. In August 2011, Daniel Schydlowsky was appointed as the new chairman of the SBS by President Humala. We cannot predict whether the current or any future chairman of the SBS will implement changes in policies or regulations affecting financial institutions such as us. Potential changes in bank supervision and regulation may adversely affect our business, financial condition and results of operations. For a more detailed description of Peruvian banking regulations, see "Regulatory Environment."

***Peru has corporate disclosure and accounting standards different from those with which you may be familiar.***

Securities disclosure requirements in Peru differ from those in the United States. Accordingly, the information about us, a non-U.S. SEC reporting company, available to you may not be the same as the information available to security holders of a U.S. company or a foreign private issuer that is required to file reports with the SEC in the United States. This is the case despite the fact that our ultimate parent company, Credicorp Ltd., files reports with the SEC.

There are also significant differences between Peruvian and U.S. accounting and financial reporting standards. The financial statements contained herein have been prepared in accordance with Peruvian GAAP and may differ significantly from financial statements prepared in accordance with IFRS, or U.S. GAAP. We have not prepared a quantitative reconciliation of the specific differences among Peruvian GAAP, IFRS, and U.S. GAAP. Accordingly, we cannot assure you that all existing differences have been identified and that the differences described in Appendix A are in fact the most significant differences. In addition, we cannot estimate the net effect that applying IFRS, or U.S. GAAP would have on our consolidated results of operations or consolidated financial position or any component thereof. The effect of such differences may be, individually or in the aggregate, material, and in particular, as a result of such differences, various items including but not limited to, total shareholders' equity might be materially different if reported under IFRS or U.S. GAAP. Differences in the presentation of the financial statements, as well as differences in the information provided in the footnotes to the financial statements, have not been reported. See "Accounting Practices" set forth in Appendix A for a description of certain significant differences among Peruvian GAAP, IFRS and U.S. GAAP.

***We engage in transactions with certain related parties that could result in conflicts of interest.***

Certain parties related to us have been involved, directly or indirectly, in credit transactions with us. In accordance with the Peruvian Banking Law, related parties include directors, principal executive officers and holders that own, directly or indirectly, more than 4% of our shares, and companies controlled (for purposes of the Peruvian Banking Law) by any of them. Under the Peruvian Banking Law, all loans to related parties must be made on terms no more favorable than those offered to third parties. The SBS regulates and closely monitors related-party transactions and establishes a limit on aggregate related-party transactions equivalent to 30% of a bank's regulatory capital (on an unconsolidated basis, which includes subsidiaries as related parties). Our related-party exposure, on an unconsolidated basis, equaled 21.7%, 16.3% and 12.8% of our regulatory capital, as of December 31, 2009, December 31, 2010 and June 30, 2011, respectively.

As of June 30, 2011, direct and indirect loans to BCP related parties on a consolidated basis were S/.1.0 billion (U.S.$ 363.8 million), in the aggregate, including S/.800.8 million (U.S.$ 291.3 million) in outstanding loans, which comprised approximately 1.8% of our total loan portfolio, of which 100.0% were classified as Normal (*Normal*), 0.0% as a Potential Problem (*Problema Potencial*), 0.0% as Substandard (*Deficiente*), 0.0% as Doubtful (*Dudoso*) and 0.0% as a Loss (*Pérdida*). As of June 30, 2011, loans and other credits to our employees amounted to S/.402.9 million (U.S.$146.6 million). See "Regulatory Environment—Loan Loss Reserves."

We believe we are in compliance with all related-party transaction requirements imposed by the Peruvian Banking Law and the SBS. Although we intend to continue entering into transactions with related parties on terms similar to those that would be offered by or to an unaffiliated third party, such financial transactions create the potential for, or could result in, conflicts of interest. For further information on our transactions with related parties, see "Related Party Transactions."

***A devaluation of the Nuevo Sol may adversely affect our business, financial condition and results of operations.***

The Peruvian economy is dollarized to a very significant degree and the dollar exchange rate has been stable relative to other Latin American countries. As a result, a significant portion of our assets and liabilities and those in the Peruvian banking system are denominated in U.S. dollars. However, a devaluation of the Nuevo Sol could present a risk to us and a systematic risk to the Peruvian banking system. On an unconsolidated basis, 60.3% and 61.8% of our loans to clients were denominated in U.S. dollars, as of December 31, 2009 and December 31, 2010, respectively. If there were to be a devaluation of the Nuevo Sol, it would be more difficult for our clients with income denominated in Nuevos Soles to repay their U.S. dollar-denominated loans (in particular mortgages and other loans of retail customers). Devaluation is a systemic risk because, as of December 31, 2009, the Peruvian banking system had 52.7% of its loans denominated in U.S. dollars according to the SBS, compared to 52.5% as of December 31, 2010. As of June 30, 2011, 61.0% of our loans to clients were denominated in U.S. dollars and the proportion of U.S. dollar-denominated loans in the Peruvian banking system was 52.1%.

On an unconsolidated basis, 59.7% and 50.1% of our deposits were denominated in U.S. dollars, as of December 31, 2009, and December 31, 2010, respectively. According to the SBS, as of December 31, 2009, 56.1% of the deposits in the Peruvian banking system were denominated in U.S. dollars, compared to 47.9% as of

December 31, 2010. The risk from this "dollarization" of deposits derives from the banking system's potential need for U.S. dollars to pay for deposits, which would require the Central Bank to provide U.S. dollars to the banks. However, as of December 31, 2010, according to the Central Bank, Peruvian reserves were U.S.$44.1 billion and, according to the SBS, dollar-denominated deposits in the Peruvian banking system as of December 31, 2010 were U.S.$20.6 billion. As of June 30, 2011, our U.S. dollar-denominated deposits represented 52.9% of our total balance, compared to 49.9% in the entire Peruvian banking system. The decline in the dollarization of the deposits was due to higher interest rates paid for deposits in Nuevos Soles than for deposits in U.S. Dollars.

As of December 31, 2009, December 31, 2010 and June 30, 2011 the difference between our U.S. dollar-denominated assets and U.S. dollar-denominated liabilities (including off-balance sheet positions) was positive, which reduces our direct exposure to a devaluation of the Nuevo Sol. However, we cannot assure you that this asset-liability position will be maintained or that a devaluation of the Nuevo Sol will not have a direct or indirect negative effect on us, on our equity and/or on the quality of our assets.

***The adoption of new international banking guidelines may result in a higher cost of borrowing or the unavailability of funds from certain sources, and have an adverse effect on our business, financial condition and results of operations.***

In June 2004, the Basel Committee on Banking Supervision published a report entitled "International Convergence of Capital Measurement and Capital Standards: A Revised Framework," which sets out a new capital adequacy framework (commonly referred to as the Basel II Framework) to replace the Basel Capital Accord issued in 1988. The Basel Committee originally intended for the new framework to be available for implementation in member jurisdictions as of year-end 2006, although implementation of some aspects has been delayed and individual member countries determined their own actual implementation schedules. The Basel Committee members have encouraged authorities in other jurisdictions, such as Peru, to consider the readiness of their supervisory structures for the Basel II Framework and recommended that they proceed at their own pace, based on their own priorities.

Among other changes implemented by the Basel II Framework is the use, in certain cases, of external credit assessments for determining risk weightings. New regulations based on the Basel framework were enacted in July 2009 and were implemented in full as of July 1, 2010. Implementing regulations regarding capital requirements for credit risk have not yet been approved by the SBS. See "Regulatory Environment." We cannot assure you that when such guidelines are adopted that they will not require us to need additional capital in order to maintain our asset base or will not cause our cost of funds to increase.

With regard to risk weightings to be applied to exposures to sovereign states, the Basel II Framework replaces the existing approach with a system that would use external credit assessments for determining risk weightings. External risk assessments also apply, either directly or indirectly and to varying degrees, to the risk weighting of exposures to banks, securities firms and corporations. The Basel II Framework could require financial institutions lending to Peruvian banks to be subject to higher capital requirements as a result of the credit risk rating of Peru, possibly resulting in higher borrowing costs for Peruvian banks, such as BCP, or unavailability of funds from these sources. In addition, given that many banks in the Peruvian market have significant assets in foreign currency-denominated Peruvian government securities, assignment of 100% risk-weightings to such securities could have a material adverse effect on the banking system as a result of declining risk-based capital ratios.

On December 2009, the Basel committee released its consultative documents "Strengthening the Resilience of the Banking Sector" and "International Framework for Liquidity Risk Measurement, Standards and Monitoring" (commonly referred to as Basel III), related to the regulation, supervision and risk management of global banks.

Comments on these consultative documents were due in April 2010 and an impact assessment was performed in the first half of 2010. The results of this impact assessment were published in December 2010 together with the full text of Basel III, which presents the details of global regulatory standards on bank capital adequacy and liquidity agreed by the Governors and Heads of Supervision, and endorsed by the G20 Leaders.

On November 2010, the SBS released a consultative document, which establishes the methodologies for calculating additional capital requirements consistent with Pilar 2 of Basel II and certain aspects of Basel III. Comments on this document were due by February 18, 2011. On July 20, 2011, the SBS issued SBS Resolution

8425-2011, establishing the final methodologies and the implementation schedule of the aforementioned additional capital requirements. The new capital requirements, which are aimed at covering risks not contemplated in Pilar I of Basel II, include requirements to cover concentration, interest rate and systemic risk. Additionally, pro-cyclical capital requirements were also established. These new requirements will be implemented over a period of five years starting July 2012. We do not expect the adoption of this new framework to have a material effect on our operations. However, we cannot assure you that our assumptions will turn out to be correct, nor that the adoption of the new framework will not have an adverse effect on our business, financial condition and results of operations.

***Our operations require the maintenance of our banking and other licenses and any noncompliance with our license and reporting obligations could have an adverse effect on our business, financial condition and results of operations.***

All banking operations in Peru require licensing by the SBS. We currently have the necessary licenses to conduct all of our banking and other operations in Peru. Although we believe we are currently in compliance with our existing material license and reporting obligations to the SBS and other Peruvian governmental authorities, we cannot assure you that we will be able to maintain the necessary licenses in the future. The loss of a license, a breach of the terms of our licenses or a failure to obtain any further required licenses in the future could have a material adverse effect on our business, financial condition and results of operations.

***We rely heavily on our information technology systems to conduct our business and a failure, interruption in or breach of our information technology systems could have an adverse effect on our business, financial condition and results of operations.***

We rely heavily on our information technology systems to conduct our business. Any failure, interruption or breach in the security of these systems could result in failures or interruptions in our risk management, general ledger, deposit servicing, loan organization and/or other important systems. If our information technology systems fail, even if for a short period of time, we may be unable to serve some or all of our customers' needs on a timely basis and may lose business as a result. Likewise, a temporary shutdown of our information technology systems could result in additional costs required for information retrieval and verification. In addition, failure to update and develop our existing information technology systems as effectively as our competitors may result in a loss of the competitive advantages that we believe our information technology systems currently provide. Although we have back-up and security systems to mitigate these risks, we cannot assure you that such failures or interruptions will not occur or that we will adequately address them if they do occur. Accordingly, the occurrence of any failures or interruptions could have a material adverse effect on our business, financial condition and results of operations.

***Our interest-earning assets and the interest rates we pay on our interest-bearing liabilities could be adversely affected by a volatility in interest rates or exchange rates, which could have an adverse effect on our business, financial condition and results of operations.***

The interest rates we earn on our interest-earning assets and the interest rates we pay on our interest-bearing liabilities could be affected differently by changes in domestic and international market interest rates and by exchange rates because the Peruvian economy is highly dollarized. This difference could result in an increase in interest expense relative to interest income, which would reduce our net interest income. See "Business—Risk Management." Furthermore, an increase in interest rates may reduce the demand for our loans and our ability to originate loans. A decrease in the general level of interest rates may affect us through, among other things, increased pre-payments on our loan portfolio and increased competition for deposits. Interest rates are highly sensitive to many factors beyond our control, including monetary policies and domestic and international economic and political conditions.

If we are unable for any reason to re-price our assets and liabilities in an expedited or effective manner or if interest rates rise as a result of economic or other reasons and our assets are not appropriately match-funded, our interest income margins may be affected. While we have implemented several policies to manage interest rate risk exposure, we cannot assure you that such measures would be adequate to address any volatility in market interest rates, which could have a material adverse effect on our business, financial condition and results of operations.

***Our trading activities expose us to volatility in market prices, declines in market liquidity or fluctuations in foreign currency exchange rates, which may result in losses that could have a material adverse effect on our business, financial condition and results of operations.***

As part of our treasury operations, we trade various financial instruments and other assets, including debt, equity, fixed income, currency and related derivatives as both agent and principal, and we derive a portion of our non-interest income from trading revenues. Our Market Risk Committee and Asset and Liability Committee set position limits for Nuevo Sol- and foreign currency-denominated securities in accordance with our overall risk management policy as well as the requirements of the SBS. However, we are exposed to numerous factors that are beyond our control, including overall market trading activity, interest rate levels, the credit risk of our counterparties and general market volatility. In addition, a significant portion of our trading activity is related to customer transactions and we may still be exposed to a number of risks related to the movement of market prices in the underlying instruments, including the risk of unfavorable market price movements relative to our long or short positions, a decline in the market liquidity of the related instruments, volatility in market prices, interest rates or foreign currency exchange rates relating to these positions and the risk that the instruments with which we hedge certain positions do not track the market value of those positions. If we incur any losses from these exposures, it would reduce our trading activity revenues or cause us to suffer losses from trading activities, either of which could have a material adverse effect on our business, financial condition and results of operations.

***We are susceptible to fraud by employees or outsiders, unauthorized transactions by employees and other operational errors, and the failure of our system of internal controls to discover and rectify such matters could have a material adverse effect on our business, financial condition and results of operations.***

As with other financial institutions, we are susceptible to, among other things, fraud by employees or outsiders, unauthorized transactions by employees and other operational errors (including clerical or record keeping errors and errors resulting from faulty computer or telecommunications systems). Given a high volume of transactions that may occur at a financial institution, errors could be repeated or compounded before they are discovered and rectified. In addition, a number of our banking transactions are not fully automated, which may further increase the risk that human error or employee tampering will result in losses that may be difficult to detect quickly or at all. While we believe that we maintain a system of internal controls designed to monitor and control operational risk, we cannot assure you that our system of internal controls will be effective. Losses from the failure of our system of internal controls to discover and rectify such matters could have a material adverse effect on our business, financial condition and results of operations.

***Our anti-money laundering and anti-terrorist financing measures might not prevent third parties from using us as a conduit for such activities and could damage our reputation or expose us to fines, sanctions or legal enforcement, which could have a material adverse effect on our business, financial condition and results of operation.***

We believe that we are in compliance with applicable anti-money laundering and anti-terrorist financing laws and regulations and have adopted various policies and procedures, including internal controls and “know-your-customer” procedures, aimed at preventing money laundering and terrorist financing. We believe that our anti-money laundering policies and procedures are based upon, and are in compliance in all material respects with, the applicable provisions of Peruvian law. In addition, as we also rely on our correspondent banks having their own appropriate anti-money laundering and anti-terrorist financing procedures, we employ what we believe are commercially reasonable procedures for monitoring our correspondent banks. However, such measures, procedures and compliance may not be completely effective in preventing third parties from using us (and our correspondent banks) as a conduit for money laundering (including illegal cash operations) or terrorist financing without our (and our correspondent banks’) knowledge. If we were to be associated with money laundering (including illegal cash operations) or terrorist financing, our reputation could suffer and/or we could become subject to fines, sanctions or legal enforcement (including being added to any “blacklists” that would prohibit certain parties from engaging in transactions with us), which could have an adverse effect on our business, financial condition and results of operation.

***Acquisitions and strategic partnerships may not perform as expected, which could have an adverse effect on our business, financial condition and results of operation.***

Acquisitions and strategic partnerships may not perform as expected since our assessment could be based on assumptions with respect to operations, profitability and other matters that may subsequently prove to be incorrect. Future acquisitions, investment and alliances may not produce the anticipated synergies or perform in accordance with our expectations, which could have an adverse effect on our business, financial condition and results of operation.

**Risk Factors Relating to Peru**

***Economic and political developments in Peru could affect our business, financial condition and results of operations.***

The vast majority of our operations is conducted in Peru and is dependent upon the performance of the Peruvian economy. As a result, our business, financial position and results of operations may be affected by the general conditions of the Peruvian economy, price instability, inflation, interest rates, regulation, taxation, social instability, political unrest and other developments in or affecting Peru, over which we have no control.

Our banking and other businesses are significantly dependent upon our customers' ability to make payments on their loans and meet their obligations with us. Declining economic activity in the Peruvian economy, the devaluation of the Nuevo Sol and increases in inflation or domestic interest rates may reduce our customers' ability to repay loans when due or to meet their other debt service requirements, which would increase our past-due loan portfolio and could materially reduce our net earnings and capital levels. In the past, Peru has experienced periods of weak economic activity and deterioration in economic conditions. We cannot assure you that such conditions will not return or that such conditions will not have a material and adverse effect on our business, financial condition or results of operations.

Our financial condition and results of operations may also be adversely affected by changes in Peru's political climate to the extent that such changes affect the nation's economic policies, growth, stability, outlook or regulatory environment. Former President García, much like his predecessor Alejandro Toledo, gained the support of the country's business sector by maintaining business-friendly and open-market economic policies that sustained and even fostered economic growth, while controlling the inflation rate at historically low levels.

Presidential elections were held in Peru in April 2011. On July 28, 2011, Ollanta Humala was sworn in as the new president of Peru for a five-year term through 2016, after winning a run-off election. President Humala founded the *Gana Perú* (Win Peru) party, an alliance of various left-leaning parties such as the *Partido Comunista del Perú* (Communist Party of Peru), the *Partido Socialista* (Socialist Party), the *Partido Socialista Revolucionario* (Socialist Revolutionary Party), the *Movimiento Político Voz Socialista* (Socialist Voice Political Movement), and a significant constituency of the *Movimiento Político Lima para Todos* (Political Movement Lima for All). The President of Peru has considerable power to determine governmental policies and actions that relate to the Peruvian economy and that consequently affect the operations and financial performance of financial institutions such as us. The uncertainties characteristic of a change in government could cause instability and volatility in Peru, including the Nuevos Soles exchange rate and the performance of the Lima Stock Exchange, or "BVL". During the run-up to the presidential elections, we experienced a temporary shift in the currency mix of our deposit base from Nuevos Soles to Dollars.

Although it is unclear what the policies of the Humala administration will be, in public statements made during the campaign and following his election, President Humala has stated that Peru will continue conservative economic policies, a responsible fiscal policy and autonomous monetary policy. However, we cannot assure you whether the current or any future Peruvian administration will maintain business-friendly and open-market economic policies or policies that stimulate economic growth and social stability. Any changes in the Peruvian economy or the Peruvian government's economic policies may have a negative effect on our business, financial condition and results of operations.

***A decline in the prices of certain commodities in the international markets could have a negative impact on our business.***

A significant portion of Peru's economic output still depends on mining and agriculture products. Decreases in natural resources and commodity prices may have a negative impact on government finances, and consequently regional and local governments may lower their spending on social programs that primarily benefit rural communities. This may result in decreased support for the central government, which could manifest itself through political unrest. During recent years, there were several protests in the provinces caused mainly by groups of people that oppose private investments, including mining projects in particular.

***An economic recession could adversely affect our financial condition and results of operations and the value of our securities.***

If Peru's economy undergoes a recession, some segments of our retail portfolio, particularly small and medium businesses which are more vulnerable to economic cycles and represent a segment with which we have not experienced a previous recession, could show higher default rates and may adversely affect our ability to fulfill our obligations under the notes. In a scenario of economic recession and higher default rates we would expect less demand for loans from our clients, and we would restrict some of our credit policies, particularly regarding small and medium businesses, hindering growth of our loan portfolio and affecting our operating results. We cannot assure you that a future recession will not have a negative effect on our results of operation.

***The re-implementation of certain laws by the Peruvian government, most notably restrictive exchange rate policies, could have an adverse effect on our business, financial condition and results of operations.***

Since 1991, the Peruvian economy has undergone a major transformation from a highly protected and regulated system to a free-market economy. During this period, protectionist and interventionist laws and policies have been gradually dismantled to create a liberal economy dominated by private sector and market forces. The Peruvian economy has, in general, responded well to this transformation, growing at an average annual rate of over 4.9% during the period from 1995 to 2010. Exchange controls and restrictions on remittances of profits, dividends and royalties have ceased. Prior to 1991, Peru exercised control over the foreign exchange markets by imposing multiple exchange rates and placing restrictions on the possession and use of foreign currencies. In 1991, the Fujimori administration eliminated all foreign exchange controls and unified exchange rates. Currently, foreign exchange rates are determined by market conditions, with regular operations by the Central Bank in the foreign exchange market in order to reduce volatility in the value of Peru's currency against the U.S. dollar.

We cannot assure you that the Peruvian government will not institute restrictive exchange rate policies in the future. Any such restrictive exchange rate policy could affect our ability to engage in foreign exchange activities, and could also have a material adverse effect on our business, financial condition and results of operations.

***Inflation could adversely affect our financial condition and results of operations.***

As a result of reforms begun in the early 1990s, Peruvian inflation has decreased significantly in recent years from triple-digit inflation during the 1980s. Over the five-year period ended on December 31, 2010, the Peruvian economy experienced annual inflation averaging approximately 2.8% per year as measured by the Peruvian Consumer Price Index. This index is calculated by the Instituto Nacional de Estadística e Informática (the National Institute of Statistics and Information, or "INEI") and measures variations in prices of a selected group of goods and services typically consumed by Peruvian families. We cannot assure you, however, that inflation will remain at these levels.

The Central Bank establishes a target inflation rate for each fiscal year and announces this target rate in order to shape market expectations. The target annual inflation rate since 2007 was lowered to 2.0%, plus or minus 1.0%.

If Peru experiences substantial inflation in the future, our costs may increase, and, if not accompanied by a corresponding increase in interest rates, our operating and net margins may decrease, which may adversely affect our business and results of operations. An effect on our value may also result in a decrease in the value of the notes. Inflationary pressures may also curtail our ability to access foreign financial markets and may lead to further government intervention in the economy, including the introduction of government policies that may adversely affect the overall performance of the Peruvian economy. Our operating results and the value of our issued securities, including the notes, may be adversely affected by higher inflation.

***The high level of dollarization of the Peruvian economy and changes in the level of dollarization may have an effect on our business.***

The Central Bank relies primarily on open market operations (primarily repurchase agreements on Central Bank certificates of deposits and discount-window transactions) to regulate the liquidity in the banking system and promotes an image of the Central Bank as a lender of last resort. Repurchase agreements on Central Bank certificates of deposit are by far the lowest-cost source of funding for local currency. Discount-window transactions are carried out at above-market rates and commissions.

The significant volatility of short-term capital flows has been a destabilizing factor in Peru's monetary system since 1998 when large capital outflows occurred following the Russian financial crisis. Between 1999 and June 2011, net short-term capital flows fluctuated between a high of U.S.$2.1 billion of inflows in 2007 and U.S.$2.2 billion of outflows in 2009. Medium and long-term capital net flows were U.S.$2.5 billion, U.S.$3.2 billion and U.S.$1.1 billion in 2009, 2010, and as of March 31, 2011, respectively. To confront the volatility of short-term capital flows, the Central Bank generally prescribes high foreign currency reserve requirements that discourage significant capital outflows and promote holdings of local currency. Additionally, in order to decrease speculative capital from foreign investors, the Central Bank adopted an additional reserve requirement (*encaje*) of 60% for U.S. dollar deposits with maturities less than two years coming from foreign financial institutions. Financial institutions may satisfy the minimum reserve requirements with funds that they hold in vaults or that they have deposited in their accounts at the Central Bank. Financial institutions must also keep at least 3.0% of their local and foreign currency deposited in the Central Bank. This high level of reserve requirements in U.S. dollars materially increases the cost of short-term funding, while in most cases the cost of long-term funding is not increased because of certain exceptions to the reserve requirements for long-term funding.

Despite the positive effect that it may have on reducing cross-border transaction costs and preserving purchasing power, the high level of dollarization of the Peruvian economy has also hampered monetary policy by undermining the Central Bank's ability to control the money supply. Dollarization generally refers to the degree to which the U.S. dollar has displaced the Nuevo Sol in the economy. Dollarization began during the 1980s as inflation rates rose. As inflation reached triple-digit rates between 1983 and 1985, foreign currency-denominated assets were increasingly used to store value. The continued demand for local currency for transactions that take place in the Peruvian economy has preserved local currency as the main channel through which the Central Bank can affect aggregate demand and thus control inflation. The Central Bank expects that, as it continues to meet its inflation targets, confidence in the value of the local currency will grow, gradually restoring the Nuevo Sol as the principal means of savings; however, we can give you no assurance in that regard. In addition, political uncertainty may increase the level of dollarization and cause volatility in the Nuevo Sol exchange rate.

The high level of dollarization of the economy affects the Peruvian banking system by forcing the Central Bank to establish high levels of reserve requirements in U.S. dollars while also adding a risk to participating banks' balance sheets, including ours. A devaluation of the U.S. dollar poses a risk to us and a systemic risk to the Peruvian banking system because of the high levels of U.S. dollar-denominated assets and liabilities in the Peruvian banking system. This risk comes from the potential imbalance that a bank's clients may experience when borrowing in U.S. dollars and earning in Nuevos Soles. As a result, the SBS has been enacting rules aimed to make banks capable of identifying clients with potential imbalances and establishing reserves if necessary. Additionally, potential imbalances in our U.S. dollar-denominated assets and liabilities could expose us to translation losses.

***The climatic phenomenon El Niño and other natural phenomena such as earthquakes and floods may adversely affect lending volume and the quality of our loan portfolio to segments of the Peruvian economy that are most likely to be negatively affected.***

El Niño is an oceanic and atmospheric phenomenon that causes a warming of temperatures in the Pacific Ocean, resulting in heavy rains off the coast of Peru and Ecuador and various other effects in other parts of the world. The effects of El Niño, which typically occurs every two to seven years around Christmas, include, among other things, flooding and significant declines in fish populations and negative effects on agriculture, and accordingly, can have a negative effect on Peru’s economy. In the past, El Niño has adversely impacted our agricultural and fishing loan portfolio. The strongest El Niño events of the 20th and 21st centuries occurred in 1982-1983 and in 1997-1998.

The SBS has inquired about contingency plans for dealing with the potential consequences of a reappearance of *El Niño,* and we have submitted such a plan to the SBS. Despite no reappearance of *El Niño* in 2009 and 2010, our management believes we have adequate contingency plans for dealing with potential consequences in the future.

In addition, Peru has experienced other natural phenomena in the past such as earthquakes and floods. Most recently, on August 15, 2007, a strong earthquake, measuring 7.9 on the Richter scale, hit the central coast of Peru, heavily affecting the Ica province in particular. A major earthquake could damage infrastructure necessary to our operations. If such events occur in the future, we may suffer damage to, or destruction of, properties and equipment, as well as temporary disruptions to our services, which may negatively affect our business.

Our clients could also be affected by such natural disasters, which in turn could affect their ability to repay their loans or force them to withdraw their deposits with us.

***The recent market volatility generated by distortions in the international financial markets and political uncertainty may affect the Peruvian capital markets and the Peruvian banking system.***

The distressed international liquidity environment during 2008, 2009 and 2010 adversely affected and increased the volatility of the performance of the Lima Stock Exchange, or “BVL”, because of the contagion effect from investors abroad to local investors. The general index of the Lima Stock Exchange (“IGBVL”) decreased by 59.8% in 2008, increased by 101.0% in 2009, and increased by 65.0% in 2010. As of June 30, 2011, the IGBVL decreased by 19.2% as compared to December 31, 2010. In recent years, the BVL has experienced increased participation from retail investors that react rapidly to the effects from international markets. The volatility in the international markets may adversely affect the Peruvian capital markets as well. The Peruvian banking system has not experienced any significant liquidity problems as a result of the recent international liquidity environment, primarily because the major source of funds for local banks, including BCP, is represented by the deposit base. However, we cannot assure you that future market volatility will not affect the Peruvian banking system, including BCP, or that such volatility will not have an adverse effect on our business, financial condition or results of operations.

***The stability of the Peruvian financial system depends on public confidence in Peruvian banking and financial institutions.***

Financial institutions, including us, depend on public confidence in the Peruvian financial system. In the event of adverse developments affecting Peru's economic, political or social conditions or if a bank faces liquidity problems, the general public may withdraw deposits and savings from the troubled bank or from banks generally, thereby precipitating a liquidity crisis, as occurred in Peru in the late 1990s. If depositors withdraw significant holdings from banks generally, including us, there will be a substantial adverse impact on the manner in which financial institutions, including us, conduct their business, on their ability to operate as financial intermediaries and on their financial condition, which would adversely affect our results of operations and financial condition.

***The perception of higher risk in other countries, especially in emerging economies, may adversely affect the Peruvian economy, our business and the market price of Peruvian securities issued by Peruvian issuers, including the notes.***

Emerging markets like Peru are subject to greater risks than more developed markets, and financial turmoil in any emerging market could disrupt business in Peru and adversely affect the price of the notes. Moreover, financial turmoil in any important emerging market country may adversely affect prices in stock markets and prices for debt securities of issuers in other emerging market countries as investors move their money to more stable, developed markets. An increase in the perceived risks associated with investing in emerging markets could dampen capital flows to Peru and adversely affect the Peruvian economy in general, and the interest of investors in our notes, in particular. We cannot assure you that investors’ interest in Peru, and in our notes, will not be negatively affected by events in other emerging markets or the global economy in general.

***Deterioration in economic and market conditions in Latin America and other emerging countries could adversely affect our financial condition and results of operations.***

The market for securities issued by Peruvian companies is influenced by economic and market conditions in Peru and, to varying degrees, market conditions in other Latin American and emerging market countries. Although economic conditions are different in each country, the reaction of investors to developments in one country is likely to cause the capital markets in other countries to fluctuate. For example, political and economic events, such as the crises in Venezuela, Ecuador, Bolivia, Brazil, Colombia and Argentina, have influenced investors' perceptions of risk with regard to Peru. The negative investor reaction to developments in our neighboring countries may adversely affect the market for securities issued by countries in the region, cause foreign investors to decrease the flow of capital into Latin America and introduce uncertainty about plans for further integration of regional economies.

**Risk Factors Relating to the Notes**

***The notes will be unsecured and subordinated and rank junior in payment and in liquidation to all of our existing and future Senior Obligations.***

The notes will be unsecured and subordinated and rank junior in payment and in liquidation to all of our existing and future Senior Obligations.

In the event of any distribution to creditors of BCP:

- in a liquidation or dissolution of BCP,
- in a bankruptcy, reorganization, insolvency, receivership or similar proceeding relating to BCP or its property,
- in an assignment for the benefit of creditors, or
- in any marshaling of BCP's assets and liabilities,

the holders of Senior Obligations will be entitled to receive payment in full of all obligations due in respect of Senior Obligations (including interest after the commencement of any bankruptcy proceeding at the rate specified in the applicable Senior Obligations) before the holders of notes will be entitled to receive any payment with respect to the notes.

As a result of the subordination provisions described above, in the event of a bankruptcy, liquidation or reorganization of BCP, holders of notes may recover ratably less than creditors of BCP who are holders of Senior Obligations.

As of June 30, 2011, we estimate that we had outstanding, on a consolidated basis, an aggregate of approximately US$23.3 billion of Senior Obligations. We may incur, and neither the indenture nor applicable laws prohibit us from incurring, additional indebtedness, including non-subordinated indebtedness, from time to time.

***Under applicable SBS regulations, our obligations under the notes can be accelerated only in certain very limited circumstances, and your remedies will accordingly be limited if we do not satisfy our obligations under the notes.***

Under SBS regulations governing subordinated debt issued by Peruvian banks, payment of principal may be accelerated only in specified instances involving our bankruptcy, liquidation or dissolution. There is no right of acceleration in the case of a default in the performance of any of our covenants, including a default in the payment of principal or interest. See "Description of the Notes—Acceleration Event; Waivers and Rescission" and "—Peruvian Bankruptcy Considerations."

***The notes may be used to absorb losses that we incur.***

We are issuing the notes with the intention and purpose of increasing the amount of our regulatory capital. In order to be eligible for treatment as Tier II regulatory capital, the notes must satisfy a number of conditions. One such condition relates to the availability of the notes and the proceeds therefrom to absorb losses that we may incur. To that end, the amount outstanding under the notes may be used by the SBS to absorb losses in the case of an intervention by the SBS or the liquidation of BCP, provided that current and retained earnings, donations and premiums on the issuance of shares, voluntary and mandatory reserves, capital stock of BCP and hybrid instruments which qualify as Tier I or Tier II regulatory capital (as applicable) have been exhausted to absorb losses. See "Description of the Notes—Loss Absorption". If the notes are used for this purpose, the noteholders would lose all rights to the amounts absorbed.

***When the remaining term to maturity of the notes becomes less than five years, the notes may no longer qualify as regulatory capital in Peru; as a result, we may have an incentive to redeem the notes prior to their final maturity.***

Under current Peruvian banking regulations, dated subordinated debt progressively ceases to qualify as regulatory capital when the remaining time to maturity on such debt becomes less than five years. Accordingly, beginning on or about the tenth anniversary of the issuance of the notes, we may have an incentive to redeem them, and consequently your ability to earn returns on your investments in the notes may be terminated prior to their final maturity.

***The notes constitute a new issue of securities for which there is no existing market, and we cannot assure you that you will be able to sell your notes in the future.***

The notes constitute a new issue of securities for which there is no existing market, and we cannot assure you that in the future a market for the notes will develop or that you will be able to sell any notes you have purchased or that any such notes may be sold for any particular price. Although application has been made for the notes to be listed on the Luxembourg Stock Exchange and traded on the Euro MTF Market, we cannot assure you that an active market for the notes will develop.

The initial purchasers have advised us that they intend to make a market in the notes, but they are not obligated to do so and may discontinue any market making in the notes at any time, in their sole discretion. If the initial purchasers do not facilitate trading in the notes (or beneficial interests therein) for any reason, we cannot assure you that another firm or person will do so. In addition, trading or resale of the notes (or beneficial interests therein) may be negatively affected by other factors described in this offering memorandum arising from this transaction or the market for securities of Peruvian issuers generally. As a result, we cannot assure you as to the liquidity of any trading market for the notes and as a result, you may be required to bear the financial risk of your investment in the notes indefinitely.

***We cannot assure you that the credit ratings for the notes will not be lowered, suspended or withdrawn by the rating agencies.***

The credit ratings of the notes may change after issuance. Such ratings are limited in scope, and do not address all material risks relating to an investment in the notes, but rather reflect only the views of the rating agencies at the time the ratings are issued. An explanation of the significance of such ratings may be obtained from the rating agencies. We cannot assure you that such credit ratings will remain in effect for any given period of time or that such ratings will not be lowered, suspended or withdrawn entirely by the rating agencies, if, in the judgment of such rating agencies, circumstances so warrant. Any lowering, suspension or withdrawal of such ratings may have an adverse effect of the market price and marketability of the notes.

***Enforcing your rights as a noteholder in Peru may prove difficult.***

Your rights under the notes will be subject to the insolvency and administrative laws of Peru, and we cannot assure that you will be able to effectively enforce your rights in such bankruptcy, insolvency or similar proceedings. In addition, the bankruptcy, insolvency, administrative and other laws of Peru may be materially different from, or in conflict with, each other, including in the areas of rights of creditors, priority of government entities and other third-party and related-party creditors, ability to obtain post bankruptcy filing loans or to pay interest and the duration of proceedings. The laws of Peru may not be as favorable to your interests as the laws of jurisdictions with which you are familiar. The application of these laws, or any conflict among them, could call into question what and how Peruvian laws should apply. Such issues may adversely affect your ability to enforce your rights under the notes in Peru or limit any amounts that you may receive.

***The notes are subject to restrictions on transfer.***

The notes have not been and will not be registered under the Securities Act or any U.S. state securities laws. You may not offer the notes in the United States except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws, or pursuant to an effective registration statement. Furthermore, we have not registered the notes under any other country's securities laws. It is your obligation to ensure that your offers and sales of the notes within the United States and other countries comply with applicable securities laws. See "Notice to Investors."

***The ability of investors to enforce civil liabilities under U.S. securities laws may be limited.***

None of our directors or executive officers are residents of the United States. All of our assets and those of our directors and executive officers are located outside the United States. As a result, it may not be possible for investors in our securities to effect service of process within the United States upon such persons or to enforce in U.S. courts or outside the United States judgments obtained against such persons outside the United States.

We are a commercial bank organized and existing under the laws of Peru and there is no existing treaty between the United States and Peru for the reciprocal enforcement of foreign judgments. In addition, the notes are issued through our Panamanian branch. There is no existing treaty between the United States and Panama for the reciprocal enforcement of foreign judgments of courts outside Panama, including judgments of the United States courts. It is not clear whether a foreign court would accept jurisdiction and impose civil liability if proceedings were commenced in a foreign jurisdiction predicated solely upon U.S. federal securities laws. See "Enforceability of Civil Liabilities."

## USE OF PROCEEDS

We estimate that the net proceeds from this offering will be approximately U.S.$347.6 million after deducting the initial purchasers' discounts and commissions and the estimated offering expenses payable by us. The net proceeds from the offering will be used for general corporate purposes.

## CAPITALIZATION

The following table sets forth our unconsolidated regulatory capital as of June 30, 2011. This information has been derived from the annual consolidated financial statements and the interim consolidated financial statements included elsewhere in this offering memorandum.

| | As of June 30, 2011 | | | |
|---|---|---|---|---|
| | Actual | As adjusted for the offering | Actual | As adjusted for the offering |
| | *(Nuevos Soles in millions)* | | *(U.S. dollars in millions)(1)* | |
| Capital stock | 2,557.7 | 2,557.7 | 930.4 | 930.4 |
| Legal and other capital reserves | 2,004.0 | 2,004.0 | 729.0 | 729.0 |
| Accumulated earnings with capitalization commitments | 0.0 | 0.0 | 0.0 | 0.0 |
| Non-cumulative junior subordinated debt | 687.3 | 687.3 | 250.0 | 250.0 |
| Computable subordinated debt | 1,145.2 | 2,107.4 | 416.6 | 766.6 |
| Loan loss reserves(2) | 533.9 | 533.9 | 194.2 | 194.2 |
| Unrealized gains | 624.5 | 624.5 | 227.2 | 227.2 |
| Less: Investments in subsidiaries | (1,163.7) | (1,163.7) | (423.3) | (423.3) |
| Less: Goodwill | (144.8) | (144.8) | (52.7) | (52.7) |
| **Total regulatory capital** | **6,266.9** | **7,229.1** | **2,279.7** | **2,629.7** |
| **Risk-weighted assets(3)** | **46,328.7** | **47,290.9** | **16,852.9** | **17,202.9** |
| Capital ratios: | | | | |
| Ratio of risk-weighted assets to regulatory capital(4)(5) | 7.4x | 6.5x | 7.4x | 6.5x |
| Regulatory capital as a percentage of risk-weighted assets(4)(6) | 13.5% | 15.3% | 13.5% | 15.3% |

(1) For the convenience of the reader, these figures have been translated into U.S. dollars at S/.2.749 = $1.00, the June 30, 2011 exchange rate published by the SBS. Such translation should not be construed as a representation that the Nuevo Sol amounts have been converted into U.S. dollars pursuant to the requirements of IFRS, U.S. GAAP or generally accepted accounting principles in any other country.

(2) SBS rules allow banks using the standardized method for capital adequacy purposes to include loan loss reserves of up to 1.25% of risk-weighted assets in the calculation of regulatory capital.

(3) Risk weighted asset figures adjusted for the offering assume the proceeds from the offering are invested in assets that are 100% risk weighted.

(4) Regulatory capital as calculated in accordance with guidelines by the BIS I Accord as adopted by the SBS. This ratio is calculated on an unconsolidated basis.

(5) As part of the implementation of Basel II, this ratio has been progressively lowered to 10.5x effective July 1, 2009, to 10.2x effective July 1, 2010, to 10.0x from July 1, 2011 onwards. For further details see "Regulatory Environment—Implementation of Basel Principles—Capital Adequacy."

(6) As part of the implementation of Basel II, the SBS minimum regulatory capital requirement, expressed as a percentage of risk-weighted assets has been progressively increased from to 9.5% effective July 1, 2009, to 9.8% effective July 1, 2010, to 10% from July 1, 2011 onwards. For further details see "Regulatory Environment—Implementation of Basel Principles—Capital Adequacy."

As of June 30, 2011, BCP has 2,557.7 million fully subscribed and paid common shares outstanding.

## EXCHANGE RATES

Exchange rates for the Nuevo Sol have been relatively stable in recent years. The following table sets forth the period-average and period-end rates for U.S. dollars for the years ended December 31, 2006 through December 31, 2010 and through the date indicated in the table below, based on information published by the SBS. On November 11, 2011 the S/. to U.S.$ exchange rate was S/.2.704 to U.S.$1.00.

| | Low | High | Period Average(1) | Period End |
|---|---|---|---|---|
| **Year Ended:** | | | | |
| December 31, 2006 | 3.196 | 3.452 | 3.265 | 3.196 |
| December 31, 2007 | 2.968 | 3.201 | 3.124 | 2.996 |
| December 31, 2008 | 2.693 | 3.157 | 2.941 | 3.140 |
| December 31, 2009 | 2.852 | 3.259 | 3.006 | 2.890 |
| December 31, 2010 | 2.787 | 2.883 | 2.826 | 2.809 |
| **Month Ended:** | | | | |
| January 31, 2011 | 2.772 | 2.805 | 2.787 | 2.772 |
| February 28, 2011 | 2.765 | 2.790 | 2.771 | 2.775 |
| March 31, 2011 | 2.767 | 2.813 | 2.780 | 2.804 |
| April 30, 2011 | 2.800 | 2.833 | 2.816 | 2.821 |
| May 31, 2011 | 2.748 | 2.829 | 2.775 | 2.767 |
| June 30, 2011 | 2.749 | 2.788 | 2.764 | 2.749 |
| July 31, 2011 | 2.736 | 2.750 | 2.742 | 2.738 |
| August 31, 2011 | 2.726 | 2.753 | 2.740 | 2.726 |
| September 30, 2011 | 2.725 | 2.777 | 2.744 | 2.773 |
| October 31, 2011 | 2.706 | 2.775 | 2.731 | 2.708 |
| November 30, 2011 (through November 11, 2011) | 2.702 | 2.710 | 2.705 | 2.704 |

(1) Calculated as the average of the month-end or day-end exchange rates during the relevant period, as applicable.

Source: SBS

Devaluation of the Nuevo Sol in relation to the U.S. dollar would adversely affect our ability to meet our U.S. dollar-denominated obligations, including the notes offered hereby. See “Risk Factors—Risk Factors Relating to BCP and our Business—A devaluation of the Nuevo Sol may adversely affect our business, financial condition and results of operations.”

Appreciation of the Nuevo Sol in relation to the U.S. dollar could adversely affect the ability of some of our clients, mainly exporters, to meet their obligations with us, which could in turn affect our business and results of operations.

In the past, the Peruvian economy has suffered balance of payment deficits and shortages in foreign exchange reserves. While the Peruvian government does not currently restrict the ability of Peruvian or foreign persons or entities to convert Nuevos Soles to U.S. dollars, it may do so in the future. Any such restrictive exchange control policy could adversely affect our ability to make payments in U.S. dollars, and could also have a material adverse effect on our financial condition and results of operations.

## SELECTED FINANCIAL INFORMATION

The following summary of financial and operating data as of and for each of the years ended December 31, 2008, 2009 and 2010 have been derived from the audited annual consolidated financial statements. The audited consolidated financial statements as of December 31, 2009 and 2010 and for each of the three-years ended on December 31, 2010, along with MZP's report therein are included in this offering memorandum. This information should be read in conjunction with the annual consolidated financial statements and the interim unaudited consolidated financial statements as of June 30, 2011 and for the six months ended June 30, 2010 and 2011, and the notes thereto as well as the sections entitled "Capitalization," "Selected Financial Information" and "Management's Discussion and Analysis of Financial Condition and Results of Operations." As indicated above, the annual consolidated financial statements have been prepared in accordance with Peruvian GAAP, which differs in certain significant respects from IFRS, and U.S. GAAP. For a description of certain significant differences among Peruvian GAAP, IFRS and U.S. GAAP, see Appendix A.

| | As of and for the years ended December 31, | | | |
|---|---|---|---|---|
| | 2008 | 2009 | 2010 | 2010 |
| | (Nuevos Soles in thousands) | | | (U.S. dollars in thousands) (unaudited) |
| **INCOME STATEMENT DATA:** | | | | |
| Financial income | 3,806,220 | 3,716,174 | 3,790,337 | 1,349,355 |
| Financial expense | (1,642,574) | (1,257,112) | (1,142,336) | (406,670) |
| Gross financial margin | 2,163,646 | 2,459,062 | 2,648,001 | 942,685 |
| Provision for loan losses(1) | (272,463) | (517,892) | (600,533) | (213,789) |
| Gross financial margin after provision for loan losses | 1,891,183 | 1,941,170 | 2,047,468 | 728,896 |
| Gain (loss) for exchange difference | 49,435 | (252,547) | 24,404 | 8,688 |
| Net financial margin | 1,940,618 | 1,688,623 | 2,071,872 | 737,584 |
| Fees and commissions from banking services | 990,698 | 1,088,567 | 1,298,332 | 462,204 |
| Net gains (loss) from sales of securities | 74,955 | 254,964 | 174,876 | 62,256 |
| Net gains on foreign exchange transactions | 324,420 | 202,528 | 243,978 | 86,856 |
| Other income | 234,586 | 272,114 | 319,261 | 113,656 |
| Operating expenses | (1,891,599) | (2,203,888) | (2,381,381) | (847,768) |
| Income before workers' profit sharing and income tax | 1,673,678 | 1,302,908 | 1,726,938 | 614,788 |
| Workers' profit sharing | (41,557) | (49,265) | (69,929) | (24,895) |
| Income tax | (297,575) | (329,142) | (447,668) | (159,369) |
| **Net income** | **1,334,546** | **924,501** | **1,209,341** | **430,524** |
| Basic and diluted earnings per share (in Nuevos Soles)(2) | 0.5218 | 0.3615 | 0.4728 | 0.1683 |
| Dividends declared per common share (in Nuevos Soles) | 0.4070 | 0.2670 | 0.2010 | 0.0716 |
| **BALANCE SHEET DATA:** | | | | |
| **Total assets** | **55,495,160** | **55,287,406** | **70,969,725** | **25,265,121** |
| Investments in trading and available-for-sale securities, net and investments in associates | 9,691,035 | 8,974,048 | 4,572,414 | 1,627,773 |
| **Gross loans(3)** | **32,787,477** | **33,459,686** | **40,266,971** | **14,334,984** |
| Reserves for loan losses(4) | (739,480) | (1,033,148) | (1,181,389) | (420,573) |
| **Net loans** | **32,047,997** | **32,426,538** | **39,085,582** | **13,914,411** |
| Past due loans | 246,866 | 531,147 | 587,471 | 209,139 |
| **Total deposits** | **43,780,574** | **41,784,815** | **47,900,771** | **17,052,606** |
| Issued bonds | 2,497,227 | 3,571,842 | 5,546,470 | 1,974,535 |
| **Shareholders' equity** | **4,099,932** | **4,829,276** | **5,539,050** | **1,971,894** |

(1) Provision for loan losses includes provisions with respect to total direct and indirect loans. While direct loans represent outstanding loans, indirect loans include guarantees and stand-by letters of credit, import and export letters of credit, and due from bank acceptances, which are not included as assets on our balance sheet.

(2) Basic and diluted per common share data presented assumes 2,557.7 million common shares outstanding on all periods, including 329.5 million common shares due to the capitalization of retained earnings on March 31, 2010, according to the accounting policy described in note 3(u) of the annual consolidated financial statements.

(3) Net of deferred interest on discounted notes and leasing receivables, plus accrued interest from performing loans, but prior to reserve for loan losses. In addition to direct loans outstanding, we had indirect loans of S/.6.2 billion, S/.7.2 billion and S/.9.0 billion as of December 31, 2008, 2009 and 2010, respectively.

(4) Reserves for loan losses include reserves with respect to direct loans only.

The following summary financial and operating data as of and for the six months ended June 30, 2010 and 2011 have been derived from the interim consolidated financial statements. This information should be read in conjunction with the interim consolidated financial statements and the notes thereto. The unaudited financial and operating data include all adjustments (consisting of normal recurring adjustments) that are, in the opinion of our management, necessary for a fair presentation of our financial position and results of operations for the periods presented. The interim results of operations are not necessarily indicative of operations for a full fiscal year. As noted above, the interim consolidated financial statements have been prepared in accordance with Peruvian GAAP. For a description of certain significant differences among Peruvian GAAP, IFRS and U.S. GAAP, see Appendix A.

| | As of and for the six months ended June 30, | | |
|---|---|---|---|
| | **2010** | **2011** | **2011** |
| | *(Nuevos Soles in thousands)* *(unaudited)* | | *(U.S. dollars in thousands)* |
| **INCOME STATEMENT DATA:** | | | |
| Financial income | 1,800,596 | 2,247,013 | 817,393 |
| Financial expense | (547,746) | (693,817) | (252,389) |
| Gross financial margin | 1,252,850 | 1,553,196 | 565,004 |
| Provision for loan losses(1) | (281,234) | (326,827) | (118,889) |
| Gross financial margin after provision for loan losses | 971,616 | 1,226,369 | 446,115 |
| Gain (loss) for exchange difference | (33,264) | (21,491) | (7,818) |
| Net financial margin | 938,352 | 1,204,878 | 438,297 |
| Fees and commissions from banking services | 629,203 | 706,910 | 257,152 |
| Net gains (loss) from sales of securities | 107,140 | (7,070) | (2,572) |
| Net gains on foreign exchange transactions | 149,382 | 185,262 | 67,393 |
| Other income | 149,567 | 86,056 | 31,304 |
| Operating expenses(2) | (1,172,132) | (1,248,098) | (454,019) |
| Income before income tax | 801,512 | 927,938 | 337,555 |
| Income tax | (219,173) | (241,140) | (87,719) |
| **Net income** | **582,339** | **686,798** | **249,836** |
| Basic and diluted earnings per share (in Nuevos Soles)(3) | 0.2277 | 0.2685 | 0.0977 |
| **BALANCE SHEET DATA:** | | | |
| **Total assets** | **57,998,149** | **71,526,350** | **26,019,043** |
| Investments at fair value through profit or loss, available-for-sale investments, net and investments in associates | 10,670,205 | 11,035,747 | 4,014,459 |
| **Gross loans(4)** | **35,607,058** | **43,785,060** | **15,927,632** |
| Reserves for loan losses(5) | (1,096,847) | (1,310,424) | (476,691) |
| **Net loans** | **34,510,211** | **42,474,636** | **15,450,941** |
| Past-due loans | 575,026 | 669,039 | 243,375 |
| **Total deposits** | **39,650,233** | **47,859,851** | **17,409,913** |
| Issued bonds | 3,398,080 | 7,240,184 | 2,633,752 |
| **Shareholders' equity** | **4,761,460** | **5,626,072** | **2,046,589** |

(1) Provisions for loan losses include provisions with respect to total direct and indirect loans. While direct loans represent outstanding loans, indirect loans include guarantees and stand-by letters of credit, import and export letters of credit, and due from bank acceptances.

(2) Includes expenses related to worker's profit sharing. For further details see "Management's Discussion and Analysis of Financial Condition and Results of Operations–Critical Accounting Policies."

(3) Basic and diluted per common share data presented assumes 2,557.7 million common shares outstanding on all periods, as indicated in note 12 of the interim consolidated financial statements.

(4) Net of deferred interest on discounted notes and leasing receivables, plus accrued interest from performing loans, but prior to reserve for loan losses. In addition to direct loans outstanding, we had indirect loans of S/.8.3 billion and S/.9.6 billion, as of June 30, 2010 and 2011, respectively.

(5) Reserves for loan losses include reserves with respect to direct loans only.

The following summary financial and operating data as of and for each of the years ended December 31, 2008, 2009 and 2010 and for the six months ended June 30, 2011 and 2010 have been derived from the audited annual consolidated financial statements and the interim consolidated financial statements, respectively. This information should be read in conjunction with the annual consolidated financial statements and the interim consolidated financial statements and the notes thereto. As indicated above, Peruvian GAAP differs in certain significant respects from IFRS and U.S. GAAP. For a description of certain significant differences among Peruvian GAAP, IFRS and U.S. GAAP, see Appendix A.

| | As of and for the years ended December 31, | | | As of and for the six months ended June 30, | |
|---|---|---|---|---|---|
| | 2008 | 2009 | 2010 | 2010 | 2011 |
| | *(Nuevos Soles in millions, except as otherwise indicated)* | | | | |
| **OTHER FINANCIAL DATA:** | | | | *(unaudited)* | |
| Total operating revenue(1) | 3,515.8 | 3,759.3 | 4,083.9 | 2,006.9 | 2,197.5 |
| Dividends | 613.9 | 595.0 | 514.1 | — | — |
| Average interest-earning assets(2) | 46,725.5 | 49,557.8 | 56,750.4 | 52,108.1 | 55,940.4 |
| Average total assets(3) | 49,604.5 | 55,391.3 | 63,123.6 | 56,663.7 | 71,248.0 |
| Average shareholders' equity(4) | 3,653.9 | 4,464.6 | 5,184.2 | 4,795.4 | 5,582.6 |
| Risk-weighted assets(5) | 35,528.9 | 37,592.5 | 42,965.7 | 40,848.7 | 46,328.7 |
| Total regulatory capital | 4,092.0 | 5,457.1 | 5,517.3 | 5,564.9 | 6,266.9 |
| **SELECTED FINANCIAL RATIOS:** | | | | | |
| **Profitability and Efficiency** | | | | | |
| Return on average shareholders' equity(6) | 37.8% | 20.9% | 24.1% | 24.6% | 28.9% |
| Return on average total assets(7) | 2.6% | 1.7% | 1.9% | 2.0% | 2.2% |
| Dividend payout ratio(8) | 46.0% | 64.4% | 42.5% | — | — |
| Net interest margin(9) | 4.6% | 5.0% | 4.7% | 4.8% | 5.6% |
| Provisions for loans losses as a percentage of total operating revenue | 21.0% | 27.5% | 28.9% | 27.3% | 29.8% |
| Efficiency ratio(10) | 45.3% | 54.4% | 54.5% | 54.7% | 50.1% |
| Net fee income as a percentage of total operating revenue(11) | 28.2% | 29.0% | 31.8% | 31.4% | 32.2% |
| **Capitalization and Balance Sheet Structure** | | | | | |
| Equity-to-asset ratio(12) | 7.4% | 8.1% | 8.2% | 8.5% | 7.8% |
| Total regulatory capital as a percentage of risk-weighted assets | 11.5% | 14.5% | 12.8% | 13.6% | 13.5% |
| Total loans as a percentage of total deposits | 73.2% | 77.6% | 81.6% | 87.1% | 88.7% |
| Total deposits as a percentage of total assets | 78.9% | 75.6% | 67.5% | 68.4% | 66.9% |
| **Credit Quality** | | | | | |
| Reserve for loan losses as a percentage of total gross loans(13) | 2.3% | 3.1% | 2.9% | 3.4% | 3.2% |
| Reserve for loan losses as a percentage of past due loans (coverage ratio) (13) | 299.5% | 194.5% | 201.1% | 206.3% | 210.2% |
| Past due loans as a percentage of total gross loans | 0.8% | 1.6% | 1.5% | 1.7% | 1.5% |

(1) Operating revenue is the aggregate of gross financial margin after provisions for loan losses, and non-financial income, net.

(2) Average interest-earning assets include deposits in the Central Bank, deposits in other banks, interbank funds, investment securities and loans and the sum is calculated based on the average of month-end balances.

(3) Average total assets is defined as the simple average between the value of total assets at the end of the period (December 31 for annual figures and June 30 for six-month figures) and the value of total assets at the end of the previous corresponding period.

(4) Average shareholders' equity is defined as the simple average between the value of shareholders' equity at the end of the period (December 31 for annual figures and June 30 for six-month figures) and the value of shareholders' equity at the end of the previous corresponding period.

(5) Includes on and off balance sheet assets on an unconsolidated basis as reported to the SBS.

(6) Net income as a percentage of average shareholders' equity, computed as the average of month-end balances.

(7) Net income as a percentage of average total assets, computed as the average of month-end balances.

(8) Declared dividends per share divided by net income per share.

(9) Net interest income as a percentage of average interest-earning assets, computed as the average of month-end balances.

(10) Salaries and employee benefits, general and administrative expenses, and depreciation and amortization divided by total operating revenue.

(11) Fees and commissions from banking services, net, as a percentage of total operating revenue.

(12) Average equity divided by average total assets, both calculated as the average of month-end balances.

(13) Reserve for loan losses includes reserves with respect to direct and indirect loans.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Our financial condition and results of operations depend significantly upon the macroeconomic conditions prevailing in Peru and prospective investors should (among other things) consider the factors set forth under "Forward-Looking Statements" and "Risk Factors—Risk Factors relating to BCP" and "—Risk Factors relating to Peru" above.

### Introduction

The following discussion should be read in conjunction with the unaudited interim consolidated financial statements as of June 30, 2011 and for the six months ended June 30, 2010 and 2011, which were prepared in accordance with Peruvian GAAP, and the audited annual consolidated financial statements as of December 31, 2009 and 2010 and for the years ended December 31, 2008, 2009 and 2010, which were prepared in accordance with Peruvian GAAP, in each case including the notes thereto. Peruvian GAAP differs in certain material respects from IFRS and U.S. GAAP. For a description of certain significant differences among Peruvian GAAP, IFRS and U.S. GAAP see Appendix A. The annual consolidated financial statements have been audited by MZP, as stated in the reports appearing herein.

Under Peruvian GAAP, our financial statements are consolidated with the financial statements of our subsidiaries, which are companies controlled by us (*i.e.*, we have the power to govern the financial and operating policies of these enterprises so as to obtain benefits from their activities). See note 2 to the annual consolidated financial statements.

### Critical Accounting Policies

In the preparation and presentation of the financial statements, our management has complied with the regulations established by the SBS in force in Peru as of December 31, 2008, 2009 and 2010 and June 30, 2010 and 2011. Certain of the accounting practices we employ, which conform to Peruvian GAAP for financial entities, may differ in certain significant respects from generally accepted accounting principles in other countries. Critical accounting principles and practices used in the preparation of the financial statements are described below. For further details on these accounting principles, see note 3 to the annual consolidated financial statements and note 2 to the interim unaudited consolidated financial statements.

*Basis for presentation and use of estimates*

The financial statements have been prepared from our accounting records, which are maintained in nominal Nuevos Soles as of the date of the transactions, in accordance with Peruvian GAAP.

The accounting records of our subsidiaries and branches established abroad are maintained in the currency of the country of their incorporation and their balances are translated into Nuevos Soles for consolidation purposes using the prevailing exchange rate as of the date of each balance sheet. The resulting translation differences are recognized in the consolidated statement of income.

The preparation of the financial statements requires management to make estimates that affect the reported amounts of assets and liabilities, income and expenses and disclosure of material contingencies in the notes to the financial statements. Actual results could differ from those estimates. The most significant estimates used in the preparation of the financial statements are related to the calculation of the allowance for loan losses, the valuation of investments, valuation of stock appreciation rights, or "SARs," the provision for seized assets and the valuation of derivatives. The accounting criteria used for each of these items are described below.

*Allowance for loan losses*

Management determines the allowance for loan losses in accordance with the guidelines established by the SBS. In accordance with such criteria, our management periodically conducts a formal review and analysis of the loan portfolio. All the loans are classified under the following categories: Normal (*Normal*), Potential Problem (*Problema Potencial*), Substandard (*Deficiente*), Doubtful (*Dudoso*), or Loss (*Pérdida*), based on the risk of non-payment by the customer. See "Regulatory Environment—Loan Loss Reserves."

In accordance with Resolution No. 11356-2008 issued by the SBS on November 19, 2008, new allowance requirements came into effect as of December 1, 2008 whereby the generic allowance percentage of loans classified as normal was modified to specific percentages for each type of loan, and pro-cyclical allowance requirements were established. The purpose of the pro-cyclical allowance requirement is to create additional allowances for loans classified as normal whenever the economy is experiencing high levels of GDP growth. As of December 31, 2008, since the Peruvian macroeconomic conditions for the activation of the pro-cyclical provisions were met, we and our banking subsidiaries in Peru recorded the required additional allowance. On September 10, 2009, the SBS, through Circular No. B-2181-2009, announced the suspension of the pro-cyclical requirements. This suspension was lifted on September 28, 2010, through Circular No. B-2193-2010. Pro-cyclical requirements range between 0.3% and 1.5%. For further details on the pro cyclical provision requirements, see note 7(e) to the annual consolidated financial statements.

As of December 31, 2008, Resolution No. 6941-2008 came into effect, establishing allowance requirements aimed to cover unused revolving credit lines of micro-business and consumer loans. No additional provisions were required as result of the implementation of this resolution.

In accordance with SBS Resolution No. 11356-2008, as of July 1, 2010, the previous four categories used to classify loans (commercial, micro-business, consumer, and mortgage) were replaced by the following eight categories: corporate loans, big-business loans, medium-business loans, small-business loans, micro-business loans, revolving consumer loans, non-revolving consumer loans and residential mortgage loans. Further, loan portfolios must now be separated between retail and non-retail borrowers. Retail borrowers include individual or legal entities who have direct or indirect loans within the categories of consumer (revolving and non-revolving), micro-business, small-business or mortgage loans, while, non-retail borrowers are individuals or legal entities who have direct or indirect loans within the categories of corporate, large-business or medium–business loans.

Additionally, as of July 1, 2010, credit conversion factors, or "CCF," are applied to indirect loans in order to determine the "equivalent exposure to credit risk," which is the basis for calculating the required provision. The CCF can vary from 0% to 100%, depending on the type of indirect loan.

For corporate, big-business, and medium-business loans, the risk classification takes into consideration several factors, including the payment history of the loan, our relationship history with the client/debtor's management, the debtor's operating history, repayment capability and availability of funds, the status of any collateral or guarantee received, the debtor's financial statements and the risk classification granted by other financial institutions. For small-business, micro-business, consumer (revolving and non-revolving), and residential mortgage loans, the risk classification is based on the length of overdue payments. The following table sets forth the loan classification and the corresponding reserve requirement (pro-cyclical requirements are not included) for small-business, micro-business, consumer loans, and residential mortgage loans:

| | Small-business, Micro-Business and Consumer Loans | | Residential Mortgage Loans | |
|---|---|---|---|---|
| **Level of Risk Classification** | **Past Due (days)** | **Reserve (%)** | **Past Due (days)** | **Reserve (%)** |
| I: Normal (*Normal*) | 0-8 | 1.0 | 0-30 | 0.7 |
| II: Potential Problem (*Problema Potencial*) | 9-30 | 5.0 | 31-60 | 2.5 |
| III: Substandard (*Deficiente*) | 31-60 | 25.0 | 61-120 | 12.5 |
| IV: Doubtful (*Dudoso*) | 61-120 | 60.0 | 121-365 | 30.0 |
| V: Loss (*Pérdida*) | more than 120 | 100.0 | more than 365 | 60.0 |

In accordance with the established regulations, the calculation of the allowance is determined on the basis of its classification and using specific percentages, which vary depending on whether or not the client's debts are secured with highly liquid preferred guarantees (cash deposits and rights on credit certificates) or readily preferred guarantees (treasury bonds issued by the Peruvian government and securities included in the Lima Stock Exchange Selective Index, among others) or preferred guarantees (primary lien/pledge on financial instruments, securities and property, agricultural or mining pledges, insurance on export credits, among others), considered at their net realizable value as determined by an independent appraisal. The calculation of the allowance for a loan is determined primarily on the basis of its classification, the type of related collateral, its liquidity and susceptibility to ready execution and its net realizable value as determined by an independent appraisal. The guarantor's credit classification is also a factor in calculating the allowance when loans are made to subsidiaries of a financial or insurance company.

For loans that are past due over 90 days, we are required to estimate our expected loss on each loan. Such estimate must be calculated by taking into consideration the economic situation and the operating condition of the borrower, including the value of any guarantees, type of credit, and the borrower's economic activity or sector, among others. The actual required provision is the greater of the expected loss and the provision estimated according to general procedures.

Similarly, for clients with secured loans classified as "doubtful" or "loss" whose payment is in arrears for a period of 24 or 36 months, respectively, the allowance is calculated as if such loans were unsecured.

The allowance for a direct loan is presented as an asset deduction, while the allowance for indirect loans is presented as a liability under consolidated balance sheet caption "other liabilities."

In the case of borrowers in countries where there is an increased risk of difficulty in servicing external debt, an assessment of the political and economic situation is made, and an additional allowance for country risk may be added.

*Investments*

We record our investments initially at the acquisition cost and afterwards in accordance with criteria established by SBS Resolution No. 10639-2008, dated October 31, 2008 as amended, which superseded SBS Resolution No. 1914-2004, dated November 23, 2004, and became effective on March 1, 2009. Before March 1, 2009, investments were recorded as described in note 2(h) of the 2009 annual consolidated financial statements. Following SBS rules, the accounting effect of the changes introduced by the amendments was recorded prospectively.

Investments are classified as follows: investments at fair value through profit or loss (trading securities), available-for-sale investments, held-to-maturity investments, and investments in associates. The permanent investments category was eliminated. According to their classification, the valuation criteria are as follows:

*Investments at fair value through profit or loss (trading securities).* Investments in trading securities are securities that are intended to be sold in the short term. These are valued on an individual, daily mark-to-market basis, with the related gains and losses being recognized in the financial statements as income. Interest income from these investments is recognized when accrued, and dividend income is recognized when declared.

*Available-for-sale investments.* Investments in available-for-sale securities are those that are not for sale in the short term, nor are they intended to be held until maturity. These investments are recorded at fair value. Profit or loss arising from their valuation is recognized directly as equity, unless there is a permanent reduction in their value (impairment), in which case the loss is recorded in the income statement. When the investment is sold or realized, the profit or loss, previously recognized as part of equity, is included in the results of the year.

Interest income from these investments is recognized when accrued, and the dividend income is recognized when the dividends are declared. In the case of debt securities, we must update the accounting value of such instruments every month through the accretion and amortization of capital discounts or premiums, respectively, using the effective interest method.

*Held-to-maturity investments.* Investments held-to-maturity are those that we have decided to maintain until maturity. These investments are recorded at their acquisition cost, which may be individually adjusted for downgrades in the issuer's credit rating affecting the consolidated income statement through non-interest income. Interest accrued on, as well as any premium or discount amortizations related to, these investments, are recognized monthly and reported in the consolidated income statement under interest income, using the effective interest method.

In any of the aforementioned cases, if the SBS deems it necessary that we constitute a provision for any investment, such provision must be determined by the SBS based on each individual investment and recorded in the consolidated income statement for the year.

*Investments in associates.* This classification is comprised of equity instruments acquired for the purpose of (1) an equity participation and (2) significant influence, as defined by IAS 28. The initial recognition is at fair value, including transaction costs that are directly attributable to the acquisition, and thereafter, the investments are recorded using the equity participation method.

*Derivative financial instruments*

Derivative financial instruments are recorded in accordance with accounting criteria established by the SBS Resolution No. 1737-2006 "Regulation for Trading and Accounting of Derivatives for Financial Entities" and amendments, as explained below:

*Trading*

Derivative financial instruments are initially recorded in the consolidated balance sheet at cost, thereafter, they are recorded at fair value. Fair values are obtained based on market exchange and interest rates. All derivatives are accounted for as assets when fair value is positive and as liabilities when fair value is negative. Gains and losses arising from changes in fair values are recorded in the consolidated income statement. In addition, forwards, swaps and options are recorded as off-balance sheet accounts at their notional amount.

*Hedging*

A derivative financial instrument that seeks to achieve a financial hedge for a given risk is designated for hedging purposes if, at its negotiation, it is foreseen that changes in fair value or cash flows are expected to be highly effective in offsetting the fair value or cash flow changes of the hedged item attributable to the hedged risk at inception, which must be documented when the financial derivative is negotiated and during the period that the hedge relationship exists. If the SBS, which must also approve this designation, considers the documentation to be unsatisfactory or finds weaknesses in the methodologies applied, it may require the immediate termination of the hedge agreement and the recording of the derivative financial instrument as trading. A hedge is considered highly effective if changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated are expected to be offset in a range of 80% to 125%.

For cash flow hedges, the effective portion of gain or loss over the hedge instrument is recognized directly in the equity, under the caption "Unrealized gains (losses)." The ineffective portion of gain or loss of the hedged instrument is recognized in the consolidated income statement. When the cash flow hedge affects the consolidated income statement, the gain or loss in the hedged instrument is recorded in the corresponding caption of the consolidated income statement.

For fair value hedges, the changes in the fair value of the hedged derivative are recognized in the consolidated income statement. Changes in the fair value of the hedged item attributed to the hedged risk are recorded as part of the balance of the hedged item and recorded in the consolidated income statement.

If the hedge instrument expires, is sold, terminated or exercised, or if the hedge does not comply with the hedging accounting criteria, the hedge agreement is prospectively terminated and; the balances recorded in the consolidated balance sheet are transferred to the consolidated income statement in the line item under which the hedged item is kept.

The SBS has authorized the designation of derivative financial instruments maintained by us and our subsidiaries as hedging operations considering that the functional currency of Credicorp is the U.S. dollar. For further details, see note 9(c) to the annual consolidated financial statements and note 7(c) to the interim unaudited consolidated financial statements.

*Embedded derivatives*

Certain derivatives embedded in other financial instruments (host contract) are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not carried at fair value through profit or loss. These embedded derivatives are separated from the host instrument and measured at fair value with changes in fair value recorded in the income statement unless we or our subsidiaries choose to designate the hybrid contracts (host contract and embedded derivative) at fair value through profit and loss.

In accordance with SBS Resolution No. 1737-2006, we have certificates indexed to Credicorp's stock price that will be settled in cash, which are hybrid instruments with embedded derivatives that are not closely related to the risk of the host contract. In this regard, we have decided to classify these instruments at fair value through profit and loss. Therefore, the separation of the embedded derivative is not required.

*Intangible assets*

On February 24, 2010, the SBS issued Resolution N°1967-2010, which establishes the accounting procedures for intangible assets with limited or unlimited useful life. Limited useful life intangible assets will be amortized for a period not to exceed 5 years, and the adopted amortization method cannot be modified without prior SBS approval. Unlimited useful life assets, as well as goodwill, registered before January 1, 2010, will be amortized according to regulations in force at the time of the initial registration of such asset, and for a period not to exceed 5 years. Unlimited useful life intangible assets registered after January 1, 2010, will be recognized at cost, minus any accumulated impairment.

*Assets seized*

Assets seized are initially recorded at the lowest of: (a) the value assigned to them through a legal proceeding, (b) the amount of any out-of-court settlement or (c) the unpaid value of the debt associated with such assets. Simultaneously with this determination of value at initial recognition, an allowance equivalent to 20% of the legal settlement or recoverable asset value is recorded. For this purpose we are permitted to use any allowance for loan losses that had been established for the related loan.

Thereafter, additional provisions should be recorded using the following guideline:

(1) Assets that are not real state: A monthly allowance equivalent to one twelfth of the book value of the asset (net of the 20% allowance) will be provided starting from the first month of seizure or recovery, until reaching an allowance of 100% of the seized or recovered value.

(2) Real estate: After three and a half years, uniform monthly allowances must be provided for at the end of each month over the net book value obtained in the eighteenth or twelfth month, depending on whether the SBS extension term approval was obtained or not, respectively, until reaching a provision of 100% of the seized or recovered value.

An updated appraisal of the market value of seized assets (which should be determined by an independent appraiser and should not be more than one year old) is required and necessarily implies the creation of an impairment charge, when the net realization value is lower than its net book value. If the net realization value is higher than the net book value, the increased value can not be recorded for accounting purposes.

*Income tax*

Current income tax is calculated on the basis of taxable income as determined for tax purposes, based on income tax principles as required by the tax authorities. Such principles can differ from the accounting principles that we and our subsidiaries use.

Deferred income tax reflects 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 settled. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that arise from the manner in which we and our subsidiaries expect to recover or settle the carrying amount of our assets and liabilities at the consolidated balance sheet date.

Deferred tax assets and liabilities are recognized without taking into consideration the time in which it is estimated that temporary differences will be realized or settled. Deferred assets are recognized when sufficient future tax benefits are probable for the realization of the deferred assets. At the balance sheet date, our management evaluates the non-recognized deferred assets and the balance of the recognized assets, and records deferred assets not previously recognized to the extent that probable future tax benefits will allow their recovery, or reduces the deferred assets to the extent that it is not likely that sufficient future tax benefits will be available to use part or all of the deferred assets recognized in the accounting records.

We determine our deferred income tax based on the tax rate applicable to our non-distributed profits and we recognize any additional tax for the distribution of dividends on the date on which the liability for distribution of such is recognized.

*Workers' profit sharing*

Workers' profit sharing is calculated on the basis of taxable income as determined for tax purposes, based on income tax principles as required by the tax authorities. Such principles can differ from the accounting principles that we and our subsidiaries use.

Until December 31, 2010, workers' profit sharing reflected 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 were measured using the worker's profit sharing rates expected to be applied to taxable income in the years in which temporary differences were expected to be recovered or settled.

In January 21, 2011 the SBS issued Multiple Official Letter N°2049-2011 establishing a new mandatory accounting treatment for workers' profit sharing consistent with IAS19 "Employee's benefits". Effective January 2011 entities must only recognize a liability when the employee has rendered a service; therefore, the deferred workers' profit sharing should not be calculated by temporary differences; given that these differences would be attributable to future services that must not be considered as obligations or rights under IAS 19. Worker's profit sharing expenses are therefore recorded as employees' expenses and included in the caption "Salaries and employees' benefits". For further details see note 2(b) to the unaudited interim consolidated financial statements.

*Supplementary plan for workers' profit sharing*

Until 2008, we granted certain executives and employees with more than one year of service Stock Appreciation Rights (SARs) over Credicorp's shares. Credicorp is our ultimate shareholder and is listed on the Lima and New York stock exchanges. The SARs were granted at the price of Credicorp's shares on the grant date and are exercisable at that price, allowing recipient employees to benefit from the difference between the fixed exercise price and the market price as of the exercise date. For further details, see note 16 to the annual consolidated financial statements. The recorded expense in each year represents the estimated market value of the appreciation rights that can be exercised by the beneficiaries on the date of the consolidated balance sheet. The price of the SARs is estimated using a binomial method in accordance with IFRS 2 "Share-based payments." For further details, see note 16 to the annual consolidated financial statements and note 7(e) to the interim unaudited consolidated financial statements.

*Stock awards accounting policy*

On April 2009, a new supplementary plan for workers' profit sharing was implemented to benefit our key executives and employees in the form of stock awards. Under this new plan, we and our subsidiaries purchase Credicorp shares and transfer them to the beneficiaries of the plan. The shares are maintained as restricted securities until vesting and, for control purposes, recorded in the caption "Off-balance sheet accounts" of our consolidated balance sheets. One third of the shares granted vest in each of the following three years on the anniversary of the grant date. In compliance with SBS Oficio 9771-2009, dated March 24, 2009, we and our subsidiaries record as an expense the amount paid for the shares. This expense is included in the caption "Salaries and employee benefits" of the annual consolidated financial statements, included elsewhere in this offering memorandum. For further details, see note 16 to the annual consolidated financial statements and note 7(e) to the interim unaudited consolidated financial statements.

*Sale and repurchase agreements*

Under SBS rules, investments sold subject to repurchase agreements ("repos") are presented in the consolidated financial statements as pledged assets when the transfer is made with an agreement to repurchase the collateral and legal ownership of the investments has not been transferred; therefore, the liability with the counterparty is reported under the caption "Due to banks and correspondents" or "Deposits and obligations," as appropriate, in the consolidated balance sheets. The difference between the sale and the repurchase price is treated as interest, which is accrued during the term of the agreement using the effective interest method.

On the other hand, when legal ownership of an investment is transferred, which could happen even if there is an agreement to repurchase the transferred investment (repos), it is removed from the caption "Trading, available-for-sale and held to maturity investments, net," recognizing the future commitment to repurchase the investment at the agreed maturity date as a contingent operation in the caption "Off-balance sheet accounts." The difference between the book value of the investment subject to the repurchase agreement and the future payment to be made is recorded in the caption "Other assets, net" (if the book value of the transferred investment is higher than the committed amount) and "Other liabilities, net" (if the book value of the investment is lower than the committed amount).

As of December 31, 2008, all of our outstanding repurchase agreements (S/.917.0 million) contemplated the transfer of the legal ownership of the underlying investment. For further details, see note 18(a) to the annual consolidated financial statements as of December 31, 2008.

As of December 31, 2009 and 2010, and as of June 30, 2011, outstanding repurchase agreements were S/.101.2 million, S/.702.3, and S/.905.9 million, respectively. Legal ownership of the underlying investment was not transferred in any of the repurchase agreement transactions outstanding as of December 31, 2009 and 2010 and as of June 30, 2011. For further details, see note 10(b) to the annual consolidated financial statements and note 8(a) to the interim unaudited consolidated financial statements.

*Acquisition of Financiera Edyficar*

The acquisition of Financiera Edyficar was recorded in accordance with IFRS 3 "Business Combinations," using the purchase method, reflecting the assets and liabilities acquired at their estimated fair values as of the acquisition date, including intangible assets not recorded in Financiera Edyficar's balance sheet as of the acquisition date, such as trademarks and client relationships, as well as the resulting goodwill and considering the deferred income taxes and workers' profit sharing. The annual consolidated financial statements for the year ended December 31, 2010, include the financial results of Financiera Edyficar for such period. The income statement for the year ended December 31, 2009 includes Financiera Edyficar's financial results since the acquisition date on October of 2009. For further details on the impact of the acquisition of Financiera Edyficar on our annual consolidated financial statements for the year ended December 31, 2009; see note 2 to the annual consolidated financial statements.

### Results of Operations for the Six Months Ended June 30, 2010 and 2011

The following discussion is based upon information contained in the interim consolidated financial statements and should be read in conjunction therewith. The interim consolidated financial statements have been prepared in accordance with Peruvian GAAP, which differ in certain significant respects from IFRS and U.S. GAAP.

The following table sets forth, for the six months ended June 30, 2010 and 2011, the principal components of our net income:

| | For the six months ended June 30, | |
|---|---|---|
| | 2010 | 2011 |
| | (Nuevos Soles in thousands) (unaudited) | |
| Financial income | 1,800,596 | 2,247,013 |
| Financial expense | (547,746) | (693,817) |
| Gross financial margin | 1,252,850 | 1,553,196 |
| Provision for loan losses | (281,234) | (326,827) |
| Gross financial margin after provision for loan losses | 971,616 | 1,226,369 |
| Loss for exchange difference | (33,264) | (21,491) |
| Net financial margin | 938,352 | 1,204,878 |
| Non-financial income | 1,035,292 | 971,158 |
| Operating expenses | (1,172,132) | (1,248,098) |
| Income before income tax | 801,512 | 927,938 |
| Income tax | (219,173) | (241,140) |
| Net income | **582,339** | **686,798** |

Net income increased by S/.104.5 million, or 17.9%, to S/.686.8 million in the six months ended June 30, 2011 compared to the first six months of 2010. This increase was primarily driven by an increase of S/.300.3 million, or 24.0%, in gross financial margin attributable to higher interest rates in Nuevos Soles. The increase was partially offset by a S/.64.1 million, or 6.2%, decrease in non-financial income. Gross financial margin after provision for loan losses increased by S/.254.8 million or 26.2%.

*Gross financial margin*

The following table sets forth, for the six months ended June 30, 2010 and 2011, the components of our gross financial margin:

| | For the six months ended June 30, | |
|---|---|---|
| | 2010 | 2011 |
| | (Nuevos Soles in thousands) (unaudited) | |
| **Financial income** | | |
| Interest from loan portfolio | 1,611,781 | 1,940,909 |
| Interest from deposits in Central Bank and other banks | 9,709 | 83,688 |
| Interest from investments at fair value through profit or loss and available-for-sale investments, net | 148,421 | 146,432 |
| Fluctuation from derivative financial instruments position | (1,941) | 33,934 |
| Commissions on loans and other financial transactions | 22,731 | 23,520 |
| Other | 9,895 | 18,530 |
| **Total financial income** | **1,800,596** | **2,247,013** |
| **Financial expense** | | |
| Interest and commissions on deposits and obligations | 123,904 | 242,216 |
| Interest on bonds and subordinated notes issued | 133,250 | 216,305 |
| Interest on due to banks, correspondents and other entities | 166,885 | 178,726 |
| Deposit Insurance Fund fees | 28,062 | 32,443 |
| Fluctuation on derivative financial instruments position | 86,085 | 14,193 |
| Other | 9,560 | 9,934 |
| **Total financial expense** | **547,746** | **693,817** |
| **Gross financial margin** | **1,252,850** | **1,553,196** |

In comparison to the first six months of 2010, our gross financial margin increased by S/.300.3 million, or 24.0%, driven by a S/.446.4 million, or 24.8%, increase in financial income, which was partially offset by a S/.146.1 million, or 26.7%, increase in financial expense. The increase in financial income and in financial expense was attributable primarily to higher interest rates in Nuevos Soles.

*Financial income*

Financial income increased by S/.446.4 million, or 24.8%, to S/.2.2 billion in the six months ended June 30, 2011, primarily as a result of higher interest rates charged in our local currency-denominated loan portfolio, higher average loan balances, and higher interest income received from our investments in securities denominated in Nuevos Soles.

For the six months ended June 30, 2011, the average nominal interest rate we earned on our loans was 11.3%. The average nominal interest rate for foreign currency-denominated loans decreased from 6.8% in the first six months of 2010 to 5.2% in the first six months of 2011. Average nominal interest rates for Nuevo Sol-denominated loans increased from 14.6% in the first six months of 2010 to 20.9% in the first six months of 2011.

For the six months ended June 30, 2011, the monthly average balance of our foreign currency-denominated loan portfolio was S/.21.3 billion, an increase of 3.9% from the six months ended June 30, 2010, while the monthly average balance of our Nuevo Sol-denominated loans was S/.13.4 billion, an increase of 4.4% from the six months ended June 30, 2010.

*Financial expense*

Financial expense increased by S/.146.1 million, or 26.7%, during the six months ended June 30, 2011 compared to the six months ended June 30, 2010 due to higher funding costs (especially interest on time deposits denominated in Nuevos Soles), which were primarily caused by the increase of the BCRP's reference rate.

Interest on bonds and subordinated notes issued increased by S/.83.1 million, or 62.3%, due to the issuance during the first six months of 2011 of S/.216.3 million (U.S.$78.7 million) of corporate bonds.

Our average foreign currency-denominated deposits were S/.21.9 billion for the six months ended June 30, 2011, compared to S/.22.1 billion for the six months ended June 30, 2010. Average deposits denominated in Nuevos Soles were S/.19.1 billion and S/.17.2 billion as of June 30, 2011 and 2010, respectively. As of June 30, 2011, the average balance of demand deposits, savings deposits, and time deposits increased by 0.9%, 1.8%, and 8.3%, respectively, as compared to June 30, 2010.

*Provision for loan losses*

The following table sets forth, for the six months ended June 30, 2010 and 2011, the movements in our allowance for loan losses, including reserves for indirect loans. Our indirect loans were S/.9.6 billion at June 30, 2011 compared to S/.8.3 billion at June 30, 2010.

| | **For the six months ended June 30,** | |
|---|---|---|
| | **2010** | **2011** |
| | *(Nuevos Soles in thousands)* *(unaudited)* | |
| Allowance for loan losses at the beginning of the period | 1,095,841 | 1,273,789 |
| Provisions for the period, net of recoveries | 282,501 | 336,682 |
| Write-offs | (180,362) | (191,243) |
| Foreign exchange translation | (12,261) | (12,700) |
| **Allowance for loan losses at the end of the period** | **1,185,719** | **1,406,528** |

Driven primarily by higher loan balances, provisions for loan losses increased by S/.54.2 million, or 19.2%, to S/.336.7 million in the six months ended June 30, 2011, compared to S/.282.5 million in the first six months of 2010.

Total reserves, including reserves for indirect loans, as a percentage of past due loans increased to 210.2% as of June 30, 2011 from 206.3% as of June 30, 2010. Total reserves as a percentage of non-performing loans increased to 195.9% as of June 30, 2011 from 190.7% as of June 30, 2010.

*Non-financial income*

The following table reflects, for the six months ended June 30, 2010 and 2011, the components of our non-financial income:

| | For the six months ended June 30, | |
|---|---|---|
| | 2010 | 2011 |
| | (Nuevos Soles in thousands) (unaudited) | |
| Fees and commissions from banking services | 629,203 | 706,910 |
| Net gain (loss) from sales of securities | 107,140 | (7,070) |
| Net gains on foreign exchange transactions | 149,382 | 185,262 |
| Other income | 149,567 | 86,056 |
| **Total non-financial income** | **1,035,292** | **971,158** |

Non-financial income decreased by S/.64.1 million, or 6.2%, to S/.971.2 million in the six months ended June 30, 2011, primarily due to a S/.114.2 million, or 106.6%, decrease in gains from sales of securities, and a S/.63.5 million, or 42.5%, decrease in other income. This decrease was partially offset by an increase of S/.77.7 million, or 12.4%, in fees and commissions from banking services. The decrease in gains from sales of securities was driven by the absence in the first half of 2011 of extraordinary gains associated with an exchange program of government bonds offered by the Peruvian Government in the first half of 2010. In April 2010, the Peruvian Government offered the exchange of 7.500% Euro denominated Global Bonds due 2014 for cash and new bonds (8.375% U.S. dollar denominated Global Bonds due 2033). As a result of our participation in the aforementioned exchange program, we recorded a S/.101.3 million gain. Additionally, on the exchange date we terminated related cross currency swaps that were part of our fair value hedge strategy generating a loss of approximately S/.44.6 million that was recorded under financial expense.

Other income decreased due to the absence in the first six months of 2011 of gains in our position of indexed certificates issued by Citigroup Global Markets Holdings Inc., Citigroup Capital Limited, Citigroup Capital Markets Inc. (collectively "Citigroup") and Crédit Agricole Corporate and Investment Bank (formerly Calyon).

*Operating expenses*

The following table reflects, for the six months ended June 30, 2010 and 2011, the components of our operating expenses:

| | For the six months ended June 30, | |
|---|---|---|
| | 2010 | 2011 |
| | (Nuevos Soles in thousands) (unaudited) | |
| Salaries and employee benefits | 650,036 | 604,529 |
| General and administrative expenses | 340,877 | 379,021 |
| Depreciation and amortization | 107,530 | 117,134 |
| Provision for seized assets | 2,316 | 3,085 |
| Taxes and contributions | 38,952 | 44,614 |
| Other | 32,421 | 99,715 |
| **Total operating expenses** | **1,172,132** | **1,248,098** |

Operating expenses increased by S/.76.0 million, or 6.5%, in the six months ended June 30, 2011 to S/.1.2 billion, primarily as result of losses in our position of indexed certificates issued by Citigroup and Crédit Agricole Corporate and Investment Bank (formerly Calyon) which are reported under other expenses.

Salaries and employee benefits decreased by S/.45.5 million, or 7.0%, to S/.604.5 million in the six months ended June 30, 2011. This decrease was primarily driven by a decline in the provision for stock appreciation rights (SARs) granted to some of our senior executives, which was partially offset by losses in our position of indexed certificates issued by Citigroup and Crédit Agricole Corporate and Investment Bank (formerly Calyon) reported under other expenses. As a result of changes in the accounting treatment of workers' profit sharing, salaries and employee benefits in the first six months of 2010 and 2011, our expenses include S/.34.0 million and S/.41.2 million associated with worker's profit sharing, respectively.

General and administrative expenses increased by S/.38.1 million, or 11.2%, to S/.379.0 million in the six months ended June 30, 2011, primarily due to advertising campaigns implemented in 2011.

*Income taxes*

Our income tax expense in the six months ended June 30, 2011 was S/.241.1 million, a 10.0% decrease as compared to our income tax expense of S/.219.2 million in the six months ended June 30, 2010. Income taxes in the first six months of 2011 were comparatively lower than in the first six months of 2010 because a higher proportion of our income during that period originated from sources which are exempt from income taxes.

**Results of Operations for the Years Ended December 31, 2008, 2009 and 2010**

The following discussion is based upon information contained in the annual consolidated financial statements and should be read in conjunction therewith. The annual consolidated financial statements have been prepared in accordance with Peruvian GAAP, which differ in certain significant respects from IFRS and U.S. GAAP.

The following table sets forth, for the years ended December 31, 2008, 2009 and 2010, the principal components of our net income:

| | For the years ended December 31, | | |
|---|---|---|---|
| | **2008** | **2009** | **2010** |
| | *(Nuevos Soles in thousands)* | | |
| Financial income | 3,806,220 | 3,716,174 | 3,790,337 |
| Financial expense | (1,642,574) | (1,257,112) | (1,142,336) |
| Gross financial margin | 2,163,646 | 2,459,062 | 2,648,001 |
| Provision for loan losses | (272,463) | (517,892) | (600,533) |
| Gross financial margin after provision for loan losses | 1,891,183 | 1,941,170 | 2,047,468 |
| (Loss) gain for exchange difference | 49,435 | (252,547) | 24,404 |
| Net financial margin | 1,940,618 | 1,688,623 | 2,071,872 |
| Non-financial income | 1,624,659 | 1,818,173 | 2,036,447 |
| Operating expenses | (1,891,599) | (2,203,888) | (2,381,381) |
| Income before workers' profit sharing and income tax | 1,673,678 | 1,302,908 | 1,726,938 |
| Workers' profit sharing | (41,557) | (49,265) | (69,929) |
| Income tax | (297,575) | (329,142) | (447,668) |
| **Net income** | **1,334,546** | **924,501** | **1,209,341** |

Net income increased by S/.284.8 million, or 30.8%, from 2009 to 2010 driven by lower interest expense resulting from lower rates paid on our deposits and an increase of S/.277.0 million in the loss/gain for exchange rate fluctuation as result of the slower appreciation of the Nuevo Sol in 2010 of 2.8% compared to 8.0% in 2009. After increasing 90.1% in 2009, provisions for loan losses increased in 2010 by 16.0% to S/.600.5 million due primarily to higher loan balances and pro-cyclical provisioning requirements in effect since October 2010. Operating expenses increased by 8.1% in response to expense control initiatives introduced in 2010.

Net income decreased by S/.410.0 million, or 30.7% from 2008 to 2009. This decrease was primarily due to a S/.302.0 million loss due to exchange rate fluctuations and to a S/.245.4 million increase in provisions for loan losses. Gross financial margin increased by S/.295.4 million, or 13.7% driven by a S/.385.5 million reduction in interest expenses due to lower interest rates paid on deposits and obligations. Operating expenses increased by S/.312.3 million, or 16.5% largely as a result of the expansion of our branch network.

*Gross financial margin*

The following table sets forth the components of our gross financial margin:

| | For the years ended December 31, | | |
|---|---|---|---|
| | **2008** | **2009** | **2010** |
| | *(Nuevos Soles in thousands)* | | |
| **Financial income:** | | | |
| Interest from loan portfolio | 2,807,602 | 3,143,174 | 3,390,227 |
| Interest from trading, available-for-sale and held-to-maturity investments | 661,908 | 377,335 | 259,614 |
| Interest from deposits in Central Bank and other banks | 199,344 | 41,801 | 89,810 |
| Commissions on loans and other financial transactions | 25,990 | 21,955 | 49,207 |
| Fluctuation from derivative financial instruments position | 94,308 | 124,693 | (10,973) |
| Other | 17,068 | 7,216 | 12,452 |
| **Total financial income** | **3,806,220** | **3,716,174** | **3,790,337** |
| **Financial expense:** | | | |
| Interest on deposits and obligations | (891,042) | (550,187) | (338,089) |
| Interest on bonds and subordinated notes issued | (161,202) | (204,191) | (293,729) |
| Interest and commissions on deposits from local financial entities and international organizations | (248,969) | (262,710) | (548) |
| Interest due to banks, correspondents and other entities | (241,378) | (125,245) | (351,944) |
| Deposit Insurance Fund fees | (46,685) | (57,636) | (57,329) |
| Fluctuation on derivative financial instruments position | (24,380) | (46,293) | (62,424) |
| Other | (28,918) | (10,850) | (38,273) |
| **Total financial expense** | **(1,642,574)** | **(1,257,112)** | **(1,142,336)** |
| **Gross financial margin** | **2,163,646** | **2,459,062** | **2,648,001** |

Our gross financial margin increased by 7.7% in 2010 compared to 2009, and increased 13.7% in 2009 compared to 2008.

*Financial income*

Financial income increased by 2.0% in 2010, after decreasing by 2.4% in 2009 and increasing by 32.0% in 2008. The increase in 2010 was primarily driven by higher loan balances that were partially offset by lower interest rates charged on our loan portfolio. The decrease in 2009 was primarily due to lower balances in available-for-sale securities and deposits in the Central Bank and other banks. Net of this effect, interest on our loan portfolio increased by S/.335.6 million or 12.0%, from 2008 to 2009 primarily due to an increase in the proportion of Nuevo Sol-denominated loans, which bear interest at higher rates.

We earned an average nominal interest rate of 9.8% in 2010, 10.2% in 2009 and 10.4% in 2008. The average nominal interest rate for foreign currency-denominated loans decreased from 8.9% in 2008 to 7.9% in 2009 and decreased to 6.7% in 2010. Average nominal interest rates for Nuevo Sol-denominated loans increased from 13.8% in 2008 to 14.2% in 2009 and to 14.7% in 2010.

In 2010, the monthly average balance of our foreign currency-denominated loan portfolio was S/.21.6 billion, an increase of 10.0% from 2009, while the monthly average balance of our Nuevo Sol-denominated loans was S/.13.4 billion, an increase of 18.5% from 2009. In 2009, the average monthly balance in the foreign currency-denominated loan portfolio and in the local currency-denominated loan portfolio increased 6.5% to S/.19.7 billion and 30.8% to S/.11.3 billion, respectively. In 2008, the average monthly balance in the foreign currency-denominated loan portfolio and in the local currency-denominated loan portfolio increased 21.4% to S/.18.5 billion and 44.7% to S/.8.7 billion, respectively. The significant increase in the average balance of local currency-denominated loans in 2008 and 2009 was due to more competitive rates in Nuevos Soles and higher balances in consumer loans. In 2010, the increase in local currency-denominated loans was due to higher consumer loan balances, while the increase in foreign currency-denominated loans was due to the prevailing low rate environment in foreign currency.

*Financial expense*

Financial expense decreased 9.1% in 2010, after decreasing 23.5% in 2009 and increasing 44.3% in 2008. The decrease in 2010 was due to lower average nominal interest rates paid on deposits. Lower interest expense in 2009 was principally due to decreases in the market rates on deposits and lower volume of deposits, principally in Nuevos Soles. Average nominal interest rates on total deposits were 3.1%, 2.1% and 0.9% in 2008, 2009 and 2010, respectively. Average nominal interest rates on foreign currency-denominated deposits decreased from 2.8% in 2008 to 2.0% in 2009 to 0.7% in 2010. Average nominal interest rates on Nuevo Sol-denominated deposits decreased from 3.4% in 2008 to 2.2% in 2009 and decreased to 1.2% in 2010. The decrease in 2009 and 2010 in the average nominal interest rate paid on foreign currency-denominated and Nuevo Sol-denominated deposits was due primarily to high levels of liquidity in the local market.

Our average foreign currency-denominated deposits were S/.22.8 billion in 2010, S/.27.0 billion in 2009, and S/.22.4 billion in 2008. Average deposits denominated in Nuevos Soles were S/.19.5 billion, S/.15.1 billion, and S/.16.4 billion in 2010, 2009 and 2008, respectively. In 2010, demand deposits increased by 11.5%, savings deposits by 11.2%, and time deposits decreased by 11.7%. In 2009, the largest increase in the average balance of deposits compared to 2008 was in savings deposits (22.1%); a significant increase was also recorded in demand deposits (11.6%). In 2008, the average balance of both demand deposits and time deposits increased by 28.2% each, while the average balance of savings deposits grew by 21.0%.

The decrease in interest expense on deposits from local financial entities and international organizations and the increase in interest expense due to banks, correspondents and other entities is partly due to the reclassification on January 1, 2010 of S/.3.1 billion and S/.1.0 billion of time deposits maintained by CCR Inc. and Atlantic Security Bank (both foreign related entities), respectively to due to banks, correspondents and other entities. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Total liabilities” and note 10(d) to the annual consolidated financial statements.

*Net financial margin*

Our net financial margin (gross financial margin divided by average interest-earning assets) increased from 4.6% in 2008 to 5.0% in 2009, and decreased to 4.7% in 2010.

*Allowance for loan losses*

We classify all of our loans by risk category. We establish our loan loss reserves based upon criteria established by the SBS. See “Selected Statistical and Other Information—Loan Portfolio—Loan Risk Categories.” We do not anticipate that the expansion of our loan portfolio will require a change in our reserve policy.

The following table sets forth the movements in our allowance for loan losses, including reserves for indirect loans, guarantees and stand-by letters of credit, import and export letters of credit, and due from bank acceptances. Total indirect loans were S/.6.2 billion, S/.7.2 billion, and S/.9.0 billion at December 31, 2008, 2009 and 2010, respectively.

| | **For the years ended December 31,** | | |
|---|---|---|---|
| | **2008** | **2009** | **2010** |
| | *(Nuevos Soles in thousands)* | | |
| Allowance for loan losses at the beginning of the period | 698,899 | 813,978 | 1,095,841 |
| Provisions of the period, net of recoveries | 270,267 | 526,587 | 594,831 |
| Allowance from acquisition of Edyficar | — | 56,153 | — |
| Write-offs | (140,620) | (266,613) | (404,396) |
| Foreign exchange translation | (14,568) | (34,264) | (12,487) |
| Allowance for loan losses at the end of the period | **813,978** | **1,095,841** | **1,273,789** |

Allowance for loan losses, excluding recoveries, increased by S/.68.2 million, or 13.0% in 2010, and by S/.256.3 million, or 94.8%, in 2009. Provisions in 2010 were affected by the activation of the pro-cyclical provisioning requirements in effect since October 2010. The increase was due to higher loan volumes across all business segments. Recoveries of previously charged-off accounts amounted to S/.94.6 million in 2010 and are reported under the “Other income” caption of “Selected Statistical and Other Information.”

The increase in provisions in 2008, 2009 and 2010 was partly offset by write-offs, which increased by 89.6% from 2008 to 2009 and by 51.7% from 2009 to 2010. These write-offs were loans that were fully provisioned and considered unrecoverable. See “Selected Statistical and Other Information—Loan Portfolio—Loan Loss Reserves.”

Total reserves, including reserves for indirect loans, as a percentage of past due loans decreased to 216.8% at year-end 2010 compared to 206.3% at year-end 2009, and 329.7% at year-end 2008. Total reserves as a percentage of substandard loans, which we define as loans with risk classifications of Substandard, Doubtful and Loss, increased to 114.3% at year-end 2010 from 107.5% at year-end 2009 after decreasing from 132.4% at year-end 2008. Given the changing composition of our loan portfolio and recent developments in the Peruvian and global economy, our historical loss experience may not be indicative of our future loan loss experience.

*Non-financial income*

The following table reflects the components of our non-financial income:

| | **For the years ended December 31,** | | |
|---|---|---|---|
| | **2008** | **2009** | **2010** |
| | | *(Nuevos Soles in thousands)* | |
| Fees and commissions from banking services | 990,698 | 1,088,567 | 1,298,332 |
| Net gains from sales of securities | 74,955 | 254,964 | 174,876 |
| Net gains on foreign exchange transactions | 324,420 | 202,528 | 243,978 |
| Other non-financial income | 234,586 | 272,114 | 319,261 |
| **Total non-financial income** | **1,624,659** | **1,818,173** | **2,036,447** |

Our non-financial income increased 12.0% to S/.2.0 billion in 2010 from S/.1.8 billion in 2009, which in turn increased 11.9% from S/.1.6 billion in 2008. Revenue increases in 2008, 2009 and 2010 were primarily due to increases in fees and commissions from banking services and various revenue items included in other non-financial income.

Fees and commissions from banking services increased 19.3% to S/.1.3 billion in 2010, compared to 2009, and 9.9% to S/.1.1 billion in 2009 compared to 2008. The increase in fees and commissions from banking services in 2009 and 2010 was principally due to an increase in transfer and collections fees, increased commissions from credit/debit card services, increased in fees from trust services and improved property leasing services.

Sales of securities resulted in a net gain of S/.174.9 million in 2010, compared to a net gain of S/.255.0 million in 2009 and S/.75.0 million in 2008. The gains in 2009 and 2008 were driven primarily by the profits from our sale of Peruvian government securities.

Our gains from foreign exchange transactions were S/.244.0 million in 2010, S/.202.5 million in 2009 and S/.324.4 million in 2008. The increase in 2010 was due to higher foreign exchange trading volumes in 2010 in response to the appreciation of the Nuevo Sol. The decrease in revenues generated by foreign exchange transactions from 2008 to 2009 is attributable to lower transaction volumes that resulted primarily from the decreased volatility in the foreign exchange market.

Other non-financial income increased 17.3% to S/.319.3 million in 2010 after increasing 16.0% to S/.272.1 million in 2009 from S/.234.6 million in 2008. Other non-financial income principally consists of gains on indexed certificates, recoveries of charged-off accounts, customer service charges and certain sundry income items. BCP maintains a proprietary position in indexed certificates issued by Citigroup and Crédit Agricole Corporate and Investment Bank (formerly Calyon) to mitigate the volatility in operating expenses caused by stock appreciation rights granted to executives. The indexed certificates are in the form of warrants issued by Citigroup and Calyon, and are settled exclusively in cash. These instruments do not qualify for hedge accounting. Gains on these indexed certificates are reported as other income while losses are reported under operating expenses (see note 9(b) to the Annual Consolidated Financial Statements). The increase in 2009 and 2010 in other non-financial income was due principally to gains on indexed certificates.

*Operating expenses*

The following table reflects the components of our operating expenses:

| | For the years ended December 31, | | |
|---|---|---|---|
| | **2008** | **2009** | **2010** |
| | | *(Nuevos Soles in thousands)* | |
| Salaries and employee benefits | 831,247 | 1,148,069 | 1,299,130 |
| General and administrative expenses | 622,785 | 713,459 | 709,029 |
| Depreciation and amortization | 137,827 | 181,740 | 219,026 |
| Provision for seized assets | 7,343 | 4,033 | 4,136 |
| Taxes and contributions | 61,197 | 84,722 | 79,889 |
| Other | 231,200 | 71,865 | 70,171 |
| **Total operating expenses** | **1,891,599** | **2,203,888** | **2,381,381** |

BCP's operating expenses (excluding provisions for loan losses) increased 8.1% to S/.2.4 billion in 2010 after increasing 16.5% to S/.2.2 billion in 2009. The increase in 2010 compared to 2009 was driven by higher personnel expenses. Operating expenses increased during 2009 compared to 2008, mostly due to significant increases in personnel expenses (salaries and employee benefits). Operating expenses increased in 2008 due primarily to losses in BCP's proprietary position in indexed certificates issued by Citigroup, which are recorded under other operating expenses.

Salaries and employee benefits, which include expenses on stock appreciation rights (SARs) on Credicorp's stock given to executives, increased 13.2% in 2010 after having increased 38.1% in 2009. The increase in 2010 was driven by higher variable compensation expenses in line with higher loan volumes. The increase in 2009 was primarily due to higher charges related to the expensing of SARs and by increases in personnel. In addition, we and our subsidiaries implemented a new share-based payment plan, granting a number of Credicorp shares to certain executives who have been employed for at least one year. In connection with this plan, we and our subsidiaries acquired all the shares granted to our executives, which are being held as restricted by us and our subsidiaries for a 3 year term; shares are fully liberated in favor of the executives 1/3 each year. Following SBS Official Letter No. 9771-2009, dated March 24, 2009, we and our subsidiaries have recorded as an expense the acquisition cost of the shares granted. Expenses related to the SARs are directly correlated with the price of Credicorp's shares.

General and administrative expenses increased from S/.622.8 million in 2008 to S/.713.5 million in 2009 and to S/.709.0 million in 2010, representing an increase of 14.6% from 2008 to 2009 and a decrease of 0.6% from 2009 to 2010. As a percentage of operating expenses, general and administrative expenses were 29.8%, 32.4% and 32.9% in 2010, 2009 and 2008, respectively. General and administrative expenses in 2010 were practically unchanged relative to 2009 due to efficiency and cost-cutting initiatives implemented in 2009 and 2010. The increase in expenses from 2009 to 2008 was primarily due to the increase in professional fees and system expenses such as licenses and projects.

Depreciation and amortization increased 20.5% to S/.219.0 million in 2010 after increasing 31.9% to S/.181.7 million in 2009 from S/.137.8 million in 2008. In 2010, the increase was due to higher amortization expenses of software and of intangibles associated with Edyficar. The increase in 2009 was principally due to depreciation of newly acquired buildings and of fixed assets associated to the remodeling of our branch network.

Other expenses decreased 2.4% to S/.70.2 million from 2009 to 2010 and 68.9% from 2008 to 2009. In 2010, the decrease was due to lower litigation expenses. The decrease in 2009 was mainly due to the absence of losses in our proprietary position of indexed certificates issued by Citigroup and Calyon as compared to 2008, net of the effect to the provision for diverse risk.

*Income taxes*

Our income tax expense was S/.447.7 million in 2010, S/.329.1 million in 2009 and S/.297.6 million in 2008. The statutory income tax rate payable in Peru in those years was 30% of taxable income. BCP's effective tax rates in 2008, 2009 and 2010 were 25.2%, 26.3% and 27.0%, respectively. The increase in the effective tax rate in 2009 and 2010 was driven by an increase in non-deductible expenses.

## Analysis of Financial Condition

*Total assets*

The following table presents the distribution of our assets at the dates indicated:

| | As of December 31, | | | As of June 30, |
|---|---|---|---|---|
| | 2008 | 2009 | 2010 | 2011 |
| | *(Nuevos Soles in thousands)* | | | |
| Cash and due from banks, and interbank funds | 11,083,320 | 10,791,801 | 23,853,075 | 14,585,347 |
| Investments at fair value through profit or loss and available-for-sale investments, net. | 9,657,200 | 8,944,193 | 4,536,565 | 11,001,358 |
| Gross loans | 32,787,477 | 33,459,686 | 40,266,971 | 43,785,060 |
| Allowance for loan losses | (739,480) | (1,033,148) | (1,181,389) | (1,310,424) |
| Net loans | 32,047,997 | 32,426,538 | 39,085,582 | 42,474,636 |
| Other assets | 2,706,643 | 3,124,874 | 3,494,503 | 3,465,009 |
| **Total assets** | **55,495,160** | **55,287,406** | **70,969,725** | **71,526,350** |

After decreasing by 0.4% in 2009, total assets increased by 28.4% to S/.71.0 billion in 2010, and by 0.8% in the first six months of 2011. As of June 30, 2011, we had total assets of S/.71.5 billion.

According to figures reported by the SBS, commercial banks in Peru grew 16.4% and 3.4% in terms of deposits and increased 19.1% and 9.7% in terms of total loans in 2010 and in the first six months of 2011, respectively, while official GDP figures published by the INEI show an accumulated GDP growth of 5.3% during the first six months of 2011.

Although we can make no assurances, we believe our total assets will grow at a rate similar to Peruvian GDP growth. For 2010, the ratios of financial intermediation in the Peruvian financial system, as measured by total average deposits and total average loans as a percentage of GDP, were 30.2% and 27.0%, respectively, according to the SBS, one of the lowest intermediation levels in the region.

The planned expansion of our loan portfolio could be accompanied by increased risk, not only due to the speed and magnitude of the increase in loans, but also to the anticipated shift to middle-market and consumer lending which are typically riskier loans. Given the changing composition of our loan portfolio, our historical loan loss experience may not be indicative of our future loan loss experience.

As of June 30, 2011, our direct loans, net of provisions, were S/.42.5 billion compared to S/.39.1 billion as of December 31, 2010, S/.32.4 billion as of December 31, 2009, and S/.32.0 billion as of December 31, 2008. Our direct net loans represented 59.4% of our total assets as of June 30, 2011 compared to 55.1%, 58.7%, and 57.7% as of December 31, 2010, 2009, and 2008, respectively. In the six months ended June 30, 2011 total gross loans increased 8.7%. In 2010, gross loans increased by 20.3% due to loan growth in both wholesale and retail banking.

Our total deposits with the Central Bank were S/.10.5 billion as of June 30, 2011 compared to S/.17.7 billion as of December 31, 2010, S/.6.1 billion as of December 31, 2009, and S/.6.1 billion as of December 31, 2008. After decreasing by 7.4% in 2009 and by 49.3% in 2010, our securities holdings (which include marketable securities and investments) increased 142.5% to S/.11.0 billion from December 31, 2010 to June 30, 2011. In October 2010, the Central Bank started accepting deposits in lieu of issuing certificates of deposit in order to increase the effectiveness of its monetary policy. Accordingly, our balance of certificates of deposits declined in 2010 while our deposits with the Central Bank increased. In 2011, the Central Bank restarted the issuance of certificates of deposit. Therefore, in the six months ended June 30, 2011, our deposits with the Central Bank declined by S/.7.3 billion and our holdings of certificates of deposit issued by the Central bank increased by S/.5.9 billion.

*Total liabilities*

The following table presents the distribution of our liabilities at the dates indicated:

| | As of December 31, | | | As of June 30, |
|---|---|---|---|---|
| | 2008 | 2009 | 2010 | 2011 |
| | | (Nuevos Soles in thousands) | | |
| Deposits and obligations | 43,780,574 | 41,784,815 | 47,900,771 | 47,859,850 |
| Due to banks, correspondents and other entities, and interbank funds | 3,704,770 | 3,694,129 | 10,241,261 | 9,352,012 |
| Bonds and subordinated notes issued | 2,497,227 | 3,571,842 | 5,546,470 | 7,240,184 |
| Other liabilities | 1,412,657 | 1,407,344 | 1,742,173 | 1,448,232 |
| **Total liabilities** | **51,395,228** | **50,458,130** | **65,430,675** | **65,900,279** |

As of June 30, 2011, we had total liabilities of S/.65.9 billion, an increase of S/.469.6 million, or 0.7%, as compared to December 31, 2010. In 2009, total liabilities decreased by 1.8% and in 2010 total liabilities increased by 29.7%. Total deposits decreased 4.6% from December 31, 2008 to December 31, 2009, and increased 14.6% from December 31, 2009 to December 31, 2010. The increase in deposits in 2010 was partially offset by the reclassification of S/.3.1 billion and S/.1.0 billion of time deposits maintained by CCR Inc and Atlantic Security Bank (both foreign related entities), respectively, to "due to banks, correspondents and other entities". Excluding the impact of such reclassification, total deposits increased by S/.10.2 billion, or 24.5%, in 2010. Accordingly, interest due to banks, correspondents, and other entities increased by S/.226.7 million in 2010. In the first six months of 2011, total deposits decreased by S/.40.9 million to S/.47.9 billion.

Due to banks, correspondents and other entities, and interbank funds decreased by 8.7% to S/.9.4 billion in the first six months of 2011 after increasing by 177.2% in 2010 primarily as a result of the reclassification of S/.3.1 billion and S/.1.0 billion of time deposits maintained by CCR Inc and Atlantic Security Bank (both foreign related entities), respectively, to interest due to banks, correspondents and other entities.

Bonds and subordinated notes issued increased from S/.2.5 billion as of December 31, 2008 to S/.3.6 billion as of December 31, 2009 to S/.5.5 billion as of December 31, 2010. In the first six months of 2011, bonds and subordinated notes issued increased by S/1.7 billion or 30.5%. The increases are attributable to long term debt issuances executed in order to meet the growing demand for medium and long-term funding resulting from accelerated loan growth.

We believe that the growth of the liquidity in the system, our extensive branch network and reputation in the Peruvian market have allowed us to compete effectively for new deposits and to attract stable, low-cost savings deposits.

Our funding strategy has been structured around maintaining a diversified deposit base. Our deposits have not been heavily affected by the global crisis. In 2010, despite low levels of the Central Bank's reference interest rate and increased competition among local banks, time deposits increased by 8.5% in 2010, demand deposits increased by 22.5% and savings deposits increased by 16.6% in 2010. In the first six months of 2011, time deposits decreased by 13.9% to S/.17.3 billion while demand deposits increased by 12.8% to S/.17.7 billion and savings deposits increased by 6.3% to S/.12.7 billion. Based on information published by the SBS, we estimate that as of

June 30, 2011, we had 40.5% of total savings deposits in the Peruvian banking system and 35.8% of total deposits, both representing the highest share among Peruvian banks. An important characteristic of our deposit base is that, as of June 30, 2011, it included 56.1% of the entire Peruvian banking system's CTS deposits (severance indemnity deposits), compared to 55.9% as of December 31, 2010. We believe that we traditionally have attracted a high percentage of the savings and CTS deposit market because of our reputation as a sound institution, our extensive branch network and the quality of our service. Based on figures published by the SBS, our core deposits (savings, CTS and demand deposits) accounted for 68.5% of our total deposits as of June 30, 2011 (62.3% as of December 31, 2010). Our market share in these types of deposits amounted to 42.6% of the Peruvian banking system as of June 30, 2011, compared to 43.0% as of December 31, 2010.

## Liquidity and Capital Resources

*Regulatory Capital and Capital Adequacy Ratios*

The following table summarizes our regulatory capital and capital adequacy ratios:

| | As of December 31, | | | | As of June 30, |
|---|---|---|---|---|---|
| | 2007 | 2008 | 2009 | 2010 | 2011 |
| | *(Nuevos Soles in thousands, except percentages)* *(unaudited)* | | | | |
| **Regulatory capital and capital adequacy ratios(1)** | | | | | |
| Capital stock, net | 1,286,528 | 1,508,288 | 2,228,288 | 2,557,738 | 2,557,738 |
| Legal and other capital reserves | 1,037,869 | 1,328,384 | 1,329,057 | 1,329,155 | 2,004,022 |
| Accumulated earnings with capitalization agreements | 221,760 | 720,000 | 329,450 | — | — |
| Unrealized gains in subsidiaries | — | — | 194,172 | 517,939 | 624,549 |
| Loan loss reserves(2) | 254,674 | 342,910 | 428,745 | 506,439 | 533,928 |
| Computable subordinated debt(3) | 882,767 | 875,080 | 1,954,404 | 1,939,934 | 1,832,496 |
| **Total** | **3,683,598** | **4,774,662** | **6,464,116** | **6,851,205** | **7,552,733** |
| Less: investment in subsidiaries and financial institutions | (510,270) | (657,500) | (862,149) | (1,189,090) | (1,163,707) |
| Less: goodwill | (16,312) | (25,200) | (144,841) | (144,841) | (144,841) |
| **Total regulatory capital** | **3,157,016** | **4,091,953** | **5,457,126** | **5,517,274** | **6,266,943** |
| Risk-weighted assets | 26,655,854 | 35,528,874 | 37,592,507 | 42,965,696 | 46,328,679 |
| **Capital ratios** | | | | | |
| Regulatory capital as a percentage of risk-weighted assets(1) | 11.8% | 11.5% | 14.5% | 12.8% | 13.5% |
| Ratio of risk-weighted assets to regulatory capital(4) | 8.4x | 8.7x | 6.9x | 7.8x | 7.4x |

(1) Regulatory capital as calculated in accordance with guidelines by the BIS II Accord as adopted by the SBS. This ratio is calculated on an unconsolidated basis.

(2) Until June 30, 2009, SBS rules allowed the inclusion of loan loss reserves up to 1% of total direct and indirect loans in the calculation of regulatory capital. Since July 1, 2009, amended SBS rules allow banks using the standardized method for capital adequacy purposes to include loan loss reserves up to 1.25% of risk-weighted assets in the calculation of regulatory capital.

(3) During 2009 we issued U.S.$113.8 million (S/.328.9 million as of December 31, 2009) of subordinated notes and U.S.$250.0 million (S/.722.5 million as of December 31, 2009) of junior subordinated notes due 2069.

(4) As part of the implementation of Basel II, this ratio has been progressively lowered 10.5x effective July 1, 2009, to 10.2x effective July 1, 2010, to 10.0x from July 1, 2011 onwards. For further details see "Regulatory Environment—Implementation of Basel Principles—Capital Adequacy."

(5) As part of the implementation of Basel II, the SBS minimum regulatory capital requirement, expressed as a percentage of risk-weighted assets has been progressively increased from to 9.5% effective July 1, 2009, to 9.8% effective July 1, 2010, to 10% from July 1, 2011 onwards. For further details see "Regulatory Environment—Implementation of Basel Principles—Capital Adequacy."

The SBS requires us to maintain a minimum ratio of 9.8% of regulatory capital to risk-weighted assets. As of June 30, 2011, our regulatory capital as a percentage of risk-weighted assets was 13.5%. See "Regulatory Environment" for a description of regulatory capital requirements that became effective on July 1, 2010.

*Liquidity Risk*

We manage our assets and liabilities to ensure that we have sufficient liquidity to meet our present and future financial obligations and that we are able to take advantage of appropriate business opportunities as they arise. Liquidity risk represents the potential for loss as a result of limitations on our ability to adjust future cash flows to meet the needs of depositors and borrowers and to fund operations on a timely and cost-effective basis. Financial obligations arise from withdrawals of deposits, repayment on maturity of purchased funds, extensions of loans or other forms of credit, and working capital needs.

The general growth of our deposit base over the past years has enabled us to increase significantly our lending activity. We are subject to SBS Resolution No. 472-2001, enacted in June 2001, which made our Market Risk Unit responsible for liquidity management, and which established minimum liquidity ratios. The liquidity ratio, which is the ratio of liquid assets as a percentage of short-term liabilities, as strictly defined by the SBS, must exceed 15% for Nuevo Sol-denominated liabilities, and 30% for foreign currency-denominated liabilities. Our daily liquidity average ratios during the month of June 2011 were 49.5% and 42.8% for Nuevo Sol and foreign currency-denominated liabilities, respectively (compared to 64.4% and 36.8%, respectively in December 2010, 45.2% and 40.9%, respectively, in December 2009), demonstrating our continuing excess liquidity. We have never defaulted on any of our debt or been forced to reschedule any of our obligations. Even during the early 1980s, when the government of Peru and many Peruvian companies and banks were forced to restructure their debt as a result of the Latin American debt crisis and government restrictions, we complied with all of our payment obligations.

The ability to replace interest bearing deposits at their maturity is a key determinant of liquidity, as well as exposure to interest and exchange rate risks. Our principal source of funding is customer deposits originated through our retail banking business. We believe that funds from its deposit-taking operations generally will continue to meet our liquidity needs for the foreseeable future.

Our retail banking and the private banking businesses have developed a diversified and stable deposit base that provides us with a low-cost source of funding. This deposit base has traditionally been one of our greatest strengths. The deposit gathering strategy has focused on products considered as core deposits: demand deposits, savings and CTS deposits.

Other sources of funds and liquidity, mostly short and long-term borrowings from correspondent banks and other financial institutions, issued bonds and subordinated debt, are increasingly important sources of funding. These short and long-term borrowings are predominantly denominated in U.S. dollars and are primarily used to fund foreign currency-denominated loans. We actively manage and monitor the maturity profile of these borrowings to maintain appropriate liquidity levels and to minimize our refinancing risk.

The following table presents our core deposits, other deposits and other sources of funds:

| | As of December 31, | | | As of June 30, |
|---|---|---|---|---|
| | 2008 | 2009 | 2010 | 2011 |
| | (Nuevos Soles in thousands) | | | |
| **Core deposits** | | | | |
| Demand deposits | 14,009,450 | 12,832,124 | 15,723,943 | 17,735,916 |
| Savings deposits | 9,322,212 | 10,230,460 | 11,924,035 | 12,670,460 |
| CTS deposits | 3,272,257 | 3,090,182 | 3,688,561 | 4,114,685 |
| **Total core deposits** | **26,603,919** | **26,152,766** | **31,336,539** | **34,521,061** |
| Other deposits(1) | 16,945,657 | 15,474,338 | 16,447,625 | 13,222,950 |
| **Total deposits** | **43,549,576** | **41,627,104** | **47,784,164** | **47,744,011** |
| Interest payable | 230,998 | 157,712 | 116,607 | 115,839 |
| **Total deposits (including interest payable)** | **43,780,574** | **41,784,816** | **47,900,771** | **47,859,850** |
| Due to banks, correspondents and other entities, and interbank funds | 3,704,770 | 3,694,129 | 10,241,261 | 9,352,012 |
| Issued bonds | 2,497,227 | 3,571,842 | 5,546,470 | 7,240,184 |
| **Total sources of liquid funds**(2) | **49,982,571** | **49,050,787** | **63,688,502** | **64,452,047** |
| Core deposits as a percent of total deposits | 61.1% | 62.8% | 65.6% | 72.3% |
| Core deposits as a percent of total sources of liquid funds | 53.2% | 53.3% | 49.2% | 53.6% |

(1) Mostly time deposits and certificates of deposits.
(2) Includes total deposits, due to banks and correspondents and issued bonds.

The increase in due to banks and correspondents in 2010 is due to the reclassification of S/.3.1 billion and S/.1.0 billion of time deposits maintained by CCR Inc. and Atlantic Security Bank (both foreign related entities), respectively, to due to banks, correspondents and other entities. Excluding the impact of this reclassification, the balance of "other deposits" in the table above increased 33.0% from 2009 to 2010.

The decline of S/.3.2 billion in other deposits in the first half of 2011 was driven by our decision to reduce short-dated time deposits held primarily by rate-sensitive institutional clients.

We are required to maintain deposits with the Central Bank, as legal reserves, determined as a percentage of the deposits and other liabilities owed to our clients. The legal reserve requirement is currently 9.0% and can vary from time to time. The requirement has been modified several times since December 2009. It was increased from 6.0% to 7.0% in July 2010, to 8.0% in August 2010, to 8.5% in September 2010, and to 9.0% in October 2010. Legal reserves are meant to ensure the availability of liquid funds to cover withdrawals of deposits. Additional reserves are also required for domestic and foreign currency obligations. For a description of the legal reserve (*encaje*) regulations, see "Regulatory Environment." Additionally, we have significant investments of excess liquid funds in short-term Central Bank deposits and Central Bank certificates of deposit.

The following table presents our deposits at the Central Bank, and our short-term investments in Central Bank certificates:

| | As of December 31, | | | As of June 30, |
|---|---|---|---|---|
| | 2008 | 2009 | 2010 | 2011 |
| | *(Nuevos Soles in thousands)* | | | |
| **Funds at Central Bank** | | | | |
| Deposits | 6,132,268 | 6,091,065 | 17,719,107 | 10,463,012 |
| Certificates of deposit | 5,047,464 | 4,475,786 | 1,022,053 | 6,877,312 |
| **Total funds at Central Bank** | **11,179,732** | **10,566,851** | **18,741,160** | **17,340,324** |
| Total funds at Central Bank as a percent of total deposits | 25.7% | 25.4% | 39.2% | 36.2% |

In October of 2010, the Central Bank started offering deposits and ceased offering certificates of deposit. Unlike certificates of deposit that were available to a range of investors including pension funds and foreign banks, deposits in the Central Bank are available only to local banks. Certificates of deposit from the Central Bank are reported as available-for-sale investments within our investment portfolio, while deposits at the Central Bank are reported as cash and due from banks. In 2011, the Central Bank restarted issuing certificates of deposit. As a consequence, our balance in deposits with the Central Bank declined while our holdings of certificates of deposits increased.

We at times have accessed Peru's short-term interbank deposit market, generally as a lender in the U.S. dollar interbank market and a borrower in the Nuevos Soles interbank market. The Central Bank's discount window, which makes short-term loans to banks at premium rates, is also available as a short-term funding source, but has been used infrequently by us.

As of June 30, 2011, we had an outstanding balance of uncommitted credit lines of S/.3.2 billion and we maintained correspondent banking relationships with more than 250 banks. These long-term facilities include funding from COFIDE, the Corporación Andina de Fomento, or "CAF" and other international lenders.

A source of funds specific to leasing operations are leasing bonds issued by lease financing companies, the terms of which are specified in the Peruvian leasing regulations. As of June 30, 2011, we had U.S.$54.0 million of outstanding leasing bonds (U.S.$134.9 million as of December 31, 2010 and U.S.$188.9 million as of December 31, 2009). These bonds have maturities extending from three to ten years and bear market-determined interest rates during the periods presented.

The following table presents our bond issuances:

| | For the years ended December 31, | | | For the six months ended June 30, |
|---|---|---|---|---|
| | 2008 | 2009 | 2010 | 2011 |
| | (Nuevos Soles in thousands) | | | |
| **Bonds issued** | | | | |
| Corporate bonds | 410,000 | 233,414 | 2,247,200 | 2,174,459 |
| Leasing bonds | 407,352 | — | — | — |
| Subordinated debt | — | 1,051,446 | — | — |
| Other | — | — | 47,969 | — |
| **Total** | **817,352** | **1,284,860** | **2,295,169** | **2,174,459** |

Among the policies that we follow to ensure sufficient liquidity are the active management of interest rates and the active monitoring of market trends, in order to identify and provide for changes in the supply of deposits or the demand for loans.

## Off-Balance Sheet Arrangements

We have various contractual arrangements, such as indirect loan contracts, that are not recognized as liabilities in our consolidated financial statements but are required to be registered in off-balance sheet accounts. We enter into these off-balance sheet arrangements to generate fees from guarantees, letters of credit and derivative transactions offered to customers (including foreign currency forwards, interest rate swaps and cross currency swaps). We also enter into derivative transactions (including foreign currency forwards, interest rate swaps and cross currency swaps) to hedge our exposure when entering into such transactions with our clients and to hedge our consolidated balance sheet against interest rate and currency movements.

The following table reflects our off-balance sheet arrangements (notional amounts) as of June 30, 2011 and as of December 31, 2008, 2009 and 2010:

| | As of December 31, | | | As of June 30, |
|---|---|---|---|---|
| | 2008 | 2009 | 2010 | 2011 |
| | (Nuevos Soles in thousands) | | | |
| **Contingent Operations** | | | | |
| Guarantees and stand-by letters of credit | 4,650,621 | 5,757,166 | 7,619,963 | 8,023,981 |
| Import and export letters of credit | 783,245 | 1,213,840 | 1,170,681 | 1,429,686 |
| Due from bank acceptances | 730,300 | 278,662 | 197,560 | 179,840 |
| **Total indirect loans** | **6,164,166** | **7,249,668** | **8,988,204** | **9,633,507** |
| **Derivatives** | | | | |
| ***Held for trading*** | | | | |
| Forward exchange contracts | 7,871,447 | 7,556,097 | 7,382,600 | 10,159,986 |
| Interest rate swaps | 2,402,810 | 1,825,341 | 1,997,481 | 1,993,617 |
| Cross currency swaps | 670,288 | 1,258,648 | 1,300,860 | 1,228,615 |
| Options | — | 70,441 | 291,057 | 990,182 |
| ***Held as hedges*** | | | | |
| Interest rate swaps | 1,846,012 | 2,257,288 | 1,338,969 | 1,738,069 |
| Cross currency swaps | 564,170 | 1,288,408 | 391,993 | 347,879 |
| Cross currency and interest rate swaps | 711,916 | 327,617 | 318,435 | 226,038 |
| Forward exchange contracts | — | 205,709 | — | — |
| | **14,066,643** | **14,789,549** | **13,021,395** | **16,684,386** |
| Responsibilities under credit line agreements | 3,877,788 | 4,501,677 | 6,833,306 | 7,911,631 |
| Other contingent operations | 922,023 | 12,859 | 12,339 | 12,080 |
| **Total contingent operations** | **25,030,620** | **26,553,753** | **28,855,244** | **34,241,604** |
| **Other off-balance sheet accounts** | **180,742,439** | **189,734,529** | **242,271,804** | **258,135,336** |
| **Total** | **205,773,059** | **216,288,282** | **271,127,048** | **292,376,940** |

In the normal course of our business, we engage in transactions with off-balance sheet risk exposure. These transactions expose us to credit risk in addition to the amounts recognized in the consolidated financial statements. 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. Our exposure to losses under commitments to extend credit, and export and import letters of credit and guarantees is represented by the contractual amount specified in these instruments. We apply the same credit policies in making commitments and assuming conditional obligations as we do for on-balance sheet instruments, including the requirement to obtain collateral to support off-balance sheet financial instruments, when it is deemed necessary. Collateral held varies, but may include deposits held in financial institutions, securities or other assets.

Due to the fact that many of the indirect loans are expected to expire without any payment being required from us, the total committed amounts do not necessarily represent future cash requirements.

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

The risks associated with derivative contracts arise from the possibility that the counterparty fails to comply with the agreed terms and conditions and that the reference rates at which the transactions took place change. As of June 30, 2011, December 31, 2010 and December 31, 2009, forward exchange contracts and foreign currency options mainly had maturities of less than two years. As of June 30, 2011, interest rate swaps and currency swaps had maturities of up to 11 years.

We provide custody, trust, corporate administration, investment management and consulting services to third parties. Assets held in trust are not recorded in the consolidated financial statements.

### Commitments and Contractual Obligations

We enter into various commitments and contractual obligations which we recognize on our balance sheet that may require future cash payments. The following table summarizes our commitments and contractual obligations by remaining maturity as of June 30, 2011.

| | | Payments due by period | | |
|---|---|---|---|---|
| | **Total as of June 30, 2011** | **Less than 1 year** | **1–5 years** | **More than 5 years** |
| | | *(Nuevos Soles in thousands)* | | |
| Bonds | 7,139,770 | 138,539 | 1,131,296 | 5,869,935 |
| Time deposits | 13,222,950 | 12,639,568 | 583,382 | — |
| Interbank funds | 511,410 | 511,410 | — | — |
| BCRP Repo transactions | 369,949 | 369,949 | — | — |
| Due to banks, correspondents, and other entities (1) | 8,426,916 | 2,909,062 | 4,083,011 | 1,434,843 |
| **Total** | **29,670,995** | **16,568,528** | **5,797,689** | **7,304,778** |

(1) Includes mainly loans to fund foreign trade operations and working capital, granted by 60 foreign entities as of June 30, 2011, of which one type—promotional credit lines representing loans granted to us by COFIDE to promote the development of Peru—represented 6.4% of the balance. As of June 30, 2011, these credit lines are secured by a loan portfolio amounting to S/.542.7 million, equivalent to U.S.$197.4 million. Some of the loan agreements include standard clauses requiring us to comply with financial ratios, use of funds covenants and other administrative matters. In our management's opinion, such standard clauses do not limit our normal operation, and are substantially fulfilled in the application of standard international banking practices. Financings recorded under "Due to banks and correspondents" bear interest at prevailing domestic and international market rates and do not have specific guarantees.

As of June 30, 2011, due to banks, correspondents, and other entities includes loans maintained with CCR Inc. (a Credicorp subsidiary) for U.S.$0.9 billion, equivalent to S/.2.4 billion, ( US$1.0 billion, equivalent to S/.2.7 billion as of December 31, 2010) as part of the notes issued under our diversified payment rights program, whereby CCR Inc. incurred debt that is secured by the collection of future inflows. For further details, see note 17 of our annual consolidated financial statements. Also, as of June 30, 2011 due to banks, correspondents, and other entities includes a promissory note with BCP Emisiones Latam 1 S.A. (a wholly owned subsidiary of Credicorp) for 2.7 million Unidades de Fomento Chilenas - UF, equivalent to S/.347.9 million (S/.347.9 million as of December 31, 2010) related to the issuance by BCP Emisiones Latam 1 S.A. of bonds through the Santiago de Chile Stock Exchange.

**Trend Information**

In 2011, we believe we will see the continuation of the previous year's positive trends at a slower pace, given the uncertainty surrounding the presidential elections and the economic and fiscal policies to be ultimately followed by the new president. Domestic demand is expected to continue strengthening, creating opportunities for increasing banking penetration. This perspective assumes that there will not be any substantial economic policy changes in the near future and that the unstable international economic environment will not have a significant adverse effect on the Peruvian economy due to the strength of Peruvian external and fiscal accounts.

We anticipate continued expansion of the Peruvian economy. We intend to focus on maintaining market share in our core businesses while increasing our share of the small business segment and certain retail banking products, where there is ample margin for growth since financial intermediation is still low.

In order to keep pace with the growth experienced during 2010 and 2009, we must continue to make investments in widening our operating capacity and generating a competitive advantage with larger and more innovative business activities. In 2009 and 2010, we invested approximately U.S.$19.7 million and U.S.$23.6 million in new branches, remodeling our existing branch network and installing new ATMs. In 2011, we expect to continue remodeling our branch network, open new branches and install new ATMs and BCP Agents. In addition, we expect to continue to invest in system upgrades, new equipment and applications in information technology. As a consequence of this expansion, we expect to have increases in personnel expenses, marketing expenses, information technology, transportation and communications required to operate the growing channels of our client services. In addition to expanding our infrastructure and human resources, we expect to have sufficient capital through access to the international capital markets and additional retention of earnings.

In order to manage our accelerated growth, we intend to continue enforcing high evaluation standards when granting loans and our conservative provisioning policy as a means of mitigating exposure to credit risk although we cannot assure you that we will be able to maintain the quality of our loan portfolio during a time of growth and expansion into riskier business segments.

## SELECTED STATISTICAL AND OTHER INFORMATION

The following tables present certain selected statistical information and ratios for us for the periods indicated. The selected statistical information should be read in conjunction with the information in the consolidated financial statements and the notes thereto. The statistical information and discussion and analysis presented below reflect our consolidated financial position, as of December 31, 2008, 2009 and 2010, and as of June 30, 2011, and the results of operations for 2008, 2009 and 2010, and for the first six months of 2011.

### Average Balance Sheets and Income from Interest-Earning Assets

The tables below set forth selected statistical information based upon our average balance sheets prepared on a consolidated basis. Except as otherwise indicated, average balances, when used, have been classified by currency (Nuevos Soles or foreign currency (primarily U.S. dollars)), rather than by the domestic or international nature of the balance. In addition, except where noted, such average balances are based upon the month ending balances for each year, with any such annual balance denominated in Nuevos Soles having been converted into U.S. dollars using the applicable exchange rate published by the SBS as of the date of such balance.

The following tables show average balances for all of our assets and liabilities, interest earned and paid amounts, and nominal rates for our interest-earning assets and interest-bearing liabilities, all for the years ended December 31, 2008, 2009 and 2010, and for the six months ended June 30, 2011.

## Average Balance Sheets
## Assets, Interest Earned and Average Interest Rates

| | Year ended December 31, 2008 | | | Year ended December 31, 2009 | | | Year ended December 31, 2010 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Average Balance | Interest Earned | Nominal Avg. Rate | Average Balance | Interest Earned | Nominal Avg. Rate | Average Balance | Interest Earned | Nomin Avg. Rate( |
| | | | | | (Nuevos Soles in thousands, except percentages) | | | | |
| **ASSETS:** | | | | | | | | | |
| **Interest-earning assets** | | | | | | | | | |
| *Deposits in Central Bank* | | | | | | | | | |
| Nuevos Soles | 644,560 | 29,404 | 4.56% | 195,608 | 4,339 | 2.22% | 2,971,205 | 71,355 | 2.4 |
| Foreign currency | 5,129,572 | 81,782 | 1.59% | 6,320,086 | 10,434 | 0.17% | 6,066,729 | 9,375 | 0.1 |
| **Total** | **5,774,132** | **111,186** | **1.93%** | **6,515,694** | **14,773** | **0.23%** | **9,037,934** | **80,730** | **0.8** |
| *Deposits in other banks* | | | | | | | | | |
| Nuevos Soles | 147,403 | 6,182 | 4.19% | 316,463 | 12,994 | 4.11% | 123,550 | 2,517 | 2.0 |
| Foreign currency | 1,977,888 | 81,976 | 4.14% | 2,207,389 | 14,034 | 0.64% | 2,223,852 | 6,563 | 0.3 |
| **Total** | **2,125,291** | **88,158** | **4.15%** | **2,523,852** | **27,028** | **1.07%** | **2,347,402** | **9,080** | **0.3** |
| *Investment securities* | | | | | | | | | |
| Nuevos Soles | 9,065,002 | 543,600 | 6.00% | 3,630,177 | 86,692 | 2.39% | 6,929,757 | 127,401 | 1.8 |
| Foreign currency | 2,422,860 | 104,859 | 4.33% | 5,576,754 | 281,540 | 5.05% | 2,807,833 | 122,116 | 4.3 |
| **Total** | **11,487,862** | **648,459** | **5.64%** | **9,206,931** | **368,232** | **4.00%** | **9,737,590** | **249,517** | **2.5** |
| *Total loans*(1) | | | | | | | | | |
| Nuevos Soles | 8,668,869 | 1,192,966 | 13.76% | 11,336,507 | 1,613,593 | 14.23% | 13,437,482 | 1,981,653 | 14.7 |
| Foreign currency | 18,460,445 | 1,640,626 | 8.89% | 19,655,074 | 1,551,536 | 7.89% | 21,624,586 | 1,457,782 | 6.7 |
| **Total** | **27,129,314** | **2,833,592** | **10.44%** | **30,991,581** | **3,165,129** | **10.21%** | **35,062,068** | **3,439,435** | **9.8** |
| *Total dividend-earning assets*(2) | | | | | | | | | |
| Nuevos Soles | 87,682 | — | — | 26,647 | 1,278 | 4.80% | 34,627 | 694 | 2.0 |
| Foreign currency | 121,245 | 13,448 | 11.09% | 293,119 | 7,829 | 2.67% | 530,764 | 9,403 | 1.7 |
| **Total** | **208,927** | **13,448** | **6.44%** | **319,766** | **9,107** | **2.85%** | **565,391** | **10,097** | **1.7** |
| *Total interest-earning assets* | | | | | | | | | |
| Nuevos Soles | 18,613,516 | 1,772,152 | 9.52% | 15,505,402 | 1,718,896 | 11.09% | 23,496,621 | 2,183,620 | 9.2 |
| Foreign currency | 28,112,010 | 1,922,691 | 6.84% | 34,052,421 | 1,865,373 | 5.48% | 33,253,764 | 1,605,239 | 4.8 |
| **Total** | **46,725,526** | **3,694,843** | **7.91%** | **49,557,823** | **3,584,269** | **7.23%** | **56,750,385** | **3,788,859** | **6.6** |
| **Non-interest-earning assets** | | | | | | | | | |
| *Cash and due from banks* | | | | | | | | | |
| Nuevos Soles | 907,985 | — | — | 968,700 | — | — | 1,023,821 | — | |
| Foreign currency | 762,457 | — | — | 814,379 | — | — | 892,334 | — | |
| **Total** | **1,670,442** | **—** | **—** | **1,783,079** | **—** | **—** | **1,916,155** | **—** | |
| *Premises and equipment* | | | | | | | | | |
| Nuevos Soles | 680,976 | — | — | 751,788 | — | — | 821,615 | — | |
| Foreign currency | 44,002 | — | — | 46,634 | — | — | 42,835 | — | |
| **Total** | **724,978** | **—** | **—** | **798,422** | **—** | **—** | **864,450** | **—** | |
| *Other non-interest-earning assets and gains from derivatives instruments* | | | | | | | | | |
| Nuevos Soles | 1,414,753 | 67,469 | — | 2,034,631 | 33,436 | — | 2,316,452 | (18,200) | |
| Foreign currency | 1,194,784 | 43,908 | — | 1,350,812 | 98,469 | — | 1,028,331 | 19,678 | |
| **Total** | **2,609,537** | **111,377** | **—** | **3,385,443** | **131,905** | — | **3,344,783** | **1,478** | |

| | Year ended December 31, 2008 | | | Year ended December 31, 2009 | | | Year ended December 31, 2010 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Average Balance | Interest Earned | Nominal Avg. Rate | Average Balance | Interest Earned | Nominal Avg. Rate | Average Balance | Interest Earned | Nomir Avg. Rate( |
| | (Nuevos Soles in thousands, except percentages) | | | | | | | | |
| *Total non-interest-earning assets* | | | | | | | | | |
| Nuevos Soles | 3,003,714 | 67,469 | — | 3,755,119 | 33,436 | — | 4,161,888 | (18,200) | |
| Foreign currency | 2,001,243 | 43,908 | — | 2,211,825 | 98,469 | — | 1,963,500 | 19,678 | |
| **Total** | **5,004,957** | **111,377** | **—** | **5,966,944** | **131,905** | — | **6,125,388** | **1,478** | |
| *Total average assets* | | | | | | | | | |
| Nuevos Soles | 21,617,230 | 1,839,621 | 8.51% | 19,260,521 | 1,752,332 | 9.10% | 27,658,509 | 2,165,420 | 7.8 |
| Foreign currency | 30,113,253 | 1,966,599 | 6.53% | 36,264,246 | 1,963,842 | 5.42% | 35,217,264 | 1,624,917 | 4.6 |
| **Total** | **51,730,483** | **3,806,220** | **7.36%** | **55,524,767** | **3,716,174** | **6.69%** | **62,875,773** | **3,790,337** | **6.0** |

(1) Figures for total loans include past due loans, but do not include accrued but unpaid interest on such past due loans in the year in which such loans became past due interest for years prior to the year in which a loan became past due is included.

(2) As per Peruvian GAAP, dividends are considered interest income.

(3) Annualized.

## Average Balance Sheets
## Liabilities, Interest Paid and Average Interest Rates

| | Year ended December 31, 2008 | | | Year ended December 31, 2009 | | | Year ended December 31, 2010 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Average Balance | Interest Paid | Nominal Avg. Rate | Average Balance | Interest Paid | Nominal Avg. Rate | Average Balance | Interest Earned | Nomina Avg. Ra |
| | | | | | *(Nuevos Soles in thousands, except percentages)* | | | | |
| **LIABILITIES:** | | | | | | | | | |
| **Interest-bearing liabilities** | | | | | | | | | |
| *Demand deposits* | | | | | | | | | |
| Nuevos Soles | 4,987,318 | 67,321 | 1.35% | 5,222,238 | 46,757 | 0.90% | 6,427,111 | 26,069 | 0.4 |
| Foreign currency | 6,212,671 | 33,228 | 0.53% | 7,274,952 | 25,058 | 0.34% | 7,501,917 | 14,946 | 0. |
| **Total** | **11,199,989** | **100,549** | **0.90%** | **12,497,190** | **71,815** | **0.57%** | **13,929,028** | **41,015** | **0.2** |
| *Savings deposits* | | | | | | | | | |
| Nuevos Soles(1) | 3,357,679 | 39,241 | 1.17% | 3,850,809 | 26,115 | 0.68% | 4,857,816 | 11,500 | 0. |
| Foreign currency | 4,598,398 | 41,186 | 0.90% | 5,860,109 | 29,621 | 0.51% | 5,944,711 | 14,236 | 0. |
| **Total** | **7,956,077** | **80,427** | **1.01%** | **9,710,918** | **55,736** | **0.57%** | **10,802,527** | **25,736** | **0.2** |
| Time deposits | | | | | | | | | |
| Nuevos Soles | 8,046,627 | 454,410 | 5.65% | 6,009,675 | 263,870 | 4.39% | 8,216,110 | 196,849 | 2.4 |
| Foreign currency | 11,565,209 | 551,311 | 4.77% | 13,844,157 | 479,112 | 3.46% | 9,311,048 | 132,365 | 1.4 |
| **Total** | **19,611,836** | **1,005,721** | **5.13%** | **19,853,832** | **742,982** | **3.74%** | **17,527,158** | **329,214** | **1.8** |
| *Due to banks and correspondents and issued bonds* | | | | | | | | | |
| Nuevos Soles | 1,951,295 | 168,166 | 8.62% | 2,182,876 | 126,590 | 5.80% | 2,197,808 | 140,606 | 6.4 |
| Foreign currency | 4,970,824 | 234,415 | 4.72% | 3,931,804 | 202,846 | 5.16% | 11,143,416 | 505,067 | 4. |
| **Total** | **6,922,119** | **402,581** | **5.82%** | **6,114,680** | **329,436** | **5.39%** | **13,341,224** | **645,673** | **4.8** |
| *Total interest-bearing liabilities* | | | | | | | | | |
| Nuevos Soles | 18,342,919 | 729,137 | 3.98% | 17,265,598 | 463,332 | 2.68% | 21,698,845 | 375,024 | 1. |
| Foreign currency | 27,347,102 | 860,140 | 3.15% | 30,911,022 | 736,637 | 2.38% | 33,901,092 | 666,614 | 1.9 |
| **Total** | **45,690,021** | **1,589,278** | **3.48%** | **48,176,620** | **1,199,969** | **2.49%** | **55,599,937** | **1,041,638** | **1.8** |
| **Non-interest-bearing liabilities and shareholders' equity** | | | | | | | | | |
| *Other liabilities and losses from derivatives instruments* | | | | | | | | | |
| Nuevos Soles | 970,545 | 71,489 | — | 1,135,757 | (112,077) | — | 1,164,681 | (15,274) | |
| Foreign currency | 1,536,874 | (18,193) | — | 1,787,746 | 169,220 | — | 1,090,938 | 115,972 | |
| **Total** | **2,507,419** | **53,296** | **—** | **2,923,503** | **57,143** | **—** | **2,255,619** | **100,698** | |
| *Shareholders' equity* | | | | | | | | | |
| Nuevos Soles | 3,533,043 | — | — | 4,424,644 | — | — | 5,020,217 | — | |
| Foreign currency | — | — | — | — | — | — | — | — | |
| **Total** | **3,533,043** | **—** | **—** | **4,424,644** | **—** | **—** | **5,020,217** | **—** | |

| | Year ended December 31, 2008 | | | Year ended December 31, 2009 | | | Year ended December 31, 2010 | | |
|---|---|---|---|---|---|---|---|---|---|
| | **Average Balance** | **Interest Paid** | **Nominal Avg. Rate** | **Average Balance** | **Interest Paid** | **Nominal Avg. Rate** | **Average Balance** | **Interest Earned** | **Nomina Avg. Ra** |
| | | | | | *(Nuevos Soles in thousands, except percentages)* | | | | |
| *Total non-interest-bearing liabilities and shareholders' equity* | | | | | | | | | |
| Nuevos Soles | 4,503,588 | 71,489 | — | 5,560,401 | (112,077) | — | 6,184,898 | (15,274) | |
| Foreign currency | 1,536,874 | (18,193) | — | 1,787,746 | 169,220 | — | 1,090,938 | 115,972 | |
| **Total** | **6,040,462** | **53,296** | **—** | **7,348,147** | **57,143** | **—** | **7,275,836** | **100,698** | |
| Total average liabilities and shareholders' equity | | | | | | | | | |
| Nuevos Soles | 22,846,507 | 800,626 | 3.50% | 22,825,999 | 351,255 | 1.54% | 27,883,743 | 359,750 | 1. |
| Foreign currency | 28,883,976 | 841,947 | 2.91% | 32,698,768 | 905,857 | 2.77% | 34,992,030 | 782,586 | 2. |
| **Total** | **51,730,483** | **1,642,574** | **3.18%** | **55,524,767** | **1,257,112** | **2.26%** | **62,875,773** | **1,142,336** | **1.8** |

(1) Includes the amount paid to Central Bank for deposit insurance fund.

## Net Interest Income and Expense: Volume and Rate Analysis

| | Years ended December 31, 2008 / 2009 | | | Years ended December 31, 2009 / 2010 | | |
|---|---|---|---|---|---|---|
| | Increase/(Decrease) due to changes in: | | | Increase/(Decrease) due to changes in: | | |
| | Volume | Rate | Net Change | Volume | Rate | Net Change |
| | (Nuevos Soles in thousands) | | | | | |
| **Interest Income** | | | | | | |
| *Interest-earning deposits in Central Bank* | | | | | | |
| Nuevos Soles | (20,481) | (4,584) | (25,065) | 61,569 | 5,447 | 67,016 |
| Foreign currency | 18,981 | (90,329) | (71,348) | (418) | (641) | (1,059) |
| **Total** | **(1,500)** | **(94,913)** | **(96,413)** | **61,151** | **4,806** | **65,957** |
| *Deposits in other banks* | | | | | | |
| Nuevos Soles | 7,090 | (278) | 6,812 | (7,921) | (2,556) | (10,477) |
| Foreign currency | 9,512 | (77,454) | (67,942) | 105 | (7,576) | (7,471) |
| **Total** | **16,602** | **(77,732)** | **(61,130)** | **(7,816)** | **(10,132)** | **(17,948)** |
| *Investment securities* | | | | | | |
| Nuevos Soles | (325,910) | (130,998) | (456,908) | 78,797 | (38,088) | 40,709 |
| Foreign currency | 136,497 | 40,184 | 176,681 | (139,788) | (19,636) | (159,424) |
| **Total** | **(189,413)** | **(90,814)** | **(280,227)** | **(60,991)** | **(57,724)** | **(118,715)** |
| *Total loans*(1) | | | | | | |
| Nuevos Soles | 367,107 | 53,520 | 420,627 | 299,044 | 69,016 | 368,060 |
| Foreign currency | 106,170 | (195,260) | (89,090) | 155,470 | (249,224) | (93,754) |
| **Total** | **473,277** | **(141,740)** | **331,537** | **454,514** | **(180,208)** | **274,306** |
| *Total dividend-earning assets* | | | | | | |
| Nuevos Soles | — | 1,278 | 1,278 | 383 | (967) | (584) |
| Foreign currency | 19,064 | (24,683) | (5,619) | 6,347 | (4,773) | 1,574 |
| **Total** | **19,064** | **(23,405)** | **(4,341)** | **6,730** | **(5,740)** | **990** |
| *Total interest-earning assets* | | | | | | |
| Nuevos Soles | (295,917) | 242,661 | (53,256) | 885,890 | (421,166) | 464,724 |
| Foreign currency | 406,288 | (463,606) | (57,318) | (43,750) | (216,384) | (260,134) |
| **Total** | **110,371** | **(220,945)** | **(110,574)** | **842,140** | **(637,550)** | **204,590** |
| **Interest expense** | | | | | | |
| *Demand deposits* | | | | | | |
| Nuevos Soles | 3,171 | (23,735) | (20,564) | 10,788 | (31,476) | (20,688) |
| Foreign currency | 5,682 | (13,852) | (8,170) | 782 | (10,894) | (10,112) |
| **Total** | **8,853** | **(37,587)** | **(28,734)** | **11,570** | **(42,370)** | **(30,800)** |
| *Savings deposits* | | | | | | |
| Nuevos Soles | 5,763 | (18,889) | (13,126) | 6,829 | (21,444) | (14,615) |
| Foreign currency | 11,301 | (22,866) | (11,565) | 428 | (15,813) | (15,385) |
| **Total** | **17,064** | **(41,755)** | **(24,691)** | **7,257** | **(37,257)** | **(30,000)** |
| *Time deposits* | | | | | | |
| Nuevos Soles | (115,031) | (75,509) | (190,540) | 96,879 | (163,900) | (67,021) |
| Foreign currency | 108,367 | (180,836) | (72,199) | (156,880) | (189,867) | (346,747) |
| **Total** | **(6,394)** | **(256,345)** | **(262,739)** | **(60,001)** | **(353,767)** | **(413,768)** |
| *Due to banks and correspondents and issued bonds* | | | | | | |
| Nuevos Soles | 19,958 | (61,534) | (41,576) | 866 | 13,150 | 14,016 |
| Foreign currency | (48,998) | 17,429 | (31,569) | 372,055 | (69,834) | 302,221 |
| **Total** | **(29,040)** | **(44,105)** | **(73,145)** | **372,921** | **(56,684)** | **316,237** |
| *Total interest-bearing liabilities* | | | | | | |
| Nuevos Soles | (42,824) | (222,981) | (265,805) | 118,969 | (207,277) | (88,308) |
| Foreign currency | 112,095 | (235,598) | (123,503) | 71,256 | (141,279) | (70,023) |
| **Total** | **69,721** | **(458,579)** | **(389,308)** | **190,225** | **(348,556)** | **(158,331)** |

(1) Figures for total loans include past due loans, but do not include accrued but unpaid interest on such past due loans in the year in which such loans became past due. Accrued but unpaid interest for years prior to the year in which a loan became past due is included.

*Interest-Earning Assets, Net Interest Margin and Yield Spread*

The following table shows for each of the periods indicated, by currency, the levels of average interest-earning assets, net interest income, gross yield, net interest margin and yield spread, all on a nominal basis.

| | As of December 31, | | | As of June 30, |
|---|---|---|---|---|
| | 2008 | 2009 | 2010 | 2011 |
| | *(Nuevos Soles in thousands, except percentages)* | | | |
| **Average interest-earning assets** | | | | |
| Nuevos Soles | 18,613,516 | 15,505,402 | 23,496,621 | 22,484,629 |
| Foreign currency | 28,112,010 | 34,052,421 | 33,253,764 | 33,455,782 |
| **Total** | **46,725,526** | **49,557,823** | **56,750,385** | **55,940,411** |
| **Net interest income** | | | | |
| Nuevos Soles | 1,043,015 | 1,255,564 | 1,808,956 | 1,274,378 |
| Foreign currency | 1,062,551 | 1,128,736 | 938,625 | 266,136 |
| **Total** | **2,105,566** | **2,384,300** | **2,747,221** | **1,540,514** |
| **Gross yield(1)** | | | | |
| Nuevos Soles | 9.52% | 11.09% | 9.29% | 14.23% |
| Foreign currency | 6.84% | 5.48% | 4.83% | 3.65% |
| Weighted-average rate | 7.91% | 7.23% | 6.68% | 7.90% |
| **Net interest margin(2)** | | | | |
| Nuevos Soles | 5.60% | 8.10% | 7.70% | 11.34% |
| Foreign currency | 3.78% | 3.31% | 2.82% | 1.59% |
| Weighted-average rate | 4.51% | 4.81% | 4.84% | 5.51% |
| **Yield spread(3)** | | | | |
| Nuevos Soles | 5.55% | 8.40% | 7.57% | 11.12% |
| Foreign currency | 3.69% | 3.09% | 2.86% | 1.60% |
| Weighted-average rate | 4.43% | 4.74% | 4.80% | 5.44% |

(1) Gross yield equals net interest income divided by average interest-earning assets.

(2) Net interest margin represents net interest income divided by average interest-earning assets.

(3) Yield spread, on a nominal basis, represents the difference between gross yield on average interest-earning assets and average cost of interest-bearing liabilities.

*Deposits with Other Banks*

The following table shows short-term funds deposited with other banks broken down by currency as of the dates indicated. Deposits held in countries other than Peru are denominated in several currencies; however, the substantial majority of such deposits are denominated in U.S. dollars. These currencies were converted to Nuevos Soles using the applicable exchange rate published by the SBS as of the date of the relevant balance sheet.

| | As of December 31, | | | As of June 30, |
|---|---|---|---|---|
| | 2008 | 2009 | 2010 | 2011 |
| | *(Nuevos Soles in thousands)* | | | |
| **Nuevo Sol-denominated** | | | | |
| Peruvian Central Bank | 221,963 | 214,751 | 11,836,357 | 1,533,503 |
| Commercial banks | 187,262 | 114,087 | 190,297 | 209,040 |
| Other | 497 | 455 | 228 | 463 |
| **Total Nuevo Sol-denominated** | **409,722** | **329,293** | **12,026,882** | **1,743,006** |
| **Foreign currency-denominated** | | | | |
| Peruvian Central Bank | 5,910,305 | 5,876,315 | 5,882,750 | 8,929,509 |
| Commercial banks | 2,596,440 | 2,484,893 | 3,648,393 | 1,149,163 |
| Other | 196,445 | 136,149 | 110,689 | 130,970 |
| **Total foreign currency-denominated** | **8,703,190** | **8,497,357** | **9,641,832** | **10,209,642** |
| **Total** | **9,112,912** | **8,826,650** | **21,668,714** | **11,952,648** |

The increase in Nuevo Sol-denominated deposits with the Central Bank was driven by the decision of the Central Bank, in October of 2010, to start offering deposits in lieu of certificates of deposit. Accordingly, the balance of deposits with the Central Bank increased in 2010, while the balance of BCRP certificates of deposit decreased. In 2011, the Central Bank restarted issuing certificates of deposits. Our balance of deposit with the Central Bank consequently decreased while our holdings in certificates of deposit issued by the Central Bank increased.

**Investment Portfolio**

The following table shows the value of our trading and available-for-sale investment securities by type at the dates indicated at the lower of cost or market value. In accordance with amendments introduced by the SBS through Resolution No. 10639-2009, trading and available-for-sale investments as of December 31, 2009 and 2010, and June 30, 2011 are shown at fair value:

| | As of December 31, | | | As of June 30, |
|---|---|---|---|---|
| | 2008 | 2009 | 2010 | 2011 |
| | (Nuevos Soles in thousands) | | | |
| Peruvian sovereign bonds | 441,349 | 142,868 | 397,541 | 513,899 |
| Peruvian treasury bonds | 1,090,791 | 1,292,124 | 180,096 | 340,817 |
| Listed equity securities – BCI Chile(1) | 124,450 | 322,156 | 719,490 | 671,486 |
| Listed equity securities – Other | 32,577 | 21,144 | 30,691 | 50,849 |
| Corporate and leasing bonds | 396,797 | 1,052,866 | 1,071,790 | 986,945 |
| International financial entities bonds | 109,269 | 155,925 | 119,560 | 76,907 |
| Peruvian Central Bank certificated notes | 5,971,363 | 4,475,786 | 1,022,053 | 6,877,312 |
| Foreign government bonds | 172,253 | 452,729 | 307,740 | 429,653 |
| Treasury notes from the Central Bank of Bolivia | 683,001 | 323,377 | 243,053 | 400,378 |
| Participation in Bolivia's RAL fund | 230,061 | 242,466 | 225,267 | 145,373 |
| Other investment | 351,444 | 418,310 | 195,223 | 413,687 |
| **Total securities holdings** | **9,603,355** | **8,899,751** | **4,512,504** | **10,907,306** |

(1) Includes unrealized gains of S/.58.3 million, S/.205.0 million, S/.596.9 million, and S/.537.3 million as of December 31, 2008, 2009 and 2010 and June 30, 2011, respectively.

In April 2010, we participated in an exchange program offered by the Peruvian Government whereby we exchanged our 7.500% Euro denominated Global Bonds due 2014 for cash and new bonds (8.375% U.S. dollar denominated Global Bonds due 2033, the "2033 Bonds"). We received €90.4 million (equivalent to S/348.0 million) in cash and US$323.1 million (equivalent to S/915.9 million) in 2033 Bonds.

The decrease in Central Bank certificated notes in 2010 was driven by the decision of the Central Bank, in October of 2010, to start offering deposits in lieu of certificates of deposit. Accordingly, the balance of these notes declined in 2010 while our deposits with the Central Bank increased. In 2011, the Central Bank restarted issuing certificates of deposits. Consequently, our holdings in certificates of deposit increased while our deposits with the Central Bank decreased.

The weighted-average yield on our Nuevo Sol-denominated interest and dividend-earning investment portfolio was 5.9% in 2008, 2.4% in 2009, 1.8% in 2010, and 4.6% in the first six months of 2011. The weighted-average yield on our foreign currency-denominated portfolio was 4.7% in 2008, 4.9% in 2009, 3.9% in 2010, and 2.8% in the first six months of 2011. The total weighted-average yield of our portfolio was 5.7% in 2008, 4.0% in 2009, 2.5% in 2010, and 3.9% in the first six months of 2011.

The following table shows the maturities of our investment securities by type as of June 30, 2011:

| | No maturity | Within 1 year | After 1 year but within 5 years | Maturing After 5 years but within 10 years | After 10 Years | Total |
|---|---|---|---|---|---|---|
| | | *(Nuevos Soles in thousands, except percentages)* | | | | |
| Peruvian sovereign bonds | — | 9,123 | 51,949 | — | 452,827 | 513,899 |
| Peruvian treasury bonds | — | 3,183 | 94,504 | 6,615 | 236,515 | 340,817 |
| Listed equity securities – BCI Chile(1) | 671,486 | — | — | — | — | 671,486 |
| Listed equity securities – Other (1) | 50,849 | — | — | — | — | 50,849 |
| Corporate and leasing bonds | — | 144,715 | 501,902 | 181,042 | 159,286 | 986,945 |
| International financial entities bonds | — | 32,949 | 10,427 | 33,531 | — | 76,907 |
| Peruvian Central Bank certif. notes | — | 6,877,312 | — | — | — | 6,877,312 |
| Foreign government bonds | — | 69,176 | 228,381 | 57,837 | 74,259 | 429,653 |
| Treasury notes from the Central Bank of Bolivia | — | 400,378 | — | — | — | 400,378 |
| Participation in Bolivia's RAL fund | — | 145,373 | — | — | — | 145,373 |
| Other investments | — | 120,770 | 87,718 | 13,497 | 191,702 | 413,687 |
| **Total** | **722,335** | **7,802,980** | **974,880** | **292,522** | **1,114,589** | **10,907,306** |

(1) Equity securities are categorized as not maturing.

We maintain a conservative portfolio with the majority of our investments having maturities of less than one year. As of June 30, 2011, 71.5% of our investment portfolio consisted of investments with maturities of less than one year. Instruments issued by the Central Bank, together with certificates of deposit, which historically have been highly liquid investments, represented 63.1% of our total investments.

The following table shows the average yield rate of our investment securities by type:

| | For the year ended December 31, | | For the six months ended June 30, |
|---|---|---|---|
| | 2009 | 2010 | 2011 |
| Peruvian government bonds and investments in Peruvian debt | 3.3% | 7.2% | 7.4% |
| Bonds | 2.8% | 5.6% | 4.7% |
| Central Bank certificates of deposit | 1.2% | 0.5% | 5.3% |
| Foreign government bonds | 3.3% | 2.1% | 3.8% |

Prior to March 1, 2009, in accordance with SBS rules, investments were initially recorded at their acquisition cost. Thereafter, trading investments were valued daily at their market value, and available-for-sale investments were recorded at the lower of their average acquisition cost or estimated fair value.

Since March 1, 2009, all realized and unrealized gains and losses related to the trading of securities are included in the income statement. Unrealized gains and losses arising from changes in the fair value of securities classified as investments available-for-sale are recognized in equity, net of the related deferred income taxes. Unrealized gains and losses are recognized as income or loss when the related investment available-for-sale is sold.

We determine that an available-for-sale investment is impaired when there has been a significant or prolonged decline in its fair value below its cost. The determination of what is significant or prolonged requires management's judgment. In making this judgment, we evaluate, among other factors, the normal volatility in share prices, evidence of deterioration in the financial health of the investment, industry and sector performance, changes in technology, and operational and financing cash flows.

## Loan Portfolio

*Loans by Type*

The following table shows our direct loans by type:

| | As of December 31, | | | As of June 30, |
|---|---|---|---|---|
| | 2008 | 2009 | 2010 | 2011 |
| | *(Nuevos Soles in thousands)* | | | |
| Loans | 22,637,415 | 22,827,682 | 27,440,389 | 30,120,449 |
| Leasing transactions | 5,678,520 | 5,793,505 | 6,639,934 | 7,225,013 |
| Credit cards | 2,684,599 | 3,105,468 | 3,668,225 | 4,179,573 |
| Discounted notes | 1,157,555 | 1,008,973 | 1,341,885 | 1,327,772 |
| Factoring | 391,046 | 472,351 | 766,646 | 575,979 |
| Advances and overdrafts | 321,544 | 135,822 | 299,899 | 259,116 |
| Refinanced and restructured loans | 173,262 | 171,837 | 215,469 | 222,911 |
| Past due loans | 246,866 | 531,143 | 587,471 | 669,039 |
| **Total gross loans**(1) | **33,290,807** | **34,046,785** | **40,959,918** | **44,579,852** |
| Past due loans amounts | (246,866) | (531,147) | (587,471) | (669,039) |
| **Total performing loans** | **33,043,941** | **33,515,638** | **40,372,447** | **43,910,813** |
| Performing loans as a percentage of total gross loans | 99.3% | 98.4% | 98.6% | 98.5% |

(1) Total gross loans exclude deferred interest on discounted notes and leasing receivables, and accrued interest on performing loans

The classification of the loan portfolio as set forth in the table above is based upon the regulations of the SBS. These categories do not correspond to the classifications used in preparing the breakdown of the loan portfolio by business unit set forth under "Business." Pursuant to the guidelines of the SBS, loans are categorized as follows:

*Loans and credit cards:* Basic term loans documented by promissory notes and other extensions of credit, such as mortgage loans, credit cards and other consumer loans in various forms, including trade finance loans to importers and exporters on specialized terms adapted to the needs of the international trade transaction.

*Discounted notes:* Loans discounted at the outset (the client signs a promissory note or other evidence of indebtedness for the principal amount payable at a future date). Discounted loans also include discounting of drafts, where we make a loan supported by a draft signed by one party and discounted by another party, with recourse to both parties.

*Advances and overdrafts:* Extensions of credit to clients by way of an overdraft facility in the client's checking account. This category also includes secured short-term advances.

*Leasing transactions:* Involves our acquisition of an asset and the financial leasing of that asset to our client.

*Factoring:* Involves the sale of title of a company's accounts receivables to a bank or other financial institution. The receivables are sold without recourse, and we cannot collect from the seller in the event accounts prove uncollectible. Factoring involves the receipt of funds by the seller from the bank prior to the average maturity date, based upon the invoice amount of the receivable, less cash discounts, less an allowance for estimated claims and returns, among other items.

*Refinanced and restructured loans:* Include loans with changes in their payment schedules due to payment difficulties. Under SBS regulations, refinanced loans constitute loans for which the debtor is experiencing payment problems. Restructured loans are refinanced loans that are extended under the bankruptcy protection procedures of the Peruvian Corporate Restructuring Law.

*Past-due loans:* Includes overdue loans categorized according to the SBS guidelines. This amount excludes amounts included in "Refinanced and restructured loans."

We record direct loans when a disbursement of funds is made to a client.

*Direct Loans by Economic Activity*

The following table shows our total loan portfolio composition, net of unearned interest, based upon the borrower's principal economic activity as of December 31, 2008, 2009 and 2010.

| | As of December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2008 | | 2009 | | 2010 | |
| | (Nuevo Soles in thousands, except percentages) | | | | | |
| **Economic Activity** | **Amount** | **% Total** | **Amount** | **% Total** | **Amount** | **% Total** |
| Manufacturing | 7,833,579 | 23.5 | 7,278,960 | 21.4 | 8,355,086 | 20.4 |
| Mortgage loans | 4,659,854 | 14.0 | 5,064,608 | 14.9 | 5,782,055 | 14.1 |
| Commerce | 4,095,918 | 12.3 | 3,729,648 | 11.0 | 5,425,417 | 13.3 |
| Consumer loans | 3,657,975 | 11.0 | 4,251,349 | 12.5 | 4,908,475 | 12.0 |
| Electricity, gas and water | 1,710,740 | 5.1 | 2,260,815 | 6.6 | 2,723,148 | 6.6 |
| Micro-business loans | 1,942,957 | 5.8 | 2,115,471 | 6.2 | 2,678,085 | 6.5 |
| Leaseholds and real estate activities | 1,515,018 | 4.6 | 1,405,467 | 4.1 | 1,997,476 | 4.9 |
| Mining | 2,081,616 | 6.3 | 1,979,189 | 5.8 | 2,503,769 | 6.1 |
| Communication, storage and transportation | 2,011,562 | 6.0 | 1,599,449 | 4.7 | 2,009,510 | 4.9 |
| Agriculture | 650,807 | 2.0 | 711,938 | 2.1 | 748,751 | 1.8 |
| Financial services | 720,572 | 2.2 | 851,768 | 2.5 | 881,425 | 2.2 |
| Fishing | 233,514 | 0.7 | 341,325 | 1.0 | 321,756 | 0.8 |
| Construction | 712,102 | 2.1 | 498,171 | 1.5 | 365,106 | 0.9 |
| Education, health and other services | 366,766 | 1.1 | 451,106 | 1.3 | 496,878 | 1.2 |
| Others | 1,097,827 | 3.3 | 1,507,521 | 4.4 | 1,762,981 | 4.3 |
| **Total gross loans** | **33,290,807** | **100.0** | **34,046,785** | **100.0** | **40,959,918** | **100.0** |

The following table shows our total loan portfolio composition, net of unearned interest, based upon the borrower's principal economic activity as of June 30, 2011.

| | As of June 30, 2011 | |
|---|---|---|
| | (Nuevos Soles in thousands) | |
| **Economic Activity** | **Amount** | **% Total** |
| Manufacturing | 9,596,098 | 21.5 |
| Mortgage | 6,678,975 | 15.0 |
| Commerce | 6,035,343 | 13.5 |
| Consumer loans | 5,409,545 | 12.1 |
| Electricity, gas and water | 2,726,372 | 6.1 |
| Micro-business loans | 2,850,684 | 6.4 |
| Leaseholds and real estate activities | 2,196,811 | 4.9 |
| Mining | 1,981,774 | 4.4 |
| Communication, storage and transportation | 1,881,940 | 4.2 |
| Agriculture | 757,833 | 1.7 |
| Financial services | 641,927 | 1.4 |
| Fishing | 286,765 | 0.6 |
| Construction | 504,385 | 1.1 |
| Education, health and other services | 532,378 | 1.2 |
| Others | 2,499,022 | 5.6 |
| **Total gross loans** | **44,579,852** | **100.0** |

*Concentrations of Loan Portfolio and Lending Limits*

Direct and indirect loans to our most important 20 customers, excluding related party transactions, by exposure (considered as economic groups) as of June 30, 2011 were S/.6.8 billion (U.S.$ 2.5 billion), all of which were outstanding loans, representing 15.2% of the total loan portfolio. Total direct and indirect loans outstanding and available by customer ranged from S/593.7 million (U.S.$216.0 million) to S/.264.5 million (U.S.$96.2 million), including 17 customers with over S/.274.9 million (U.S.$100.0 million). Total direct and indirect loans outstanding and available to our 20 largest customers were classified in the following risk categories as of June 30, 2011:

Normal (*Normal*) 96.0%; Potential Problem (*Problema Potencial*) 4.0%; Substandard (*Deficiente*) 0%; Doubtful (*Dudoso*) 0%; and Loss (*Pérdida*) 0%. See "—Loan Portfolio—Classification of the Loan Portfolio."

Our loans to a single borrower are subject to lending limits imposed by the Peruvian Banking Law. The applicable legal lending limits depend on the nature of the borrower involved and the type of collateral received. The sum of loans to and deposits from another Peruvian financial institution, plus any guarantees of third-party performance received by us from such institution, may not exceed 30% of our regulatory capital, as defined by the SBS. The sum of loans to and deposits from non-Peruvian financial institutions, plus any guarantees of third-party performance received by us from such institutions, are limited to either 5%, 10% or 30% of our regulatory capital, depending upon the governmental supervision to which the institution is subject and upon whether it is recognized by the Central Bank as an international bank of prime credit quality. The limits on lending to non-Peruvian financial institutions increase up to 50% of our regulatory capital if the amount by which such loans exceed the 5%, 10% or 30% limits is backed by certain letters of credit.

Loans to Peruvian non-residents or companies that are not financial institutions have a limit of 5% of our regulatory capital; however, this limit increases to 10% if the additional 5% is guaranteed by a mortgage or with a pledge over certain publicly-traded securities. The limit increases up to 30% if the additional amount is guaranteed by certain banks or by cash deposits in us.

Lending on an unsecured basis to individuals or companies residing in Peru that are not financial institutions is limited to 10% of our regulatory capital. This limit rises to 15% if the additional 5% is guaranteed by a mortgage, pledge over certain securities and equipment or other collateral, and to 20% if the additional amount is backed by certain debt instruments guaranteed by another local bank, or by a foreign bank determined by the Central Bank to be of prime credit quality, or by other highly liquid securities at market value.

The single borrower lending limit for loans backed by a cash deposit at BCP or by debt obligations of the Central Bank is 30% of our regulatory capital. Therefore, with an unconsolidated regulatory capital of S/.6.3 billion (U.S.$2.3 billion) as of June 30, 2011, our legal lending limits vary from S/.626.7 million (U.S.$228.0 million) to S/.3.1 billion (U.S.$1.1 billion). As of June 30, 2011, we continue to be in compliance with Peruvian Banking Law lending limits.

As of June 30, 2011 and at all reported dates, we were in compliance with applicable legal lending limits in each of the jurisdictions where we operate. Such limits are calculated quarterly based upon our consolidated equity plus reserves at quarter-end. A limited number of exceptions to our internal limits have been authorized by our Board of Directors from time to time, based upon the credit quality of the borrower, the term of the loan and the amount and quality of collateral received. We may, in appropriate and limited circumstances, increase or choose to exceed this internal limit in the future within the limits established by the SBS.

In the event that customers to which we have significant credit exposure are not able to meet their obligations to us, and any related collateral is not sufficient to cover such obligations, or if a reclassification of one or more of such direct or indirect loans results in an increase in provisions for loan losses, there may be an adverse effect on our financial condition and results of operations.

*Loan Portfolio Denomination*

The following table presents our Nuevo Sol and foreign currency-denominated loan portfolio at the dates indicated.

| | As of December 31, | | | | | | As of June 30, | |
|---|---|---|---|---|---|---|---|---|
| | 2008 | | 2009 | | 2010 | | 2011 | |
| | *(Nuevos Soles in thousands, except percentages)* | | | | | | | |
| Nuevo Sol-denominated | 10,684,700 | 32.1% | 13,542,544 | 39.8% | 15,428,570 | 37.7% | 17,161,026 | 38.5% |
| Foreign currency-denominated | 22,606,107 | 67.9% | 20,504,241 | 60.2% | 25,531,348 | 62.3% | 27,418,826 | 61.5% |
| **Total gross loans** | **33,290,807** | **100.0%** | **34,046,785** | **100.0%** | **40,959,918** | **100.0%** | **44,579,852** | **100.0%** |

*Maturity Composition of the Performing Loan Portfolio*

The following table sets forth an analysis of our performing loan portfolio as of June 30, 2011, by type and by the time remaining to maturity. Loans are stated before deduction of reserves for loan losses.

| | | Maturing | | | | |
|---|---|---|---|---|---|---|
| | As of June 30, 2011 | Within 3 months | After 3 months but within 12 months | After 1 year but within 3 years | After 3 years but within 5 years | After 5 years |
| | | (Nuevos Soles in thousands, except percentages) | | | | |
| Loans | 34,300,022 | 7,621,646 | 6,287,638 | 7,935,545 | 4,340,731 | 8,114,462 |
| Discounted notes | 1,327,772 | 1,270,726 | 56,832 | 214 | — | — |
| Advances and overdrafts | 259,116 | 259,116 | — | — | — | — |
| Leasing transactions | 7,225,013 | 1,161,902 | 2,921,345 | 1,292,041 | 1,099,000 | 750,724 |
| Factoring | 575,979 | 570,957 | 3,348 | 1,674 | — | — |
| Refinanced loans | 222,911 | 78,308 | 49,097 | 32,196 | 30,393 | 32,917 |
| **Total performing loans** | **43,910,813** | **10,962,655** | **9,318,260** | **9,261,670** | **5,470,124** | **8,898,103** |
| Past-due loans | 669,039 | 168,743 | 500,296 | — | — | — |
| **Total gross loans** | **44,579,852** | **11,131,398** | **9,818,556** | **9,261,670** | **5,470,124** | **8,898,103** |
| Percentage of total performing loan portfolio | 98.5% | 98.5% | 94.9% | 100.0% | 100.0% | 100.0% |

*Classification of the Loan Portfolio*

We classify our loan portfolio (which includes the loan portfolio of BCB) in accordance with SBS regulations. In accordance with SBS Resolution No. 11356-2008, as of July 1, 2010, a bank's loan portfolio is to be classified in eight different categories: corporate, big-business, medium-business, small-business, micro-business, revolving consumer, non-revolving consumer, and residential mortgage loans.

Corporate loans are, among others, those granted to companies with annual sales of more than S/.200 million during the last two years, pursuant to their latest audited financial statements. Big-business loans are those granted to companies: (a) with annual sales of more than S/.20 million but less than S/.200 million during the last two years, pursuant to their latest financial statements; or (b) having outstanding debt instruments in the capital market during the last year. Medium-business loans are those extended to companies that have outstanding loans due to local financial institutions, during the last six months, in an amount exceeding S/.300,000, but that do not meet the requirements to be classified as "corporate" or "big-businesses." Small-business loans are those extended to finance the production and sale of goods and services of companies or individuals which, during the last six months, had outstanding loans due to local financial institutions (other than residential mortgage loans) of more than S/.20,000 but less than S/.300,000. Micro-business loans are those extended to finance the production and sale of goods and services of companies or individuals which, during the last six months, had outstanding loans due to local financial institutions (other than residential mortgage loans) of less than S/.20,000. Revolving consumer loans are revolving credits extended to individuals to pay for goods, services or expenses, not related to business activities. Non-revolving consumer loans are non-revolving credits extended to individuals to pay for goods, services or expenses, not related to business activities. Residential mortgage loans are loans extended to individuals for the purchase, construction, remodeling, subdivision or improvement of the individual's own home, in each case secured by a mortgage. The classification of a loan determines the amount of allowance that should be recorded in the event that the borrower defaults in its payments.

Regulations promulgated by the SBS also require Peruvian banks to classify such debtors in any of the following five categories depending upon the degree of risk of payment default: Normal (*Normal*), Potential Problem (*Problema Potencial*), Substandard (*Deficiente*), Doubtful (*Dudoso*) and Loss (*Pérdida*). See "Regulatory Environment—Loan Loss Reserves." We review our loan portfolio on a continuing basis, and the SBS reviews the portfolio as it deems necessary or prudent. In classifying our loans based upon risk of nonpayment, we, in compliance with SBS guidelines, assess the following factors: the payment history on the particular loans, the history of our dealings with the borrower, management, operating history, repayment capability and availability of funds of the borrower, status of any collateral or guarantee, the borrower's financial statements, general risk of the sector in which the borrower operates, the borrower's risk classification made by other financial institutions, and other relevant factors. The classification of the loan determines the amount of the required loan loss provision.

Under current regulations, collateral is not subtracted from the amount of the loan or credit outstanding to determine the amount of the related reserve. Instead, a lower loan provision is allowed to be made on the portion of the loan or credit that is secured. For the purpose of determining the amount of the required reserve, collateral is valued in accordance with SBS regulations, which require an appraisal of its expected market value. Only assets classified as (i) "preferred," (ii) "highly liquid preferred," or (iii) "self-liquidating preferred" are acceptable as collateral. Such collateral must, according to SBS regulations, (1) be relatively liquid, (2) have legally documented ownership, (3) have no liens outstanding and (4) have constantly updated appraisals. Examples of "preferred" or "highly liquid preferred" assets include, among others, cash deposits, real estate mortgages and pledges on securities or on other goods. "Self-liquidating preferred" assets include solely cash deposits in local banks or stand-by letters of credit from premier foreign institutions. Similarly, for Credits Affected by Counterparty Substitution ("CACS"); the allowance requirement, for the secured amount, depends on the risk classification of the counterparty guaranteeing the payment of the loan or credit regardless of the risk classification of the actual client/debtor.

SBS regulations require Peruvian banks to maintain two types of loan loss reserves: (a) "generic" reserves (*provisiones genéricas*) on their total direct and indirect loan portfolio classified as Normal (*Normal*), at an allowance rate of (i) 0.7% for corporate loans, big-business loans and residential mortgage loans, and (ii) 1.0% for medium-business loans, small-business loans, micro-business loans, revolving consumer loans and non-revolving consumer loans; and (b) specific reserves (*provisiones específicas*) on their total direct and indirect loan portfolio classified under the Potential Problem (*Problema Potencial*), Substandard (*Deficiente*), Doubtful (*Dudoso*) and Loss (*Pérdida*) categories, at an allowance rate of 5%, 25%, 60% and 100%, respectively. These percentages may be reduced if the loans are secured by certain types of collateral provided that certain requirements set forth under SBS Resolution No. 11356-2008, as amended, are satisfied. Additionally, under certain macroeconomic conditions, pro-cyclical reserve requirements ranging from 0.3% to 1.5% could be required. For further details, see "Regulatory Environment" and notes 3(e) and 7(e) to the annual consolidated financial statements.

*Loan Risk Categories*

Normal (*Normal*). Debtors of commercial loans or credits that fall into this category have complied in a timely manner with their obligations and at the time the credit is evaluated there is no reason to doubt that interest and principal on the loan will be paid in a timely fashion or that the status will change before the next evaluation. To place a loan or credit in the Normal (*Normal*) category, a clear understanding of the use of proceeds and the origin of the cash flows to be used by the debtor to repay the loan or credit is required. Included in this category are: (i) small-business loans, micro-business loans, revolving consumer loans and non-revolving consumer loans with payment delays of up to eight days; and (ii) residential mortgage loans with payment delays of up to 30 days. Corporate loans, big-business loans and residential mortgage loans in this category require a reserve of 0.7%, while medium-business loans, small-business loans, micro-business loans, revolving consumer loans and non-revolving consumer loans in this category require a reserve of 1.0%.

Potential Problem (*Problema Potencial*): Loans or credits in this category are known as credits with "potential problems." Commercial loans or credits included in this category are those that at the time of evaluation demonstrate certain deficiencies, which, if not corrected in a timely manner, imply risks with respect to the recovery of the loan. Certain common characteristics of loans or credits in this category include: frequent delays in loan payments that are promptly cured, lack of information required to analyze the debtor, outdated financial information, temporary economic or financial imbalances on the part of the debtor that could affect its ability to repay the loan, market conditions that could affect the economic sector in which the debtor operates, material overdue debts or pending judicial collection actions initiated by other financial institutions, noncompliance with the original contractual terms and conditions, conflicts of interest within the debtor company, labor problems, unfavorable credit history, the debtor's noncompliance with its internal policies, excessive reliance on one source of raw materials or one buyer of the debtor's products and low inventory turnover ratios or large inventories that are subject to competitive challenges or technological obsolescence. Included in this category are: (i) corporate loans, big-business loans and medium business loans with payment delays of up to 60 days, (ii) small-business loans, micro-business loans, revolving consumer loans and non-revolving consumer loans with payment delays of 9 to 30 days; and (iii) residential mortgage loans with payment delays of 31 to 60 days. A 5.0% reserve on total loans outstanding under this category is required to cover risks of loss that have not been specifically identified. Except for consumer loans (revolving and non-revolving), when the loan, or a portion thereof, is secured with “preferred” collateral, the required reserve is 2.5%, and when secured with “highly liquid preferred” collateral, the required reserve is 1.25%.

Substandard (*Deficiente*): Loans or credits in this category are known as “substandard” credits. Debtors of commercial loans or credits placed in this category demonstrate serious financial weakness, often with operating profits or available income insufficient to cover financial obligations on agreed upon terms, with no reasonable short-term prospects for a strengthening of the debtor’s financial capacity. Loans or credits demonstrating the same deficiencies as a Potential Problem (*Problema Potencial*) are considered Substandard (*Deficiente*) if such deficiencies are not corrected in the near term, or if they could impede the recovery of principal and interest on the loan on the originally agreed terms. Included in this category are: (i) corporate debtors, big-business loan debtors and medium business loan debtors with payment delays of 61 to 120 days; (ii) small-business loan debtors, micro-business loan debtors, revolving consumer loan debtors and non-revolving consumer loan debtors with payment delays of 31 to 60 days; and (iii) residential mortgage loan debtors with payment delays of 61 to 120 days. Loans or credits included in this category require a reserve equal to 25.0% of the outstanding principal amount of the loan that is not secured by collateral. A 25.0% reserve on total loans outstanding in this category is required to cover risks of loss that have not been specifically identified. Except for consumer loans (revolving and non-revolving), when the loan, or a portion thereof, is secured with “preferred” collateral, the required reserve is 12.5%, and when secured with “highly liquid preferred” collateral, the required reserve is 6.25%.

Doubtful (*Dudoso*): Loans or credits included in this category are known as “doubtful” credits. Debtors of commercial loans or credits included in this category present characteristics of actual credit risk that make the recovery of the loan doubtful. Although the loan recovery is doubtful, if there is a reasonable likelihood that in the near future the creditworthiness of the debtor might improve, a Doubtful (*Dudoso)* categorization is appropriate. These credits are distinguished from Loss (*Pérdida*) credits by the requirement that the debtor continue to operate its business, generate cash flow, and make payments on the loan, albeit at a rate less than that specified in its contractual obligations. Included in this category are: (i) corporate debtors, big-business loan debtors and medium business loan debtors with delays of 121 to 365 days; (ii) small-business loan debtors, micro-business loan debtors, revolving consumer loan debtors and non-revolving consumer loan debtors with payment delays of 61 to 120 days; and (iii) residential mortgage loan debtors with payment delays of 121 to 365 days. A 60.0% reserve on total loans outstanding in this category is required to cover risks of loss that have not been specifically identified. Except for consumer loans (revolving and non-revolving), when the loan, or a portion thereof, is secured with “preferred” collateral, the required reserve is 30.0%, and when secured with “highly liquid preferred” collateral, the required reserve is 15.0%.

Loss (*Pérdida*): Loans or credits in this category are known as “loss” credits. Commercial loans or credits that are considered unrecoverable or that for any other reason should not appear on our books as an asset based on the originally contractual terms fall into this category. Included in this category are: (i) corporate debtors, big-business loan debtors and medium business loan debtors with occasional and reduced payment delays of more than 365 days; (ii) small-business loan debtors, micro-business loan debtors, revolving consumer loan debtors and non-revolving consumer loan debtors with payment delays of more than 120 days; and (iii) residential mortgage loan debtors with payment delays of more than 365 days. A 100% reserve on total loans outstanding in this category is required to cover risks of loss that have not been specifically identified. Except for consumer loans (revolving and non-revolving), when the loan, or a portion thereof, is secured with “preferred” collateral, the required reserve is 60.0%, and when secured with “highly liquid preferred” collateral, the required reserve is 30.0%.

The following table shows our direct loan portfolio risk classification at the dates indicated:

| | As of December 31, | | | As of June 30, |
|---|---|---|---|---|
| | 2008 | 2009 | 2010 | 2011 |
| | *(Nuevos Soles in thousands)* | | | |
| **Level of Risk Classification** | | | | |
| I: Normal (*Normal*) | 31,768,209 | 31,777,222 | 38,963,469 | 42,191,535 |
| II: Potential Problem (*Problema Potencial*) | 903,651 | 1,250,120 | 882,265 | 1,213,507 |
| III: Substandard (*Deficiente*) | 222,758 | 323,569 | 352,181 | 341,161 |
| IV: Doubtful (*Dudoso*) | 245,435 | 391,339 | 340,859 | 392,540 |
| V: Loss (*Pérdida)* | 150,754 | 304,535 | 421,144 | 441,109 |
| **Total gross loans** | **33,290,807** | **34,046,785** | **40,959,918** | **44,579,852** |
| **III+IV+V(Substandard loans)** | **618,947** | **1,019,443** | **1,114,184** | **1,174,810** |

All of the Loss (*Pérdida*) loans and substantially all of the Doubtful (*Dudoso*) loans are past due. Substandard (*Deficiente*) loans, although generally not past due, have demonstrated credit deterioration such that management has serious doubts as to the ability of the borrower to comply with the present loan repayment terms. The majority of these Substandard (*Deficiente*) loans are to companies in the Peruvian manufacturing sector (especially to those in the textile industry) and, to a lesser extent, the agricultural sector. The manufacturing sector loans are primarily secured by warrants and liens on goods or by mortgages, whereas the agricultural credits tend to be secured by trade bills and marketable securities. The Substandard (*Deficiente*) loans reflect the financial weakness of the individual borrower rather than any trend in the Peruvian manufacturing or agricultural industries in general. We consider the collateral securing these loans only for purposes of establishing loan loss reserves and not for purposes of classification.

*Classification of the Loan Portfolio Based upon the Borrower's Payment Performance*

We classify loans as past due at various times, depending on their type. We consider loans past due after no more than 15 days, except for consumer mortgage and leasing loans, and loans to micro-businesses, which are considered past due after 30 days. Also, pursuant to SBS rules, we consider overdrafts past due after 30 days. Accrued interest on past-due loans is recognized only when and to the extent received. With the exception of discounted notes and overdrafts, the recognition of accrued but unpaid interest on a loan is reversed when it becomes past due.

The following table sets forth the repayment status of our loan portfolio:

| | As of December 31, | | | As of June 30, |
|---|---|---|---|---|
| | 2008 | 2009 | 2010 | 2011 |
| | *(Nuevos Soles in thousands, except as otherwise indicated)* | | | |
| Current(1) | 32,261,089 | 32,699,434 | 39,409,781 | 42,826,721 |
| **Past due** | | | | |
| Overdue 16-119 days | 109,269 | 204,041 | 192,698 | 239,976 |
| Overdue 120 days or more | 137,597 | 327,106 | 394,773 | 429,063 |
| **Total past-due loans** | **246,866** | **531,147** | **587,471** | **669,039** |
| **Total loans** | **32,507,955** | **33,230,581** | **39,997,252** | **43,495,760** |
| Unearned interest | 782,852 | 816,204 | 962,666 | 1,084,092 |
| **Total gross loans** | **33,290,807** | **34,046,785** | **40,959,918** | **44,579,852** |
| Past due loan amounts as a percentage of total loans | 0.8% | 1.5% | 1.5% | 1.6% |

(1) Figures are net of unearned interest.

In accordance with SBS regulations, we classify as past due only the amount of the past-due installments on any consumer, mortgage and leasing credit, provided that no amount of such credit is past due for over 90 days. The entire amount of these loans will be considered past due if any amount is past due more than 90 days.

*Past Due Loan Portfolio*

The following table analyzes our past due loan portfolio by type of loan:

| | As of December 31, | | | As of June 30, |
|---|---|---|---|---|
| | 2008 | 2009 | 2010 | 2011 |
| **Past due loan amounts** | | *(Nuevos Soles in thousands)* | | |
| Loans | 125,473 | 298,511 | 346,036 | 395,407 |
| Leasing transactions | 64 | 1,518 | 4,054 | 923 |
| Credit cards | 76,661 | 168,108 | 166,014 | 197,258 |
| Discounted notes | 3,898 | 6,217 | 8,163 | 8,460 |
| Factoring | 2,429 | — | — | — |
| Advances and overdrafts in demand deposits | 6,632 | 11,604 | 10,440 | 10,381 |
| Refinanced loans | 31,709 | 45,189 | 52,764 | 56,610 |
| **Total past due portfolio** | **246,866** | **531,147** | **587,471** | **669,039** |

| | As of December 31, | | | As of June 30, |
|---|---|---|---|---|
| | 2008 | 2009 | 2010 | 2011 |
| Specific reserves(1) | (395,415) | (534,120) | (626,133) | (688,937) |
| Not specifically identified reserves(1) | (418,563) | (561,721) | (647,656) | (717,591) |
| **Total reserves for loan losses**(2) | **(813,978)** | **(1,095,841)** | **(1,273,789)** | **(1,406,528)** |
| **Total past due portfolio net of total reserves** | **(567,112)** | **(564,694)** | **(686,318)** | **(737,489)** |

(1) These reserves for loan losses have been established in accordance with SBS regulations. See "Selected Statistical and Other Information—Loan Portfolio—Classification of the Loan Portfolio".

(2) Includes reserves for indirect loans, which include guarantees and stand-by letters of credit, import and export letters of credit, and due from bank acceptances.

*Allowance for Loan Losses*

The following table shows the changes in our allowance for loan losses, including reserves for indirect loans and movements at the dates indicated:

| | As of December 31, | | | As of June 30, |
|---|---|---|---|---|
| | 2008 | 2009 | 2010 | 2011 |
| | *(Nuevos Soles in thousands)* | | | |
| Allowance for loan losses at the beginning of the year | 698,899 | 813,978 | 1,095,841 | 1,273,789 |
| Net provisions for the period | 270,267 | 526,587 | 594,831 | 336,682 |
| Allowance from acquired loan portfolio (Financiera Edyficar) | — | 56,153 | — | — |
| Loan portfolio written off | (140,620) | (266,613) | (404,396) | (191,243) |
| Foreign exchange translation | (14,568) | (34,264) | (12,487) | (12,700) |
| Allowance for loan losses at the end of the year/period | **813,978** | **1,095,841** | **1,273,789** | **1,406,528** |

For a discussion of the risk elements in the loan portfolio and the factors considered in determining the amount of specific reserves, see "—Classification of the Loan Portfolio."

Allowance for loan losses as of June 30, 2011 include S/.1.3 billion of reserves for losses on direct loans and S/96.1 million of reserves for losses on indirect loans (S/.1.2 billion and S/.92.4 million as of December 31, 2010, respectively). The reserves for losses on indirect loans are reported within Other Liabilities in our consolidated balance sheet.

For the years ended December 31, 2008, 2009 and 2010 and the six months ended June 30, 2011, we had recoveries of previously written-off loans of approximately S/.64.6 million, S/.57.7 million, S/.94.6 million and S/.51.1 million, respectively, which are included as Other Income in our financial statements.

*Allocation of the Allowance for Loan Losses*

The following table sets forth the amounts of the allowance for loan losses attributable to commercial, consumer and residential mortgage loans and leasing transactions at the dates indicated:

| | As of December 31, | | | As of June 30, |
|---|---|---|---|---|
| | 2008 | 2009 | 2010 | 2011 |
| | *(Nuevos Soles in thousands)* | | | |
| Commercial loans | 545,040 | 713,633 | 827,063 | 914,905 |
| Consumer loans | 179,303 | 262,359 | 301,886 | 328,214 |
| Residential mortgage loans | 89,635 | 119,849 | 144,840 | 163,409 |
| **Total allowance**(1) | **813,978** | **1,095,841** | **1,273,789** | **1,406,528** |

(1) Includes reserves for indirect loans, which include guarantees and stand-by letters of credit, import and export letters of credit, and due from bank acceptances.

## Deposits

The following table presents the components of our deposit base at the dates indicated:

| | As of December 31, | | | As of June 30, |
|---|---|---|---|---|
| | 2008 | 2009 | 2010 | 2011 |
| | *(Nuevos Soles in thousands)* | | | |
| **Demand deposits** | | | | |
| Nuevo Sol-denominated | 5,482,983 | 5,820,959 | 6,594,008 | 6,700,140 |
| Dollar-denominated | 8,526,467 | 7,011,165 | 9,129,935 | 11,035,776 |
| **Total** | **14,009,450** | **12,832,124** | **15,723,943** | **17,735,916** |
| **Savings deposits** | | | | |
| Nuevo Sol-denominated | 3,748,389 | 4,353,042 | 5,759,223 | 6,002,281 |
| Dollar-denominated | 5,573,823 | 5,877,418 | 6,164,812 | 6,668,179 |
| **Total** | **9,322,212** | **10,230,460** | **11,924,035** | **12,670,460** |
| **Time deposits** | | | | |
| **Severance Indemnity Deposits (CTS)** | | | | |
| Nuevo Sol-denominated | 728,320 | 742,038 | 1,183,263 | 1,513,690 |
| Dollar-denominated | 2,543,937 | 2,348,144 | 2,505,298 | 2,600,995 |
| **Total Severance Indemnity Deposits (CTS)** | **3,272,257** | **3,090,182** | **3,688,561** | **4,114,685** |
| **Foreign Currency Bank Certificates** | | | | |
| Dollar-denominated | 447,324 | 352,616 | 459,782 | 425,529 |
| **Other time deposits** | | | | |
| Nuevo Sol-denominated | 5,575,210 | 4,830,829 | 9,144,119 | 7,205,032 |
| Dollar-denominated | 10,923,123 | 10,290,892 | 6,843,724 | 5,592,389 |
| **Total other time deposits** | **16,498,333** | **15,121,721** | **15,987,843** | **12,797,421** |
| **Total time deposits** | **20,217,914** | **18,564,519** | **20,136,186** | **17,337,635** |
| **Total deposits** | | | | |
| Nuevo Sol-denominated | 15,534,902 | 15,746,868 | 22,680,613 | 21,421,143 |
| Dollar-denominated | 28,014,674 | 25,880,235 | 25,103,551 | 26,322,868 |
| **Total** | **43,549,576** | **41,627,103** | **47,784,164** | **47,744,011** |
| Interest payable | 230,998 | 157,712 | 116,607 | 115,839 |
| **Total deposits (including interest payable)** | **43,780,574** | **41,784,815** | **47,900,771** | **47,859,850** |

## Return on Equity and Assets

The following table provides the components for our return on equity and assets.

| | As of December 31, | | | As of June 30, |
|---|---|---|---|---|
| | 2008 | 2009 | 2010 | 2011 |
| Return on assets(1) | 2.6% | 1.7% | 1.9% | 2.2% |
| Return on equity(2) | 37.8% | 20.9% | 24.1% | 28.9% |
| Dividend payout ratio(3) | 46.0% | 64.4% | 45.2% | — |
| Equity to assets ratio(4) | 7.4% | 8.1% | 8.2% | 7.7% |

(1) Net income as a percentage of average total assets, computed as the average of month-end balances.

(2) Net income as a percentage of average shareholders' equity, computed as the average of month-end balances.

(3) Declared dividends per share divided by net income per share.

(4) Average shareholder's equity divided by average total assets.

## Short-Term Borrowings

Our short-term borrowings, defined as interbank funds and due to banks and correspondents with a maturity of less than one year, amounted to S/.1.8 billion, S/.2.4 billion, and S/.4.8 billion as of December 31, 2008, 2009 and 2010 respectively, and S/.3.4 billion as of June 30, 2011.

## Derivative Instruments

The tables below set forth, for the years ended December 31, 2008, 2009 and 2010, the fair value of the derivative financial instruments recorded as an asset or a liability, together with their notional amounts. The gross notional amount is the amount of a derivative's underlying asset and is the basis upon which changes in the value of derivatives are measured.

| | As of December 31, 2008 | | | |
|---|---|---|---|---|
| | **Assets** | **Liabilities** | **Notional Amount** | **Related instrument** |
| | *(Nuevos Soles in thousands)* | | | |
| **Derivatives held for trading** | | | | |
| Forward exchange contracts | 88,833 | 137,368 | 7,871,447 | — |
| Interest rate swaps | 103,362 | 119,888 | 2,402,810 | — |
| Currency swaps | 41,849 | 40,190 | 670,288 | — |
| **Derivatives held as hedges** | | | | |
| ***Cash flow hedge*** | | | | |
| Interest rate swaps | — | 14,313 | 558,609 | Deposits |
| Interest rate swaps | — | 40,940 | 1,287,403 | Due to banks |
| Cross currency swap | — | 9,004 | 49,258 | Bonds issued |
| Cross currency and interest rate swaps | 30 | 60,882 | 355,958 | Bonds issued |
| ***Fair value hedge*** | | | | |
| Cross currency swaps | — | 64,679 | 514,912 | Subordinated notes |
| **Total** | **234,074** | **487,264** | **13,710,685** | |

| | As of December 31, 2009 | | | |
|---|---|---|---|---|
| | **Assets** | **Liabilities** | **Notional Amount** | **Related instrument** |
| | *(Nuevos Soles in thousands)* | | | |
| **Derivatives held for trading** | | | | |
| Forward exchange contracts | 113,619 | 55,073 | 7,556,097 | — |
| Interest rate swaps | 84,508 | 91,346 | 1,825,341 | — |
| Currency swaps | 41,168 | 34,751 | 1,258,648 | — |
| Options | 572 | 465 | 70,441 | — |
| **Derivatives held as hedges** | | | | |
| ***Cash flow hedge*** | | | | |
| Interest rate swaps | 4,929 | 4,665 | 913,301 | Deposits |
| Interest rate swaps | 0 | 32,932 | 1,184,900 | Due to banks |
| Cross currency swaps | 5,020 | 0 | 322,685 | Due to banks |
| Cross currency swaps | 68 | 306 | 45,763 | Bonds issued |
| Cross currency and interest rate swaps | 22,429 | 8,251 | 327,617 | Bonds issued |
| Forward exchange contracts | 0 | 39,108 | 205,709 | Available-for-sale investments |
| ***Fair value hedge*** | | | | |
| Cross currency swaps | 7,121 | 33,657 | 919,960 | Available-for-sale investments |
| Interest rate swaps | 1,652 | 152 | 159,087 | Available-for-sale investments |
| **Total** | **281,086** | **300,706** | **14,789,549** | |

| | As of December 31, 2010 | | | |
|---|---|---|---|---|
| | Assets | Liabilities | Notional Amount | Related instrument |
| | *(Nuevos Soles in thousands)* | | | |
| **Derivatives held for trading** | | | | |
| Forward exchange contracts | 48,878 | 29,889 | 7,382,600 | — |
| Interest rate swaps | 86,513 | 90,776 | 1,997,481 | — |
| Currency swaps | 48,690 | 35,202 | 1,300,860 | — |
| Options | 1,542 | 867 | 291,057 | — |
| **Derivatives held as hedges** | | | | |
| ***Cash flow hedge*** | | | | |
| Interest rate swaps | — | 6,066 | 383,896 | Due to banks |
| Interest rate swaps | — | 17,799 | 801,814 | Due to related parties |
| Cross currency swaps | 33,264 | — | 347,927 | Due to banks |
| Cross currency swaps | 1,113 | 141 | 44,066 | Bonds issued |
| Cross currency and interest rate swaps | 21,395 | 14,125 | 318,435 | Bonds issued |
| ***Fair value hedge*** | | | | |
| Interest rate swaps | — | 8,846 | 153,259 | Available-for-sale investments |
| **Total** | **241,395** | **203,711** | **13,021,395** | |

The table below sets forth, for the six months ended June 30, 2011, the fair value of derivative financial instruments recorded as an asset or a liability, together with their notional amounts. The gross notional amount is the amount of a derivative's underlying asset and is the basis upon which changes in the value of derivatives are measured.

| | As of June 30, 2011 | | | |
|---|---|---|---|---|
| | Assets | Liabilities | Notional Amount | Related instrument |
| | *(Nuevos Soles in thousands)* | | | |
| **Derivatives held for trading** | | | | |
| Forward exchange contracts | 84,969 | 70,848 | 10,159,986 | — |
| Interest rate swaps | 78,494 | 79,839 | 1,993,617 | — |
| Currency swaps | 62,173 | 26,346 | 1,228,615 | — |
| Options | 3,799 | 2,927 | 990,182 | — |
| **Derivatives held as hedges** | | | | |
| ***Cash flow hedge*** | | | | |
| Interest rate swaps | — | 17,698 | 695,374 | Due to related parties |
| Interest rate swaps | — | 6,330 | 893,425 | Due to banks |
| Cross currency swaps | 30,996 | — | 347,879 | Due to related parties |
| Cross currency and interest rate swaps | 17,151 | 11,290 | 226,038 | Bonds issued |
| ***Fair value hedge*** | | | | |
| Interest rate swaps | — | 8,694 | 149,270 | Available-for-sale investments |
| **Total** | **277,582** | **223,972** | **16,684,386** | |

## BUSINESS

### Overview

*History and developments*

We began operations in 1889 as Banco Italiano and changed our name to Banco de Crédito del Perú in 1941. We are the oldest and, since the 1920s, we have been the largest commercial bank in Peru. Members of the Romero family have been our shareholders since 1918 and became the controlling shareholders in 1979. Mr. Dionisio Romero Seminario was, until March 2009, a member of the Board of Directors of BCP since 1966, and Chairman of the Board of Directors since 1979. In October 1987, in response to then President Alan García's attempt to nationalize the Peruvian banking and insurance industry, our majority shareholders, including Mr. Romero Seminario, sold a controlling interest in BCP and transferred management to our employees, which prevented the government from gaining control of BCP. Upon the election of Alberto Fujimori as President of Peru in 1990 and the introduction of market reforms, the Romero family reestablished its shareholding in BCP (through the repurchase of shares in the Lima Stock Exchange, or the "BVL") and Mr. Romero Seminario and several former majority shareholders and key managers returned to BCP. In 1995, Credicorp (NYSE: BAP) was established and members of the Romero family exchanged their BCP shares for Credicorp shares in a public exchange offer. The Romero family holds 15.00% of the common shares of Credicorp. Dionisio Romero Paoletti, son of Dionisio Romero Seminario, was appointed Chairman of the Board of Directors of Credicorp and Chairman of the Board of Directors of BCP in March 2009. BCP is listed on the Lima Stock Exchange and Credicorp holds directly and through Grupo Crédito, a wholly-owned subsidiary domiciled in Peru, 97.60% of our capital stock. As of June 30, 2011, 2.40% of our common stock was publicly held.

In November 1993, we acquired Banco Popular de Bolivia from the Bolivian government and renamed it Banco de Crédito de Bolivia, or "BCB". In July 1998, Credicorp acquired 97% of Banco de La Paz, another Bolivian bank with U.S.$52.1 million in assets, which was subsequently merged with BCB in January 1999. As of June 30, 2011, BCB operated 63 branches located throughout Bolivia and was Bolivia's fourth-largest bank in terms of assets and deposits, and the third-largest based on total loans. BCB's results have been consolidated in our financial statements since the date of its acquisition in November 1993. BCB represented 4.2% of our net income and 4.4% of our total assets as of December 31, 2010. As of June 30, 2011, BCB maintained its market position and represented 0.6% of our net income and 4.3% of our total assets.

In 1994, other subsidiaries of BCP were formed, including Credibolsa, the brokerage arm in the BVL, Creditítulos Titulizadora, or "Creditítulos," which focuses on the local securitization business, and Credifondo, which focuses on managing the mutual fund business in Peru.

Furthermore, our Nassau and New York branches were opened and we became one of the first Peruvian banks with a presence in two major international financial markets. In 2002, the Miami agency replaced the New York and Nassau branches.

In December 2002, we acquired Banco Santander Central Hispano–Perú, or "BSCH-Perú," which is included in our consolidated financial statements since such date. As of December 31, 2002, BSCH-Perú had total assets of U.S.$990.7 million, total loans of U.S.$603.2 million and deposits of U.S.$658.1 million. BSCH-Perú was merged into BCP on February 28, 2003.

By the end of 2005, with the intention to strongly develop the under-banked segments of the Peruvian population, we launched a new distribution channel consisting of low-cost terminals, which we call "BCP Agents". BCP Agents are a modified and significantly less expensive version of an automated teller, supported by an association with commercial establishments, installed primarily in areas where there are no BCP branches and where it is unprofitable to set up a full service branch. It permits customers to perform basic transactions such as withdrawals, deposits, payment of utilities, transfers, receipt of inbound remittances and account balance information.

This efficient and innovative channel significantly expanded during 2007, 2008 and 2010, with a total of 4,098 BCP Agents as of June 30, 2011. We also introduced other initiatives in 2006, including new savings products, the zero account and the free account. All of this reflects our efforts to serve a greater number of people, expand our reach in the banking system and encourage the use of banking services among people who previously did not use such services. From 2007 to December 2010, the use of electronic banking channels including ATMs, BCP Agents, internet banking, telephone and mobile phone banking, direct debits, POS and Telecrédito increased from approximately 71% to 80% of our total transactions and to 83% as of June 30, 2011.

In October 2009, BCP acquired from the Cooperative for Assistance and Relief Everywhere Inc. (CARE) – Perú, all the shares that this entity owned in Empresa Financiera Edyficar S.A., representing 77.12% of Financiera Edyficar's capital stock. In accordance with Peruvian legal requirements in effect at the time, BCP made a public tender to Financiera Edyficar's minority shareholders to acquire the remaining 22.88% of the company's stock. As a result of the tender offer, we acquired an additional 22.66% of Financiera Edyficar's capital stock bringing our ownership to 99.79% as of December 2010. Financiera Edyficar's target market and product offering are consistent with our strategy of increasing our penetration in the retail market by diversifying our client base, which includes small companies and low-income individuals. We intend to maintain Financiera Edyficar as an independent entity, preserving its business model, brand and personnel. Edyficar represented 3.9% of our net income and 1.8% of our total assets as of December 31, 2010, and 0.6% of our net income and 1.8% of our total assets as of June 30, 2011.

*General*

BCP is a *sociedad anónima* authorized to operate as a multiple banking institution under Peruvian Banking Law. Our activities include retail, commercial and investment banking. Through our nationwide distribution network, as of December 31, 2010, according to unconsolidated figures published by the SBS, we were the largest Peruvian bank in terms of total assets of S/.67.1 billion (U.S.$23.9 billion), total net direct loans of S/.36.6 billion (U.S.$13.0 billion), total deposits of S/.44.1 billion (U.S.$15.9 billion) and shareholders' equity of S/.5.5 billion (U.S.$1.9 billion). According to information published by the SBS, on an unconsolidated basis, as of December 31, 2010, our direct loans and deposits represented approximately 35. 4% and 37.0%, respectively, of the entire Peruvian banking system. Of our total loans and total deposits, 61.8% and 50.1%, respectively, were denominated in U.S. dollars. Our capital adequacy ratio as of December 31, 2010 was 12.8%, calculated on the basis of the requirements set by the SBS.

As of June 30, 2011 we continued to be the largest bank in Peru. On an unconsolidated basis according to figures published by the SBS, we had assets of S/.68.4 billion (U.S.$24.9 billion), total net direct loans of S/.39.7 billion (U.S.$14.4 billion), total deposits of S/.44.7 billion (U.S.$16.3 billion), and shareholders equity of S/.5.6 billion (U.S.$2.0 billion). According to information published by the SBS, on an unconsolidated basis, as of June 30, 2011 our direct loans and deposits represented 35.1% and 35.8%, respectively, of the entire Peruvian banking system. Of our total loans and deposits, 61.0% and 52.9%, respectively were denominated in U.S. dollars as compared to 52.1% and 49.9%, respectively, for the entire Peruvian banking system. As of June 30, 2011, we had an unconsolidated capital adequacy ratio of 13.5%.

For the year ended December 31, 2010, our net income was S/.1,209.3 million (U.S.$430.5 million), and through our nationwide distribution network, we had the largest branch network of any commercial bank in Peru with 330 offices, including 213 in Lima and the adjoining city of Callao, based on figures published by the SBS and excluding Edyficar's branches. We also operate an agency in Miami and a branch in Panama. Our net income for six months ended June 30, 2011 was S/.686.8 million (U.S.$249.8 million), and we had 337 offices, of which 216 were in Lima and Callao. Additionally, as of June 30, 2011, Financiera Edyficar had 103 branches, including 24 in Lima and Callao.

In 2010, we represented 69.8% of Credicorp's total revenues, 88.9% of its total assets, 87.7% of its net income and 70.8% of its shareholders' equity. In the six months ended June 30, 2011, we represented 70.8% of Credicorp's total revenues, 87.2% of its total assets, 87.2% of its net income and 69.3% of its shareholders' equity. Our operations are supervised and regulated by the SBS and the Central Bank. As of June 30, 2011, our issued capital consisted of 2,557.7 million fully subscribed and paid common shares.

Our Panamanian branch is subject to the supervision of the SBS and the PSB. It operates under an international banking license issued by the PSB, which permits us to engage in international banking operations from Panama, such as taking deposits from, and making loans to, persons outside of Panama, but does not allow us to undertake domestic banking operations in Panama. The offices of our Panamanian branch are located at Banco General Tower, 28th Floor, 50th Street, Panama City, Panama.

Our Miami agency is licensed by the State of Florida and is supervised by the Florida state government and the United States federal government. The agency offers a diverse range of financial services to our customers, including checking and money market accounts, time deposits, fund transfers and collection services. The Miami agency is located at 121 Alhambra Plaza, Suite 1200, Coral Gables, Florida.

## Competition

As of June 30, 2011, the Peruvian financial system was composed of 63 financial institutions, including 15 commercial banks, 13 municipal and 10 rural savings and loan associations (*cajas*), 10 small-business development non-bank institutions (Edpymes), 10 financial companies, 2 leasing companies and 3 state-owned banks (not including the Central Bank): Banco de la Nación, Development Finance Corporation (*Corporación Financiera de Desarrollo* or COFIDE) and Banco Agropecuario. Of the 15 commercial banks in operation, 10 were majority-owned (more than 80% ownership) by foreign institutions. As of June 30, 2011, the Peruvian financial sector also included 14 insurance companies and 4 private pension fund managers.

The table below shows, according to figures published by the SBS, the distribution by type of institution, of assets, direct loans and deposits of the Peruvian financial system, excluding insurance companies and private pension fund managers, as of June 30, 2011.

| As of June 30, 2011 | Assets | Direct Loans | Deposits |
|---|---|---|---|
| | | *(in percentages)* | |
| Commercial Banks | 81.2 | 85.1 | 80.9 |
| Municipal Savings and Loans Associations | 5.0 | 6.4 | 5.7 |
| Financial Companies(1) | 2.9 | 4.1 | 1.5 |
| Rural Savings and Loans Associations | 1.1 | 1.4 | 1.2 |
| Small Business Non-bank Institutions | 0.5 | 0.7 | 0.0 |
| Leasing Companies | 0.1 | 0.1 | 0.0 |
| State-owned Banks | 9.1 | 2.2 | 10.7 |
| **Total** | **100.0** | **100.0** | **100.0** |

(1) Includes Edyficar

As of June 30, 2011, according to unconsolidated figures published by the SBS, we were the largest Peruvian bank in terms of assets, deposits and loans with a market share of 36.7%, 35.8% and 35.1%, respectively.

| As of June 30, 2011 | Assets | Deposits | Loans |
|---|---|---|---|
| **Major Peruvian Banks** | | *(in percentages)* | |
| BCP | 36.7 | 35.8 | 35.1 |
| BBVA Continental | 21.5 | 21.7 | 23.6 |
| Scotiabank Perú | 15.7 | 15.7 | 14.8 |
| Interbank | 10.7 | 10.3 | 11.0 |
| Others | 15.5 | 16.4 | 15.6 |
| **Total** | **100.0** | **100.0** | **100.0** |

Source: SBS. Information regarding BCP, Interbank and Scotiabank Perú includes offshore branches.

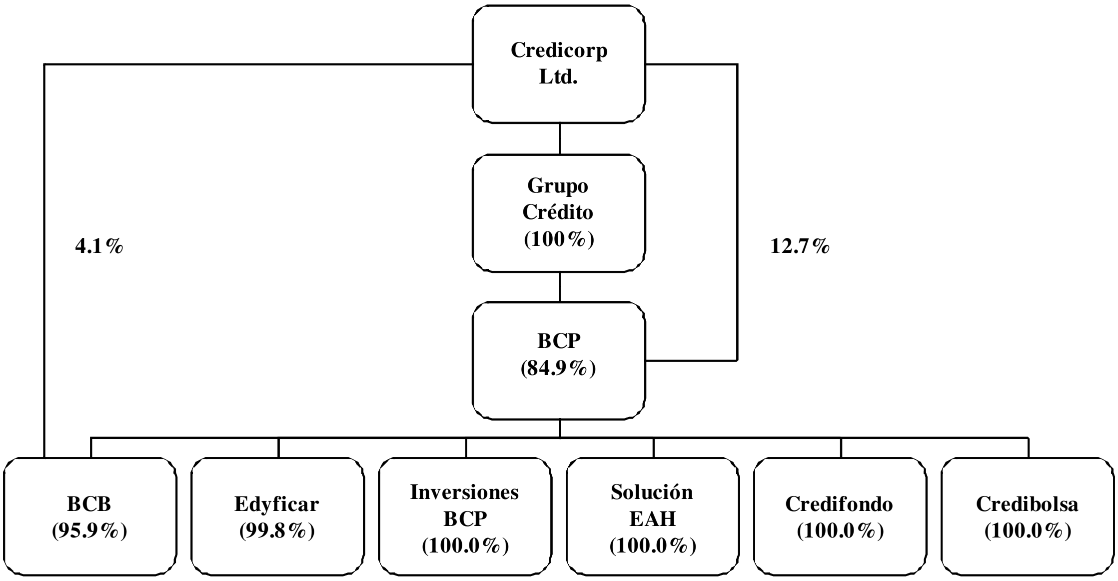
The Peruvian banking industry has experienced consolidation since 1991, when the number of institutions peaked at 25 banks. During 1999, Banco de Lima merged with Banco Wiese and formed Banco Wiese Sudameris; Banco Sur merged with BSCH-Perú (Banco Santander); Banco del País merged with Banco Nuevo Mundo and Banco del Progreso, or “Progreso”, merged with Norbank, while Banex was liquidated and Solventa was converted into a non-bank financial company. During 2000, Orion and Serbanco were liquidated. In 2001, Interbank acquired certain assets and liabilities from Banco Latino, including Banco Latino’s loan portfolio, NBK Bank (the bank created by the merger between Progreso and Norbank) merged with Banco Financiero and Nuevo Mundo was liquidated. In December 2002, we acquired BSCH-Perú and merged it into BCP in March 2003. In the first quarter of 2005, we acquired the onshore and offshore loan portfolio of BankBoston’s Peruvian branch (BankBoston, N.A. Sucursal del Perú), for approximately U.S.$353.5 million. Scotiabank, a major shareholder of Banco Sudamericano, acquired Banco Wiese Sudameris and merged the two banks to form Scotiabank Perú, which commenced operations in May 2006. In 2008, Scotiabank Perú acquired Banco del Trabajo, which was subsequently converted into a financial company under the name CrediScotia Financiera. In 2006, HSBC-Perú, a wholly-owned subsidiary of

HSBC Bank Plc, commenced its banking operations in Peru. In 2007, the SBS authorized the Chilean banks Banco Falabella and Banco Ripley to transform their existing non-banking financial institutions into banks. In 2008, the SBS authorized the Mexican bank Banco Azteca and the Spanish bank Banco Santander to establish banking subsidiaries in Peru, and Deutsche Bank to operate within the Peruvian banking system. In addition, Scotiabank Perú acquired Banco del Trabajo in 2008 and changed its status from that of a commercial bank to that of a financial company, naming it CrediScotia S.A. We expect that additional foreign banks will enter the Peruvian market given the attractiveness and profitability of this industry.

We believe that the Peruvian financial services industry will be increasingly competitive. Such increased competition may affect our loan growth, reduce the average interest rates that we may charge our customers and/or reduce fee income in the future. Since 2005, excess liquidity at major Peruvian banks has put pressure on margins. Since then, the financial services system has experienced strong growth, and excess liquidity has been reduced. Margins, on the other hand, have been affected by competition, resulting in certain banks (including BCP) re-orienting their product mix to focus more on the higher-margin retail segment and therefore, increasing their overall interest margin and credit risk. We do not intend to pursue unprofitable corporate lending opportunities solely in order to maintain market share. As a result, we expect that our corporate banking segment will grow at about the same level as that of the Peruvian economy, while our middle-market banking segment may grow at a rate somewhat higher than the growth rate of the economy. However, we will seek to maintain our close relationships with corporate customers, focusing on providing timely service and setting competitive prices. We plan to expand the range of investment banking and cash management products oriented to our wholesale banking segment.

**Subsidiaries**

The following chart illustrates the current ownership structure of BCP and BCP's principal subsidiaries.




Our corporate structure consists of a group of local subsidiaries offering specialized financial services complementing our commercial banking activities. In addition to our local subsidiaries, we have an agency in Miami, a branch in Panama, a subsidiary in Bolivia (which is a fully licensed bank that has local subsidiaries) and an affiliate bank, Atlantic Security Bank, in the Cayman Islands.

Our principal subsidiaries are as follows:

- BCB is our commercial bank in Bolivia. We own 95.9% of BCB, and Credicorp holds the remaining 4.1%. BCB initiated operations under the BCP umbrella in February 1994. In July 1998, BCB absorbed the operations of Banco de La Paz, making BCB the fourth-largest bank in Bolivia in terms of assets. As of June 30, 2011, BCB was the fourth-largest bank in Bolivia in terms of assets and deposits, the third-largest in terms of loans, and had a network of 63 branches located throughout Bolivia. BCB owns one of

Bolivia's largest brokerage houses, Credibolsa. The bank targets small- and mid-size corporate clients and offers a broad range of corporate, retail banking and leasing products. Our total direct and indirect investment in Bolivia as of June 30, 2011 was S/.250.3 million. BCB's results are consolidated in our financial statements.

- Financiera Edyficar was established in 1997. It focuses exclusively on providing financial services to lower-income people, primarily businessmen and entrepreneurs of micro and small enterprises in Peru. We acquired Financiera Edyficar in October 2009 and, as of June 30, 2011, we own 99.8% of its capital stock. Financiera Edyficar represented 0.6% of our net income and 1.8% of our total assets, as of June 30, 2011.

- Inversiones BCP is a holding company established in Chile for the sole purpose of holding common shares of Banco de Crédito e Inversiones BCI Chile ("BCI"). Our holdings in BCI represented a 3.52% and 3.60% participation in that entity as of December 31, 2010 and June 30, 2011, respectively.

- Credibolsa was established in June 1991 and is our wholly-owned subsidiary. It is engaged in portfolio advisory and brokerage activities on the BVL.

- Credifondo is a mutual fund management company, established in 1994 and is our wholly-owned subsidiary.

- Solución EAH is a subsidiary dedicated exclusively to granting mortgage loans. Prior to May 25, 2010 Solución EAH operated as a financial company (*empresa financiera*) under the name Solución Financiera de Crédito del Perú and its business included mortgage lending, consumer lending and SME financing. On May 25, 2010 Solución changed its name and social purpose to comply with regulatory requirements arising from the acquisition of Edyficar.

The following table shows financial information for our operating entities as of and for the year ended December 31, 2010, after eliminations for consolidation.

| Operating entity | Total Assets | Total Revenue | Net Income | Shareholders' Equity |
|---|---|---|---|---|
| | | (In percentages) | | |
| BCP | 92.2 | 88.4 | 84.6 | 79.0 |
| BCB | 4.4 | 4.2 | 4.2 | 4.8 |
| Financiera Edyficar (1). | 1.8 | 5.0 | 3.9 | 2.6 |
| Inversiones BCP | 1.0 | 0.2 | 0.7 | 11.0 |
| Solución EAH | 0.3 | 0.2 | 0.7 | 0.4 |
| Credifondo | 0.1 | 1.6 | 4.6 | 1.4 |
| Credibolsa | 0.1 | 0.4 | 0.8 | 0.8 |
| Others | 0.1 | 0.0 | 0.5 | 0.0 |
| **Total** | **100.0** | **100.0** | **100.0** | **100.0** |

(1) Revenue and net income figures reflect Financiera Edyficar's revenue and net income contribution since the date it was acquired in October 2009.

The following table shows financial information for our operating entities as of June 30, 2011, after eliminations for consolidation.

| Operating entity | Total Assets | Total Revenue | Net Income | Shareholders' Equity |
|---|---|---|---|---|
| | | (In percentages) | | |
| BCP | 92.5 | 87.8 | 97.8 | 79.4 |
| BCB | 4.3 | 3.8 | 0.6 | 4.5 |
| Financiera Edyficar | 1.8 | 5.5 | 0.5 | 3.2 |
| Inversiones BCP. | 0.9 | 0.3 | 0.0 | 10.0 |
| Solución EAH | 0.3 | 0.3 | 0.5 | 0.6 |
| Credifondo | 0.1 | 1.6 | 0.7 | 1.4 |
| Credibolsa | 0.1 | 0.7 | (0.1) | 0.8 |
| Others | 0.0 | 0.0 | 0.0 | 0.1 |
| **Total** | **100.0** | **100.0** | **100.0** | **100.0** |

**Wholesale Banking**

The wholesale banking division has traditionally been our largest business unit in which the majority of our loans are concentrated. The wholesale banking division is comprised of six units: corporate banking, middle-market banking, institutional banking, international trade finance and leasing, corporate finance and cash management services. As of June 30, 2011, loans from the wholesale banking division accounted for 54.1% of our total average loan portfolio.

Our wholesale banking division competes with local and foreign banks. Our traditional and long-standing business relationships provide the wholesale banking division with a competitive advantage.

The wholesale banking division maintained an average portfolio balance of U.S.$8.6 billion in June 2011 compared to U.S.$7.9 billion in December 2010 and to U.S.$6.2 billion in December 2009. We were able to maintain these balances despite the global economic crisis, our large market share, the aggressive competition and competition in the form of debt issuances in the local capital markets. The 27.0% increase in our average portfolio balance between December 2009 and December 2010 is primarily due to the strong recovery of the Peruvian economy. Since Peruvian companies were not able to access international funding sources until the mid-1990s and we were therefore an important source of funding, we have established long-standing client relationships with virtually all of the major industrial and commercial groups in Peru. The wholesale banking division provides our customers with short- and medium- term loans, local and foreign currency loans, foreign trade-related financing, and lease financing. Our wholesale banking division is divided into the following units:

- corporate banking, which provides loans and other credit services to companies with annual revenues in excess of U.S.$30 million,
- middle-market banking, which serves mid-sized companies,
- international trade finance and leasing, which manages our relationship with financial institutions abroad and manages the financial leasing product
- corporate finance, which provides underwriting and financial advisory services to corporate and middle-market clients,
- institutional banking, which focuses principally on serving non-profit organizations, state-owned companies and other major institutions, and
- cash management services, which develops transactional services.

- Income from financial services (i.e. commission fees) contributed 23.9% of the total income generated by the wholesale banking division in the six months ended June 30, 2011. Net interest income achieved in the wholesale banking sector reached U.S.$123.3 million during the six months ended June 30, 2011, a 41.1% increase compared to the six months ended June 30, 2010. The increase in the first six months of 2011 is attributable to higher rates charged to customers. In 2010, financial services contributed 25.0% of the wholesale banking division's income, and net interest income from wholesale banking was U.S.$187.5 million compared to U.S.$181.3 million during 2009. The increase of 3.4% in 2010 resulted mainly from higher loan balances that were partially offset by a decrease in interest rates charged to our customers.

*Corporate banking*

The corporate banking unit has traditionally been the strength of our lending activities, providing banking services to virtually all of the major industrial and commercial enterprises in Peru. We believe that we have an advantage in servicing large corporations in Peru because of our capital base and relative size compared to other Peruvian banks. Our corporate banking unit provides primarily local and foreign currency loans and has a primary responsibility for maintaining relationships with our largest banking clients. In addition, our corporate banking unit provides letters of credit, standby letters of credit, domestic collections, funds transfer services throughout Peru, payments through our Miami agency and foreign exchange facilities.

In June 2011, the average loan portfolio of the corporate banking unit was U.S.$5.6 billion, representing a 8.7% increase from U.S.$5.2 billion in December 2010. From December 2009 to December 2010, the average loan portfolio of this unit increased 23.6%. Corporate banking loans represented 35.2% of our average loan balance in June 2011, with 75.4% of these loans denominated in foreign currency (primarily U.S. dollars) and 24.6% in Nuevos Soles. Margins on corporate loans have been declining due to an aggressive competitive environment in terms of rates, which caused a sustained reduction in our lending spreads.

In terms of deposits, average corporate deposits decreased from U.S.$4.5 billion in December 2009, to U.S.$3.8 billion in December 2010, accounting for approximately 23.1% of our total deposits in December 2010. In June 2011 average deposits from this unit were U.S.$3.4 billion, a 10.1% decrease compared to December 2010. Corporate banking deposits represented 20.5% of our total deposits in June 2011. The reduction in deposits during 2010 and 2011 is attributable primarily to the reduction in interest rates paid to our clients.

The corporate banking unit is focused on serving large-sized companies with annual turnover greater than U.S.$50 million, with dominant market positions in particular products or brands and have audited financial statements. We may classify other companies in this category if they belong to important Peruvian economic groups (in terms of size and economic importance), even if they do not meet the above criteria.

The corporate banking unit offers a broad range of products and tailors its product offerings to meet the unique requirements of each client. In general, this unit is oriented to offering high-value-added products and services, particularly cash management services.

In general, the corporate banking unit grants short-term financing; however it can provide longer terms for companies financing capital expenditures or fixed assets, among other purposes.

The corporate banking unit also offers term financing (in all cases secured by pledges of collateral), financial leasing, factoring and domestic collections and fund transfer services throughout Peru. Corporate banking clients can also obtain investment banking, advisory and financing services through the corporate finance unit, which operates as a part of the wholesale banking group and also serves major middle-market clients.

Guarantees and collateral received by this unit consist of receivables in the case of sales financing, warrants or pledges on inventory in the case of inventory financing, and other collateral in the case of financing for fixed asset acquisitions and improvements to infrastructure.

Although we have been a strong player in the corporate banking segment and maintain a competitive advantage, we anticipate limited growth prospects in this business due to high levels of market penetration and competition from capital markets.

*Middle-market banking*

Our middle-market banking unit generally serves the same industries and offers the same products as our corporate banking unit. Its focus, however, is on providing customers with working capital loans, primarily secured by accounts receivable. This is accomplished by arranging financing for medium and long-term investment programs, including leasing services.

The middle-market unit focuses on organizations with annual revenues between U.S.$6.7 million and U.S.$30 million, and on organizations with annual revenues between U.S.$1.5 million and U.S.$6.7 million that satisfy at least three of the following four requirements: outstanding debt over U.S.$0.6 million; annual revenues over U.S.$1.5 million; leverage below 3x; and holding at least five financial products with the financial sector. Generally these clients are not listed on the stock exchange but in some cases are capable of issuing financial obligations or commercial paper. Their financial information is audited. These companies are typically family-controlled but professionally managed.

Our annual average loan portfolio of the middle-market banking unit reached U.S.$3.0 billion in June 2011, 10.5% higher than the average U.S.$2.7 billion in December 2010, as loans increased in line with the strong recovery of the Peruvian economy in 2010 and 2011. We expect that this sector will grow and increase in relative importance as the Peruvian economy grows. Compared to December 2009, average loan balance in December 2010 increased 34.1% from U.S.$2.0 billion.

We see significant opportunities in lending to the middle-market sector, particularly in Peru's agriculture, fishing and construction industries, where special emphasis has been placed and specific task units have been created to attend to the needs of these economic groups.

Interest margins in the middle-market unit continue to be attractive. Because of their size, middle-market companies in Peru generally do not have access to the local or international capital markets or to credit from foreign banks which creates an attractive opportunity for us. We believe that middle-market companies have benefited significantly from an improved economic environment in Peru over the past few years. Loan quality problems have been addressed through procedures and organizational changes that have focused on improving the loan approval and credit-risk assessment processes.

Our medium-term financing products, which include structured loans, project finance and syndicated transactions, are designed to accommodate specific clients' needs. Through these products, we have been an active lender and financial advisor to Peru's mining, technology and energy sectors. In addition to our regular sources of funds, we are an intermediary of COFIDE and international financial institutions such as the *Corporación Andina de Fomento* (Andean Development Corporation), the International Finance Corporation and the IADB, in several medium-term credit lines for project finance in certain sectors.

The products offered to middle-market clients resemble those offered to corporate banking clients. The three major types of products are:

- Revolving credit lines to finance inventories and sales, as well as stand-by letters of credit and international trade financing;

- Financing for short-term requirements such as current account credits and temporary account advances (overdrafts); and

- Medium and long-term financing using intermediation resources (term deposits), and various types of financial leasing.

The middle-market unit requires that all facilities extended to middle-market clients be personally guaranteed by the main shareholders and their spouses. In addition, these clients are usually required to provide collateral security, pledging assets unrelated to the business being financed, such as real estate owned by the main shareholders.

*Institutional banking*

The institutional banking unit was moved from the retail to the wholesale banking group in 2004, because most of its clients have significant sales volume. This unit serves non-profit organizations, whether public or private, including state and local government entities, international organizations, educational institutions and non-governmental organizations, among others. The client base has grown significantly since 2002 due to a market re-segmentation effort. Specialized teams in both the wholesale banking group and retail banking group serve these clients.

The institutional banking unit is strategically important since these clients are interested in a variety of products and services and this presents us with opportunities to generate income from fees and cross selling. Institutional banking clients are principally users of transactional products and require advisory services for investment management. Our strategy in this segment is focused on building customer loyalty by offering customized services at relatively competitive rates and providing outstanding service quality. Institutional banking clients require mainly remote office banking, collections and automated payroll payment services.

*International trade finance and leasing*

Our international trade finance unit is focused primarily on providing short-term credit for international trade, funded with internal resources or with credit lines from foreign banks and institutions. It also offers medium-term lines of credit funded by international commercial banks and governmental institutions of other countries. In addition, our international trade finance unit earns fees by providing customers with letters of credit, international collections and foreign exchange services. The international trade finance unit also promotes international trade activities by structuring Peruvian overseas commercial missions and introducing Peruvian businesses to potential foreign clients and vice versa.

As of June 30, 2011, we had an outstanding balance of uncommitted credit lines for foreign trade transactions, working capital, and medium and long-term investment projects totaling U.S.$1.6 billion. We have experienced a decrease in the usage of these credit lines from U.S.$1.8 billion as of December 31, 2010.

According to the National Customs Superintendency *(Superintendencia Nacional de Aduanas)*, in 2010 Peruvian exports increased 28.4% to U.S.$34.8 billion, compared to U.S.$27.1 billion in 2009. This result was principally due to increased exports of commodities such as gold, silver, copper and iron. During the same year, based on BCP's internal reports, BCP's exports volume increased 42.9% to U.S.$16.6 billion compared to U.S.$11.6 billion in 2009, which represented 47.8% of total Peruvian exports. As of May 2011, Peruvian exports increased 33.4% compared to U.S.$13.0 billion in May 2010, due to increased exports of commodities such as non-metallic minerals. During the six months ended June 30, 2011, based on BCP's internal reports, BCP's exports volume amounted to U.S.$9.5 billion, which represented 48.2% of total Peruvian exports.

Total Peruvian imports were U.S.$30.1 billion in 2010, increasing 37.5% from U.S.$21.9 billion in 2009, which was primarily due to a higher demand for capital goods from the construction, transportation and industrial sectors, raw materials, and consumer goods. Our import letters of credit, collections and transfers amounted to U.S.$9.4 billion in 2010, increasing 44.1% from U.S.$6.5 billion in 2009, which amounted to 34.3% of total Peruvian imports in 2010. As of May 2011, Peruvian imports increased 36.6% compared to U.S.$10.7 billion in May 2010 due to higher demand for capital goods from construction. During the six months ended June 30, 2011, our import letters of credit, collections and transfers, excluding our Miami agency, amounted to U.S.$5.5 billion, which represented to 30.1% of total Peruvian imports.

We maintain a direct presence abroad through our Miami agency and Panama branch and have access to a wide network of foreign correspondent banks to offer several internationally competitive products to our customers. We also have correspondent banking relationships and uncommitted credit lines with more than 250 banks for foreign trade operations, financing of working capital and medium and long-term investment projects.

In 2006, we introduced a new product to support exporters whose sales to other countries are conducted with no bills of credit or documentary collection. By creating Factoring Internacional, we became affiliated with the world's largest chain in this product. Through Factors Chain International, we can now acquire export invoices and address the exporters working capital needs.

In line with trade trends, China has become the second largest trade partner for Peru. In light of China's growing influence, BCP has visited several banks and corporations in China to explore possible alternatives to intermediate trade flows, assess Peruvian exporters and importers and to facilitate Chinese investment in Peru through direct investment and trade development.

Lastly, to benefit from synergies in the correspondent banks business, the international trade finance unit now manages business with government financial organizations that formerly comprised the institutional banking client portfolio and the local financial institutions industry.

The leasing unit offers and manages financial leasing operations. Based on data published by the SBS as of June 30, 2011, BCP's lease finance business is currently the largest in Peru, with a market share of 38.8%. Leasing operations were conducted by BCP's subsidiary Credileasing until July 1, 2009, when Credileasing merged with BCP.

The financial leasing business continued its recovery during 2011. BCP's leasing loan balances showed a 11.2% growth in the first six months of 2011, following a 22.9% growth in 2010, as a consequence of the growth of the Peruvian economy. Growth during 2010 and 2011 was driven by business loans in sectors requiring investment in mining, energy generation, fishing and manufacturing companies. Loan demand also increased in the real estate sector, however, loans to small-sized companies grew at a slower peace as a result of the new risk policies established by BCP.

*Corporate finance*

The corporate finance unit provides a wide range of underwriting and financial advisory services to corporate and middle-market clients and has a leading position in the local market. The corporate finance unit was incorporated into our wholesale banking group in the first quarter of 1996 in order to enhance its effectiveness as Peru's larger corporations moved away from loans towards capital markets-based borrowings. This unit focuses on capital markets offerings, primarily debt and equity, project financing, corporate financing, financial restructurings and mergers and acquisitions.

Our most significant transactions include, in 2009, the structuring and financing of a U.S.$120 million lease-back for Votorantim Metais Cajamarquilla SA, a U.S.$200 million bond issuance program for Peru LNG, a U.S.$162 million long-term leasing contract to Cemento Andino in connection with production plant expansion, and our participation in a U.S.$1.5 billion syndicated loan for Americas Mining Corporation. In 2010, we co-structured and financed a U.S.$200 million syndicated medium-term loan for Gold Fields La Cima S.A.A., leased financed U.S.$310 million to EnerSur S.A. and a U.S.$400 million bond issuance program for Transportadora de Gas del Perú. During the six months ended June 30, 2011, the most significant transactions were the structuring of a U.S.$190 million syndicated loan for SN Power Perú S.A. and the structuring of a U.S.$160 million syndicated loan led by Banco de Crédito del Peru for the concession contract of the 500 kV Zapallal – Trujillo Electric Line.

Additionally, our corporate finance unit structures short-term instruments, mostly commercial paper and certificates of deposit, and offers financial advisory services focused on debt restructuring, and evaluations of payment capacity for companies in several industries, such as paper, manufacturing, sugar, food, real estate and construction.

*Cash management services*

Our cash management services unit is in charge of developing, marketing, and selling transactional or "cash management" and electronic lending solutions for our corporate and institutional clients, it handles the exchange of information and money transfers to corporations, midsize companies, institutions and micro-business companies. We offer more than 30 products aimed at strengthening ties with clients and assuring their loyalty, as well as reducing costs using electronic channels and increasing fee income. Services managed by this unit include collections (automated trade bill collection and electronic factoring), automated payments (direct credits to personnel and supplier's accounts and money transfers), electronic lending (reverse factoring, electronic discounts and electronic working capital loans) remote office banking and cash management through checking accounts with special features.

Main collection services such as letters and companies' collections generated commissions that increased in the first six months of 2011 by 7.5% and 20.8%, respectively, as compared to the first six months of 2010. Our strategic decision to offer value to our clients through the implementation of a more efficient mechanism of information related to these services explained part of this improvement. On the other hand, the higher demand by clients for the remote banking service "Telecrédito" generated, in terms of number of transactions, a growth of 19.5% compared to the first six months of 2010. Tax collections and the transaction volume generated by electronic factoring also grew 1.9% and 36.6%, respectively.

**Retail Banking Division**

Our retail banking division targets and serves individuals and small-size companies with annual income levels of up to U.S.$6.7 million and manages the Bank's mortgage and credit card products. The objective of this division is to establish profitable long-term relationships with this broad client base, using segmentation strategies that satisfy the specific needs of each client type. The retail banking division's operations are divided into two units: service banking and retail banking. The retail banking division is subdivided further into three areas in order to serve each client segment appropriately: exclusive banking, small- and micro-business banking and consumer banking. The service banking unit manages our distribution channels and supports the retail banking division.

According to internal records, our average retail loans accounted for approximately 38.9% (U.S.$6.2 billion) of our total average loans in June 2011, compared to 38.1% (U.S.$5.4 billion) in December 2010 and 40.1% (U.S.$4.5 billion) in December 2009.

The retail sector has experienced constant growth due to the development of the Peruvian economy. Since 2004 there has been a positive trend in the loan volume in this segment, with a compounded annual growth rate in average loan balances of 28.0% between December 2004 and June 2011. Home mortgages and micro-business loans in particular have experienced significant growth since 2006. Average balance in home mortgages increased 18.0% to U.S.$1.6 billion from December 2008 to December 2009, 21.0% to U.S.$1.9 billion from December 2009 to December 2010, and 14.4% to U.S.$2.2 billion from December 2010 to June 30, 2011. Average balances in micro-business loans increased 19.4% to U.S.$917.1 million in December 2009, 30.0% to U.S.$1.19 billion in December 2010, and 14.9% to U.S.$1.37 billion from December 2010 to June 30, 2011.

In 2011, the growth of this sector continued its positive trend. Our average loan portfolio as of June 30, 2011 was U.S.$6.2 billion, a 13.6% increase as compared to December 31, 2010.

With the segmentation of our retail client base, we are able to focus on cross-selling products and improving per-client profitability. Our management expects the retail banking businesses to be one of the principal growth areas for our lending activities.

*Exclusive banking*

Our exclusive banking unit manages a select number of individual customers who generate high volumes of loan and deposit business and comparatively higher profit margins. The exclusive banking unit principally serves high-income customers that constitute our most profitable personal accounts and specializes in offering personalized service. Our exclusive banking unit serves a client base of high net worth with outstanding credit histories and serves households that have at least U.S.$20,000 in loans and/or U.S.$40,000 in deposits. Exclusive banking is a relatively profitable unit and generates a high volume of business compared to other areas in retail banking.

Through our exclusive banking unit, we provide a preferential and differentiated service, offering both traditional and innovative products to our clients. We consider the exclusive banking client base to be of strategic importance to us. Clients within this unit are considered "exclusive" and receive personal service from an exclusive banking unit account executive.

This unit continues to retain and increase ties with its existing customers, as well as to add new customers, for which sophisticated commercial plans were developed. In June 2011, this unit had average deposits of U.S.$2.7 billion and an average loan portfolio of U.S.$2.5 billion, an increase of 10.2% and 9.6% as compared to December 2010, respectively. Exclusive banking customers receive preferential interest rates for loans and deposits and personalized service. Since 2004, exclusive banking customers are being offered better saving alternatives using capital markets products, including investments in mutual funds, given the continuing low levels of interest rates paid on banking deposits.

*Small business banking and micro-business banking*

The small business banking unit serves clients with annual sales between U.S.$500,000 and U.S.$6.7 million. Additionally, this unit serves those clients that do not meet the criteria required by the middle-market banking unit, as described above. Small businesses benefit from products specially designed for their needs, such as Cash Credit for Businesses, a revolving credit line repaid in installments, as well as the usual credit products, such as discounted notes, letters of credit, guarantees and stand-by credits.

The total small business banking average loan portfolio, excluding contingent facilities, grew from U.S.$476.7 million in December 2009 to U.S.$560.2 million in December 2010, to U.S.$608.6 million in June 2011. This continued growth represents an increase of 17.5% between December 2009 and December 2010, and of 8.6% between December 2010 and June 2011. The average deposit portfolio from this banking unit decreased from U.S.$665.9 million in December 2009 to U.S.$569.3 million in December 2010, in large part due to the comparatively lower rates offered by us when compared to competing financial institutions. This decrease represents a decline of 14.5% between December 2009 and December 2010. Between December 2010 and June 2011, the average deposit portfolio grew 5.1% to U.S.$598.5 million.

The micro-business banking unit concentrates its efforts on small loans to individuals who derive their income primarily from small family-run businesses with annual sales between U.S.$8,000 and U.S.$500,000. In spite of its high informality and high credit risk, this unit is attractive in terms of its growth potential, which has driven us to work towards its development on two fronts: (i) client training programs through seminars and presentations and (ii) formalization programs based upon alliances with government institutions such as Prompyme, Ministry of Labor and Social Promotion, Municipalities and the Peruvian Center for the Promotion of Small Business. Our average loan balance to micro-businesses amounted to U.S.$1.4 billion in December 2010, 32.7% higher as compared to December 2009. From December 2010 to June 2011, the average loan balance increased 15.1% to U.S.$1.6 billion.

Even though it is managed independently, Financiera Edyficar targets the same lower-income segment as our micro-business banking unit, namely businessmen and entrepreneurs of micro and small enterprises in Peru. According to management's estimates, as of June 30, 2011, Financiera Edyficar served approximately 318,100 clients offering micro-business loans and residential mortgage loans. According to information published by the SBS, Financiera Edyficar's total loans amounted to U.S.$413.6 million in June 2011, a 16.1% increase from U.S.$356.2 million in December 2010. Residential mortgage loans represented 0.7% of the average loan portfolio as of June 2011.

*Consumer banking*

The consumer banking unit is responsible for servicing our traditional retail client base and is also responsible for our mortgage lending and credit card services. Our consumer banking unit targets and serves medium- to low-income individuals.

The consumer banking unit offers standard service platforms including bank tellers and ATMs and other services, which suit the characteristics and financial habits of this client base. Consumer lending products offered include cash consumer loans, payroll loans and loans for specific purposes such as automobile purchases, travel and education.

*Mortgage lending*

We were the largest mortgage lender in Peru with a market share of 34.4% of total mortgage loans in the Peruvian banking system as of December 31, 2010, according to the SBS. This was, to a large extent, the result of extensive marketing campaigns and improvements in the quality and speed of our mortgage loan application process. According to the SBS, as of June 30, 2011, we had a market share of 34.8% of the consumer mortgage lending segment.

We expect our mortgage lending business to continue growing given the low levels of mortgage penetration, the increasing demand for housing, the availability of funds for the Peruvian government's *MiVivienda* low-income housing program, and the current economic outlook for controlled inflation and economic growth in Peru.

In June 2011, our average balance of mortgage loans was U.S.$2.2 billion or 14.4% higher as compared to December 2010. From December 2009 to December 2010, our average balance of mortgage loans increased from U.S.$1.6 billion to U.S.$1.9 billion.

Mortgage financing is available only to customers with minimum monthly income in excess of U.S.$400 or S/.1,200, in the case of the traditional mortgage loan and the *MiVivienda* program. The *MiVivienda* program, however, limits the value of the house to be purchased to U.S.$60,000. We will finance up to 90% of the appraised value of a property where monthly mortgage payments do not exceed 40% of the client's stable net income. The maximum maturity for our mortgage loans is 25 years. We offer variable, fixed and LIMABOR-based interest rates on residential mortgage loans denominated in both U.S. dollars and Nuevos Soles; however, our mortgage portfolio is predominantly variable rate and Dollar-denominated. We expect mortgage loans denominated in Nuevos Soles to grow more than mortgages denominated in U.S. dollars, given the attractive rates and conditions for mortgages in Nuevos Soles.

*Credit cards*

The market for credit cards in Peru has grown significantly as improving economic conditions have led to increased consumer spending. We expect strong demand for credit cards to continue. In addition to interest income, we receive significant fee income from customers, including merchant discount fees, merchant processing and finance and penalty charges on credit cards.

According to our internal records, our stock of active credit card accounts increased from 446,414 as of December 31, 2009 to 525,189 as of December 31, 2010 and to 626.934 as of June 30, 2011. Total purchases increased from U.S.$768.6 million in 2009, to U.S.$975.9 million in 2010, and to U.S.$580.2 million in the six months ended June 30, 2011.

Our credit cards are primarily issued with the Visa brand, but we also offer American Express cards. Based on information published by the SBS, we account for 16.3% of the outstanding active credit cards in the banking system in Peru as of June 30, 2011, as compared to 13.9% as of December 31, 2010 and 11.4% as of December 31, 2009. The total number of active credit cards in Peru as of June 30, 2011 was 5.3 million, of which approximately 42.6% were issued by banking entities associated with department stores.

According to the SBS, the credit balance of all credit cards in the Peruvian banking system as of June 30, 2011 was U.S.$3.9 billion, representing 9.6% of total loans compared to U.S.$3.4 billion and 9.3%, respectively, as of December 31, 2010. Based on internal reports, in June 2011 our market share of total volume of outstanding credit card loans by banks and financial companies was 19.7%, compared to 19.5% in December 2010 and 20.1% in December 2009. These numbers reflect our strategy of seeking more widespread use of the cards at the lower end of the consumer market. In order to maintain a portfolio with robust management procedures, we work continuously to monitor and optimize models of scoring, among others, behavior, payments and income forecasting. Based on figures published by the Peruvian Banks Association, past due credit card loans as a percentage of our total credit card loans increased from 3.0% as of December 31, 2008, to 5.4% as of December 31, 2009, to 4.5% as of December 31, 2010. As of June 30, 2011, 4.6% of all our credit card loans were past due.

*Service banking*

The service banking unit is in charge of managing distribution channels, as well as procedures aimed at satisfying requirements of retail banking. A separate group, the systems and organization group, is responsible for processes and information regarding technological and organizational matters. The distribution channels unit operates our branch network. We evaluate our branch network on a continuous basis to monitor branch profitability in order to improve operating efficiency.

The service banking unit carries out personal loan authorization and collection and has invested substantially during the past few years to improve delivery channels in order to provide better quality and more efficient service. It is also responsible for the development and sale of third-party processing services that generate fee income from transactions and mass processing.

For this reason, in 2005 we started implementing new terminals known as Agentes ViaBCP, or BCP Agents. These terminals are located in small businesses, and are attended to by the business's owner and allow operations for limited amounts to be carried out. This allows us to expand the attention network to areas that register a low number of operations. As of June 30, 2011, we had 4,098 BCP Agents. We expect to continue expanding this network in 2010.

To reduce costs and improve service quality, we have encouraged the use of electronic channels which result in lower transactions costs than with tellers and faster and more efficient service.

The service banking unit is oriented towards satisfying client needs. Service banking serves all of our existing clients as well as any potential client. This unit aims to improve our profitability levels and increase retention levels through the efficient use of assigned resources. Furthermore, service banking supervises the correct execution of operations and processes of our network channels in order to ensure superior quality service levels with the lowest operating and commercial costs. The unit is also in charge of supervising compliance within the branch network.

As of June 30, 2011, based on figures published by the SBS and excluding Financiera Edyficar, our branch network consisted of 216 branches in Lima and Callao and 119 branches in the provinces of Peru, the highest number of branches with the most extensive country coverage of any privately held bank in Peru. We believe that our branch network has been largely responsible for our success in attracting stable, relatively low-cost deposits. We have the second most extensive ATM network in Peru, consisting of 1,309 ATMs as of June 30, 2011. In addition, we have other channels, including the internet and BCP Agents, which provide clients with a wider array of services and reduce congestion in the branches. During 2002, we began operations of an agency in Miami and a branch in Panama, and closed our branches in Nassau and New York. As of June 30, 2011, BCB had 63 branches located throughout Bolivia.

**Asset Management Group**

In addition to our wholesale, retail and service banking operations, we have an asset management group, which currently operates the largest capital markets and brokerage distribution system in Peru. The principal activities of the asset management group include currency transactions both for clients and on a proprietary basis, treasury, custody and trust, investment advisory services, and general research activities. The products offered are distributed through our subsidiaries and branches. Close coordination and integration with our subsidiaries have established us as the market leader within this segment.

Through Credibolsa, our brokerage subsidiary, we offer a wide variety of variable and fixed income products and services. Credibolsa's activities include the structuring and placement of primary market offerings and the execution and trading of secondary market transactions.

Through Creditítulos, our asset securitization subsidiary, we offer local securitization structuring to corporate entities.

Credifondo, our mutual fund management subsidiary, offers investment products and services. Fund types offered include short/long term, U.S. dollar and local currency, fixed/variable income and real estate funds.

*Trading and brokerage services*

Our subsidiary, Credibolsa is the leading brokerage house on the BVL. According to data from the BVL, during the first six months of 2011 Credibolsa had total traded volume of U.S.$3.0 billion, compared to U.S.$1.1 million in the first half of 2010, and U.S.$2.5 billion during 2010. In the six months ended June 2011 and the year ended 2010, Credibolsa accounted for 32.2% and 15.6% of the total traded volume in equity instruments, respectively, and 45.0% and 50.5% of the volume in trading of fixed income instruments, respectively. In 2009, Credibolsa accounted for 24.8% and 49.5% of total traded volume in equity and fixed income instruments, respectively.

In an environment of low margins and high competition over the past few years, Credibolsa has sought to increase its profitability by expanding its sources of revenue. In addition to providing basic brokerage services, Credibolsa is as a local market advisor for specialized stock market transactions, placement agent for various debt instrument offerings, and is one of the principal agents in equity offerings of privatized companies in Peru.

*Asset management*

In June 1994, we created Credifondo to provide advice to clients and operate mutual funds in Peru. As of June 30, 2011, it continued to be the largest mutual fund manager in Peru with a 43.9% market share, compared to 42.5% as of December 31, 2010 and 42.0% as of December 31, 2009, based upon data from the *Superintendencia de Mercado de Valores* (the regulator of the Peruvian securities market, or "SMV"). As of June 30, 2011, total Peruvian funds in the mutual funds system amounted to U.S.$4.8 billion, compared to U.S.$5.6 billion as of December 31, 2010, an 14.9% increase from U.S.$4.9 billion in 2009. This significant increase is attributable to an increase in the demand for equity investments reflecting a recovery in local financial markets contrasted with the low levels in local banks time deposits interest rates.

As of June 30, 2011, Credifondo managed ten separate funds, with a total of 85,257 clients (32.7% of total clients), compared to 92,626 clients (32.6% of total) as of December 31, 2010, and 85,622 clients (32.6% of total clients) as of December 31, 2009. Our funds specialize in time deposits, U.S. dollar- and Nuevo Sol-denominated fixed income instruments, and equities. As of June 30, 2011, the total amount of assets under management of Credifondo was U.S.$2.1 billion, increasing from U.S.$2.2 billion as of December 31, 2010 and U.S.$2.0 billion as of December 31, 2009. These funds are subject to certain volatility and there can be no assurance as to their future performance. We do not guarantee any minimum return on these investments.

*Trust, custody and securitization services*

As of June 30, 2011, our trust and custody unit held U.S.$26.5 billion in securities for more than 59,017 active customer accounts, as compared to U.S.$26.5 billion for more than 59,088 active customer accounts as of December 31, 2010. Our custody services include the physical custody of securities and the payment of dividends and interest. In addition, we act as paying agent for securities of which we do not keep custody. We are one of the few banks in Peru qualified to serve as a foreign custodian for U.S. mutual funds. Trust services include escrow, administration and representation services, supervision of transactions for our clients and transfer settlement and payment services for local securities issuances, allowing clients to be adequately represented in their activities in the local and international securities markets.

**Treasury, Foreign Exchange and Proprietary Trading**

Our treasury and foreign exchange units are active participants in money market and foreign exchange trading. These units manage our foreign exchange positions and reserves and are also involved in analyzing liquidity and other asset/liability matters. The trading desk plays an important role in short-term money markets in Nuevos Soles and in foreign currencies and has been active in the auctions of certificates of deposit by the Central Bank and in financings through certificates of deposit, interbank transactions and guaranteed negotiable notes, among other instruments.

Our proprietary trading consists of trading and short-term investments in securities, which include instruments from various countries. These short-term investments are made primarily to facilitate our treasury management and corporate finance efforts. This has become an increasingly important part of our business as we seek returns on excess liquidity pending improved lending conditions.

**Lending Policies and Procedures**

Lending policies, including the approval and review of credit procedures, are based upon conservative criteria that we have adopted and are uniformly applied to all of our subsidiaries. These policies are set within the guidelines established by the Peruvian Banking Law and SBS regulations, and the guidelines set forth by our Board of Directors.

The credit approval process is based primarily on the evaluation of a borrower's repayment capacity and on commercial and banking references. A corporate borrower's repayment capacity is determined by analyzing the historical and projected financial condition of the company and of the industry in which it operates. An analysis of the company's current management, banking references and past experiences in similar transactions, as well as the collateral to be provided, are other important factors in the credit approval process. For individual borrowers, the information that is presented by the prospective borrower is evaluated by a credit officer, and the application is passed through a scoring program for approval by a centralized credit unit.

Credit risk management in retail banking involves assessing the client's credit history and other aspects in order to determine its ability to repay its debt. Additionally, in each case, loan approval is subject to a number of credit scoring models, which assign loan-loss probabilities related to expected returns in each market segment.

Success in the small business and retail lending areas depends largely on our ability to obtain reliable credit information about prospective borrowers. In this regard, we, together with several partners, formed a credit research company called Infocorp in November 1995. In addition, the SBS has expanded its credit exposure database service to cover all businesses or individuals with any amount borrowed from a Peruvian financial institution, including information on the loan risk category in which borrowers are classified.

We have a policy with respect to the lending authority of our loan officers and have in place procedures designed to ensure that these limits are adhered to before a loan is disbursed. Under our credit approval process, the lending authority for middle-market and small business loans is centralized into a specialized credit risk analysis unit, in which officers have authority to approve loans within specified limits, thus allowing middle-market and small business loan officers to concentrate on their client relations. To ensure that loan officers and credit analysis officers are acting within the limits of their lending authority, the credit department and our internal auditors regularly examine credit approvals.

The following table briefly summarizes our policy on lending limits for loan officers and credit risk analysis officers. Requests for credit facilities in excess of the limits set forth below are reviewed by our General Manager, Executive Committee or, if the amount of the proposed facility is sufficiently large, our Board of Directors.

| **Officer Group** | **Risk without collateral or with only personal collateral or guarantee** | **Risk with preferred guarantees (1)** | **Years** |
|---|---|---|---|
| | | *(U.S. dollars in thousands)* | |
| Board of Directors | No credit limit | No credit limit | No credit limit |
| Executive Committee (2) | 227,971 | 227,971 | 15 |
| General Manager (3) | 60,000 | 60,000 | 15 |
| Credit Division Manager (3) | 13,500 | 27,000 | 15 |
| Credit Risk Manager (3) | 7,200 | 14,400 | 10 |
| Credit Risk Chief (3) | 2,700 | 5,400 | 10 |

(1) Preferred guarantees include deposits in cash, stand-by letters, securities and other liquid assets with market price, mortgages, non real estate property guarantees and assets generated by leasing operations.
(2) The lending limit of the Executive Committee corresponds to 10% of our regulatory capital. Figures shown in the table above were calculated using our regulatory capital as of June 30, 2011.
(3) The lending limit shown in the table above is increased by 25% for loans to clients with internal ratings of AAA and AA.

We believe that an important factor in maintaining the quality of our loan portfolio is the selection and training of our loan officers. We require loan officers to have degrees in economics, accounting or business administration from reputable local or foreign schools. In addition, our training program consists of a six-month rotation through all of our business-related areas and the credit risk analysis area. After the training period is over, trainees are assigned as assistants to loan officers for a period of at least one year before they can be promoted to loan officers. Loan officers also receive additional training throughout their careers at BCP. Laterally hired officers are generally required to have previous experience as loan officers.

Our general policy is to grant loans secured by collateral. As of June 30, 2011, based on figures published by the SBS, approximately U.S.$8.7 billion of our direct loan portfolio, which represents 57.2% of the total based upon our unconsolidated figures, as compared to 55.3% as of December 31, 2010, was secured by collateral. Liquid collateral is a small portion of the total collateral. In general, if we require collateral for the extension of credit, the value of such collateral must exceed the amount of the facilities granted by 10% to 50%. The appraisal of illiquid collateral, in particular real estate assets, machinery and equipment, is performed by independent experts when required for specific reasons. Our general policy is to require that the appraised value of illiquid collateral exceed the loan amount by at least 25%. In cases where a borrower encounters difficulties, we seek to obtain additional collateral.

In accordance with Peruvian banking regulations, the existence of collateral does not affect the borrower classification process. Pursuant to the Peruvian Banking Law, secured loans (or the portion thereof) covered by collateral issued to borrowers classified as Potential Problem (*Problema Potencial*), Substandard (*Deficiente*) or Doubtful (*Dudoso*) are subject to lower loan loss provision requirements. If a borrower is classified as Substandard (*Deficiente*) or lower, our entire credit exposure to such borrower is classified at the same level.

We conduct unannounced internal audits of our financial statements and have an annual audit by external auditors of our books and credit records, in each case, consistent with the local banking regulations for the jurisdictions in which we operate.

**Deposits**

Deposits are managed principally by our retail banking group. The main objective of our retail banking operations has historically been to develop a diversified and stable deposit base in order to provide a low-cost source of funding. This deposit base has traditionally been one of our greatest strengths. We have historically relied on more traditional, stable, low-cost deposits, which we consider to be our core deposits: demand deposits, savings and CTS deposits. CTS deposits are funded by companies on behalf of their employees, totaling to one month's salary per year, and may be withdrawn by the employee only upon termination of employment or upon transfer to another bank, subject to certain exceptions. Such exceptions include disposing of 50% of the CTS deposit at any one time and disposing of up to 80% at once for a home purchase.

As of December 31, 2010, core deposits represented 65.8% of our average deposits portfolio on a consolidated basis. Our extensive branch network facilitates access to this type of stable and low-cost source of funding. Our corporate clients are also an important source of funding for us. As of December 31, 2010, our wholesale banking group accounted for 49.2% of total deposits, of which 41.2% were demand deposits, 56.8% time deposits, and 2.0% savings deposits. Of all deposits from the wholesale banking group, 42.7% were denominated in foreign currency (almost exclusively U.S. dollars) and 57.3% in Nuevos Soles. As of June 30, 2011, core deposits represented 70.8% of our average deposits portfolio on a consolidated basis. For the same period our wholesale banking group accounted for 43.8% of total deposits, of which 46.9% were demand deposits, 50.9% time deposits and 2.2% savings deposits. Of these deposits, 45.9% were denominated in foreign currency (almost exclusively U.S. dollars), and 54.1% in Nuevos Soles.

**Information Technology**

We are a technology leader in the Peruvian banking sector. We developed our technology platform largely using internal resources and in 1986 we believe that we were the second bank to introduce ATMs in the Peruvian market, and the first to introduce electronic banking for corporations in 1988, telephone banking in 1996 and internet banking for the retail segment in 1999.

In 1974, in an effort to improve the data transmission among our offices, we connected them through the Teleproceso – TP Bancario, becoming the first bank in Latin America able to show account balances online. Among other benefits, this network allows real-time money transfers between accounts located in different parts of the country.

All of our retail banking services and a substantial portion of our corporate banking services are fully computerized. All of our points of service, including branches, ATMs, point of sale (POS) terminals, and BCP Agents are linked to our data processing center, permitting us to monitor and analyze services while allowing most transactions to be executed on a real-time, on-line basis.

Our technology operations and initiatives are managed by our electronic data processing and software development departments, which report to our systems and organization group. These departments employ a total of approximately 1,020 full-time employees, including employees who develop, install, maintain and operate all of our software applications, management information and security systems and install branch hardware equipment. Our most critical operational data and software are stored on a mainframe computer system, access to which is controlled by a series of authorized passwords, with strong IT security and privacy policies.

We have contracted external consulting firms to design a disaster recovery system that duplicates all of our operational and functional systems by mirroring each of our computer systems. Our disaster recovery center is located ten miles from our main center. However, we have just started the first stage of a project aiming to move this center out of the city of Lima. In the event of a disaster, natural or otherwise, whereby we cannot operate our technology infrastructure, the system is designed to act as a surrogate technology backbone, providing all of our services to the branches and electronic banking systems. The system is designed to allow us to operate under as close to normal conditions as possible during such a disaster.

We consider our technology platform to be one of our main competitive strengths and have continued to invest in this area to maintain our competitive position. Our investments in IT have provided the power, storage capacity, bandwidth and other IT services to make us the best in our class with respect to IT.

Many Linux/Unix/Windows server systems are deployed or upgraded to host collaborative applications, call center and virtual POS systems. JAVA-based application servers have been chosen as the strategic growth platform for core business applications. By 2013, we plan to replace our branch automation software with the latest proven technology available, which will improve our system and allow it to prioritize queues for eligible customers via a ticketing system in the branches.

We operate three off-site disaster recovery centers. In addition to two centers located in metropolitan Lima, in June 2010 we implemented a third center located in Hortolandia, Brazil to facilitate the recovery of critical services if a major disaster impairs our centers in Lima. The key distribution channels and services that could be recovered from Hortolandia are branches, ATMs, internet banking, BCP agents, and credit and debit card transactions.

**Risk Management**

We have specific risk management policies and procedures that structure and delineate exposures to market risk, liquidity risk, interest rate risk and derivatives trading risk.

*Market risk*

Market risk is the risk of loss to future earnings, to fair values, or to future cash flows, related to financial instruments, whether or not recorded on our balance sheet, arising from adverse changes in market factors that affect their value, such as interest rates, foreign currency exchange rates, commodity prices, and other relevant market or price changes. Market risk is attributed to all financial instruments sensitive to market risk, including securities, loans, deposits and borrowings, as well as derivative instruments. Special emphasis is placed on managing exposure due to mismatched positions in maturities, currencies and interest rates.

The objective of market risk management is to avoid excessive exposure of earnings and equity to loss and to reduce the volatility inherent in financial instruments.

Our primary market risk exposure is to interest rates, as net interest income is affected primarily by interest rate volatility, and, to a lesser extent, to foreign currency exchange risk. The management of interest rate risk must incorporate the differences between Nuevo Sol- and foreign currency-based interest-sensitive assets and liabilities. Our derivative business is concentrated in foreign currency forward contracts. In March 2006, we started entering into cross currency swaps contracts. We also hold a limited number of interest rate hedging instruments. With the exception of foreign currency forward contracts and a limited number of interest rate hedging instruments, we have not entered into derivative instrument contracts. Our policy has been to hedge substantially all of the foreign exchange risk with our forward contracts.

At BCP, decisions regarding management of liquidity, interest rate policy, foreign exchange position and other significant asset and liability management, or "ALM," matters are made by the Market Risk Committee, which meets monthly. Additionally, we have an Asset and Liability Committee that meets monthly to review the overall risk exposure and to decide on strategies to improve our financial structure. Also, our capital markets group has an Investment Committee that makes decisions on positions held on all possible types of securities.

Day-to-day ALM decisions are made by the central manager of finance and our treasury department and reviewed in weekly meetings of our senior management. The market risk unit is in charge of the measurement, control and follow-up of all positions that involve market risk exposure.

*Operational Risk*

Operational risks are defined as those dealing with the possibility of suffering financial losses due to deficiencies in internal procedures, information technology or personnel, or the occurrence of adverse external events. Banks are required to adequately manage risks involved in the performance and continuity of their operations and services in order to minimize possible financial losses and reputation damage due to inadequate or non-existent policies or procedures.

Following these SBS guidelines, as well as the guidelines issued by the Basel Committee on Banking Supervision, and the advice of international consultants, we have appointed a specialized team that is responsible for operational risk management across our organization. This team reports regularly to our risk committee, top managers and Board of Directors.

We intend to follow the risk control standards of international financial institutions that are known for their leadership in this field. Our overall objective is to implement an efficient and permanent monitoring system to control operational risks, while the actual management of risk control procedures is conducted by the areas that carry out critical activities.

*Liquidity risk and asset and liability management*

Our exposure to market risk is in part a function of the structure and composition of our assets and liabilities. Our ALM policy seeks to ensure sufficient liquidity to meet operational funding requirements, as well as to monitor, measure and control interest rate risks, exchange risks, and market risks on securities trading positions. Through our various operating units, we apply non-statistical and statistical models for the ALM tasks.

We use a variety of tools to measure market risks arising from changes in the price of financial instruments and securities prices. Non-statistical methods to measure market risks include: position limits for each trading activity and their allowable risk, or stop-loss, marking of all positions to market, profit and loss statements, position reports, and independent verification of the pricing of positions. The statistical estimation of potential losses under adverse market conditions is considered an important tool in the market risk measurement, and for that purpose we use a historic simulation version of the Value at Risk, or "VaR," methodology, which estimates market risk at a 99% confidence level. Testing exercises are performed periodically by which VaR estimates are compared with actual results.

The historical simulation version of the VaR is applied to products that are affected by price risk. This methodology is applied to: (i) foreign currency positions ("spot" and "forward" foreign currency contracts), (ii) securities portfolio (fixed income, equities and government bonds) and (iii) money market instruments (certificates and overnight deposits).

Additionally, the risk analysis of the investment portfolio is complemented by various indicators including the degree of portfolio diversification, which measures the concentration of investments taking into account their risk factors, and the VaR as a percentage of the investment, which measures the risk level assumed in a specific segment of the portfolio. We have established VaR limits and stop-loss limits alerts as a function of the maximum potential losses in unfavorable market scenarios that we are willing to assume in the portfolio of each type of security.

Our market risk unit issues on a daily basis to our treasurer, trading managers and Chief Financial Officer reports on positions, profits and losses and VaR results, as well as a series of alerts that have been incorporated using VaR estimates. The Market Risk Committee is provided reports on a monthly basis. We believe that these procedures, which stress timely communication between the market risk unit and senior management, are important elements of the risk management process.

*Interest rate risk management*

A key component of our ALM policy is the management of adverse changes in earnings as a result of changes in interest rates. The management of interest rate risk relates to the timing and magnitude of the repricing of assets compared to liabilities and attempts to control of risks associated with interest rate fluctuations. We hedge some of our interest rate risk through the use of interest rate derivatives contracts. As part of the management of interest rate risks, both our Market Risk Committee and Asset and Liability Committee may direct changes in the composition of our balance sheet.

One method of measuring interest rate risk is quantifying the effect of interest rate changes over the interest margin, or the interest rate sensitivity gap. Interest rate sensitivity is the relationship between market interest rates and net interest income due to the maturity or repricing characteristics of interest-earning assets and interest-bearing liabilities. For any given period, the pricing structure is matched when an equal amount of such assets and liabilities mature or reprice in that period. Any mismatch of interest-earning assets and interest-bearing liabilities is known as a gap position. A negative gap denotes liability sensitivity and normally means that a decrease in interest rates would have a positive effect on net interest income, while an increase in interest rates would have a negative effect on net interest income. The interest margin exposure is usually analyzed for a period limited to a twelve-month horizon.

A second measure of interest rate risk extends the period of analysis, considering expected terms to maturity of interest rate-sensitive assets and liabilities, to determine variations in their economic value due to interest rates changes.

In addition to the static gap position, we employ a simulation analysis to measure the degree of short-term interest rate risk. Sensitivity analysis is performed to express the potential gains or losses in future earnings resulting from selected hypothetical changes in interest rates. Sensitivity models are calculated on a monthly basis using both actual balance sheet figures detailed by maturity repricing interval and interest yields or costs. Simulations are run using various interest rate scenarios to determine potential changes to future earnings.

Gap simulation analysis has several shortcomings, one of which is its “static” nature that is, it does not consider ongoing loan and deposit activity and another of which is the inadequate treatment of individually negotiated loan and deposit rates, as in prime client cases, or the finer breakdown of rates applicable to different business segments. Furthermore, more than 50% of our interest bearing deposits can be unilaterally modified, causing difficulties in establishing the expected repricing period of these products in the simulations. Additionally, we consider within the Foreign Currency category not only Dollar-denominated transactions, but also the currency of BCB, our subsidiary in Bolivia, which may present different trends in certain periods but, due to its relatively small value, does not significantly affect the results of the analysis.

*Derivatives trading activities*

We provide our customers with access to a wide range of products from the securities, foreign exchange, and, to a lesser extent, derivatives markets. We enter into trading activities primarily as a financial intermediary for customers, and, to a lesser extent, for our own account. In acting for our own account, we may take positions in some of these instruments with the objective of generating trading profits.

The only derivatives transactions in which we engage on behalf of clients are foreign currency forward contracts, interest rate swaps, options and cross-currency swaps. To hedge our own risks, we also enter into interest rate swaps, cross-currency swaps, and forwards. We have also entered into an instrument to hedge our risks under our SARs program. The SBS has authorized the designation of derivative financial instruments maintained by us and our subsidiaries as hedging operations considering that the functional currency of Credicorp is the U.S. dollar. For further details, see note 9(c) to the annual consolidated financial statements and note 7(c) to the interim unaudited consolidated financial statements. We do not currently engage in more sophisticated or complex derivatives transactions or options. Our position in derivative instruments is closely monitored and is also subject to nominal and stop-loss limits.

As of June 30, 2011, the notional amount of outstanding forward contracts was approximately U.S.$3.6 billion (with an uncovered net position of approximately U.S.$5.1 million). All of those contracts were entered into solely to serve customer needs. Interest rate swap and currency swap operations as of June 30, 2011 amounted to approximately U.S.$1.4 billion and U.S.$655.7 million, respectively. These contracts are recorded at fair value, with both realized and unrealized gains and losses recorded in the consolidated income statements.

### Anti-Money Laundering Policies

Peru has long-standing laws criminalizing money laundering activities, and such laws were further strengthened in 1996 with the adoption of the Peruvian Banking Law, which incorporated the guidelines of the Organization of American States directly into Peruvian law. Pursuant to Law No. 28306, a designated government agency, the Financial Intelligence Unit (*Unidad de Inteligencia Financiera*, or "UIF"), currently under the authority of the SBS, is responsible for directing anti-money laundering actions and monitoring information that public and private companies are required to provide. The SBS has the authority to request detailed reports with respect to the movement of funds and the identity of depositors. In accordance with recently enacted regulations, mainly Law No. 28306 and SBS Resolution No. 838-2008, financial institutions must adopt internal mechanisms, appoint a full-time compliance officer reporting directly to the Board of Directors and conduct special personnel training programs and procedures to detect and report unusual or suspicious transactions as defined therein.

We have programs in place to comply with the "know your customer" regulations in the countries in which we operate, including our agency in Miami and our branch in Panama, which has an international banking license. In addition to complying with the provisions of Peruvian law described in "Regulatory Environment—Peruvian Regulation—Anti-money laundering rules," we have had internal "know your customer" policies since 1995.

### Properties

Our principal property is our headquarters building located in Lima, Peru, which we own and which has a total area of approximately 44,000 square meters. In addition, we own or lease land and buildings in various locations through the country for our branches.

### Employees

As of June 30, 2011, we had 17,027 full-time employees, compared to 16,148 as of December 31, 2010 and 15,501 as of December 31, 2009.

All employees of banks in Peru are given the option of belonging to an employees union, and such employees unions are collectively represented by the Federation of Banking Employees (*Federación de Empleados Bancarios*, or "FEB"). In order to negotiate a collective agreement on behalf of its members, FEB must have as members over 50% of all Peruvian banking employees. Because the representation of banking employees members of FEB declined below 50%, primarily because of the substantial reduction in the size of the government-owned banking business during the 1990s, the most recent collective bargaining agreement, which expired on June 30, 1995, was not renewed. None of our employees belong to an employees' union. We consider our relations with our employees to be good. The last strike by union employees occurred in 1991 and did not interfere with our operations.

### Legal Proceedings

We are party to a number of legal actions and proceedings brought against us in the ordinary course of our operations. We establish provisions for actions that we believe in our judgment are likely to be resolved adversely to us. We believe that none of the claims brought against us, either individually or in the aggregate, is likely to have a material adverse effect on our business, financial condition or results of operations.

## REGULATORY ENVIRONMENT

### Peruvian Regulation

Peruvian banking regulation follows the standards set by the Basel Committee on Banking Supervision. Peruvian banks and other Peruvian financial institutions are primarily governed by two banking regulatory authorities: the SBS and the Central Bank. The Peruvian Constitution establishes that the SBS's main function and responsibility is to protect depositors of the Peruvian banking system, while the main function of the Central Bank is to preserve monetary stability.

The regulatory framework for the operations of the Peruvian financial sector is set forth in the Peruvian Banking Law. In accordance with the Peruvian Banking Law, the SBS is responsible for issuing banking regulations and for monitoring the Peruvian financial system. The SBS supervises and regulates financial institutions such as commercial banks, financial companies, financial leasing companies, small business financial companies, savings and loan corporations, financial services companies, such as trust companies and investment banks, insurance companies and private pension fund managers (other financial institutions such as stock brokerage houses and mutual fund managers are subject to different legal frameworks and to the supervision of the SMV). The SBS became operational in 1931.

Financial institutions must seek the authorization of the SBS before initiating operations. The SBS has administrative and financial autonomy, and its head office is located in Lima. The current chairman of the SBS was appointed by President Humala in August 2011.

The SBS enforces the Peruvian Banking Law on an ongoing basis through periodic resolutions. The Peruvian Banking Law provides for more stringent loan loss reserve standards, brings asset risk weighting in line with the Basel Committee on Banking Supervision guidelines and broadens the supervision of financial institutions by the SBS to include holding companies.

On a periodic basis, banks are required to provide the SBS with all relevant information that is necessary to allow for off-site evaluation of its financial performance, including audited and unaudited financial statements on a consolidated basis, Board of Directors' reports, auditor's reports, and other reports which reflect the operation of a bank's business. Under current practice, such reporting is required on a daily, weekly, monthly, quarterly and semi-annual basis, depending on the nature of the information to be reported.

The SBS is also responsible for conducting on-site examinations of banks on an annual basis, implementing the provisions of the Peruvian Banking Law and other related legislation, examining all banking operations, and analyzing the relationship between assets, liabilities, net worth, profit and loss accounts and all other factors affecting a bank's financial structure.

The SBS has the power to impose administrative sanctions on financial institutions and their directors and employees upon any violation of the rules that govern the activities of the Peruvian financial system. Sanctions may vary from monetary fines to license cancellation. The SBS may also sanction directors and other officers of financial institutions for breaching SBS regulations.

The Central Bank was founded in 1922 and performs the functions common to a central or reserve bank, such as issuing bank notes, implementing governmental monetary policies, regulating the money supply, managing official gold and foreign exchange reserves and managing the interbank cash clearance system. The Central Bank exercises its power and authority independently and is responsible for its affairs in accordance with the government's policies. The Central Bank is empowered to determine the inflation target and to adopt a monetary policy in accordance thereof, and is also responsible for establishing mandatory minimum liquidity reserves.

### Implementation of Basel Principles

In order to implement the Basel II Framework, the SBS has approved a two-phase schedule based on a mandatory phase and a voluntary phase. During the first phase, which started in 2008 and ended in June 2009, the

SBS performed quantitative impact studies and drafted the most relevant regulations. On June 22, 2008, President Garcia issued Legislative Decree No. 1028, which contains certain amendments to the current Peruvian Banking Law, most of which are aimed at adapting it to Basel II Framework standards.

To conform to Basel II Framework standards, the methodology for measuring credit, market and operational risks has been amended to permit standardized and internal model-based methods for measuring market and credit risks. Peruvian financial institutions will also be able to request validation and approval to implement the internal ratings-based ("IRB") methodology. Only those financial institutions which apply to use the IRB methodology will follow the second implementation phase of the Basel II standards.

The second phase consists of a validation process and an approval by the SBS of the IRB methodology. Once the SBS has validated and approved the IRB methodology, the financial institution in question will use regulatory capital floors to calculate its capital requirements. The amount of required capital (*patrimonio efectivo*) shall not be less than the percentage of capital requirements obtained under the alternative methodology.

| | First Year | Second Year | Third Year |
|---|---|---|---|
| Basic IRB and Internal Models of Credit Risk ........ | 95% | 90% | 80% |
| Advanced Models of Credit Risk and/or Operational Risk .................................................. | 90% | 80% | — |

***Capital adequacy***

Under the provisions of article 199 of the Peruvian Banking Law, and on an unconsolidated basis, the regulatory capital (*patrimonio efectivo*) shall not be lower than 10% of its total weighted assets, which is equivalent to the sum of: (i) ten times the regulatory capital allocated to cover market risks, (ii) ten times the regulatory capital allocated to cover operational risks and (iii) the total amount of credit risk-weighted assets. This new regime will be implemented in phases over time as follows:

| Implementation date | Regulatory capital (% of total weighted assets) | Total risk-weighted assets |
|---|---|---|
| July 2009 | 9.5% | 10.5 *times* the regulatory capital allocated to cover market risks;<br>*plus*<br>10.5 *times* regulatory capital allocated to cover operational risks;<br>*plus*<br>Total amount of credit risk-weighted assets. |
| July 2010 | 9.8% | 10.2 *times* the regulatory capital allocated to cover market risks;<br>*plus*<br>10.2 *times* the regulatory capital allocated to cover operational risks;<br>*plus*<br>Total amount of credit risk-weighted assets. |
| July 2011 | 10% | Ten *times* the regulatory capital allocated to cover market risks;<br>*plus*<br>Ten *times* the regulatory capital allocated to cover operational risks;<br>*plus*<br>Total amount of credit risk-weighted assets. |

According to articles 184 and 185 of the Peruvian Banking Law, the regulatory capital (*patrimonio efectivo*) will be constituted by the sum of: (i) basic capital and (ii) supplementary capital.

Basic capital or tier 1 capital is comprised of paid-in capital (which includes common stock and non-cumulative perpetual preferred shares), legal reserves, supplementary capital premiums, voluntary reserves distributable only with prior SBS approval and retained earnings with capitalization agreements (earnings that the general shareholders' meeting or the Board of Directors, as the case may be, have committed to capitalize as common stock). It also includes innovative instruments (having the characteristics of permanence and loss absorption) issued in compliance with regulations recently enacted by the SBS. Basic capital excludes, losses of past years and of the current year, goodwill resulting from corporate reorganizations and acquisitions. Basic capital is also subject to certain additional deductions (e.g., 50% of the investments in shares and subordinated debt issued by other local or foreign financial institutions or financial insurance companies, etc.).

Supplementary capital is constituted by the sum of tier II and tier III regulatory capital. Tier II regulatory capital consists of voluntary reserves (which could be reduced without any prior consent from the SBS), the eligible portion of redeemable subordinated debt instruments that have mixed debt and equity features and the generic loan loss provision (up to certain limits). Tier II regulatory capital is subject to certain deductions foreseen by the Peruvian Banking law (e.g., 50% of the investments in shares and subordinated debt issued by other local or foreign financial institutions or financial insurance companies, etc.). Tier III regulatory capital consists of redeemable subordinated debt that is incurred for the exclusive purpose of covering market risk.

***Additional regulatory capital requirements***

SBS Resolution 8425-2011, enacted in July 2011, has established additional capital requirements for financial institutions, to cover risks not contemplated in Pilar I of Basel II (*e.g.* concentration, interest rate, systemic risk). Additionally, pro-cyclical capital requirements were also established. These new requirements will be implemented over a period of five years starting in July 2012.

***Credit risks***

According to article 186 of the Peruvian Banking Law, and SBS Resolution No. 14354-2009, enacted November 2009, financial institutions are allowed to use the standardized methodology and, with the prior approval of the SBS, the IRB methodology for calculating their regulatory capital requirement for credit risk. We will eventually adopt the IRB methodology once it is fully implemented and after having received prior approval from the SBS.

According to the Peruvian Banking Law, as of July 1, 2009, financial institutions would have been allowed to use the IRB methodology instead of the standardized methodology after receiving prior approval from the SBS. However, the full implementation of both standardized and IRB methodologies by Peruvian financial institutions is still subject to the issuance of further regulations.

***Market risks***

Regulations for the supervision of market risks enacted in May 1998 require financial institutions to establish internal policies and procedures to monitor these risks, as well as market risk exposure limits. Regulations define market risks as the probable loss derived from exposure to various classes of commodities, securities, foreign exchange, derivative operations or commercial assets that banks may hold in their portfolios, which may not be reflected in their balance sheets. On June 2009, the SBS enacted SBS Resolution No. 6328-2009, which defines the methodology to be applied, and the requirements to be satisfied, to calculate the regulatory capital requirement for market risks under the standard methodology and the IRB methodology.

Since July 1, 2009, financial institutions have been allowed to use the IRB methodology, rather than the standardized methodology, subject to prior approval from the SBS.

***Operational risk***

SBS Resolution No. 2115-2009, enacted in April 2009, defines the methodology to be applied, and the requirements to be satisfied, by financial institutions in calculating their regulatory capital requirement for operational risk under the IRB methodology, the alternative standardized methodology and the advanced methodologies. The IRB methodology uses a bank's gross operational margin as an "exposure indicator" and its application does not require the prior approval by the SBS. Application of the alternative standardized methodology or the advanced methodologies requires compliance with certain provisions included in SBS Resolution No. 2115-2009 and prior approval from the SBS.

SBS Resolution No. 2116-2009, enacted in April 2009, which approves the guidelines for managing operational risk, defines "operational risk" as the possibility of suffering losses due to inadequate procedures, failures of personnel, information technology or external events, including, without limitation, legal risks (but excluding strategic and reputational risk). It also establishes that a bank's board of directors is responsible for designing the general policies to manage operational risk and that a bank's management is in charge of implementing such policies. Finally, it provides that each bank is obligated to create a database of all of such bank's losses due to operational risk, classifying such losses by event.

**Loan Loss Reserves**

Procedures relating to loan loss reserves are set out in regulations issued by the SBS. Pursuant to SBS Resolution No. 11356-2008, from July 2010, banks' loan portfolios are to be classified in eight different categories of loans: corporate loans, big business loans, medium business loans, small business loans, micro business loans, revolving consumer loans, non revolving consumer loans and residential mortgage loans. Banks are required to classify such debtors in any of the following categories:

I. Normal (*Normal*): Strong financial condition. All loans are fully collectible or expected to be paid in full in a timely manner. Included in this category are: (i) small-business loan debtors, micro-business loan debtors, revolving consumer loan debtors and non-revolving consumer loan debtors with payment delays of up to 8 days; and (ii) residential mortgage loan debtors with payment delays of up to 30 days.

II. Potential Problem (*Problema Potencial*): Deterioration in the financial condition or in cash flow is evident. Nevertheless, it is expected that the loan will be repaid in full. Included in this category are: (i) corporate loan debtors, big-business loan debtors and medium business loan debtors with payment delays of up to 60 days, (ii) small-business loan debtors, micro-business loan debtors, revolving consumer loan debtors and non-revolving consumer loan debtors with payment delays of 9 to 30 days; and (iii) residential mortgage loan debtors with payment delays of 31 to 60 days.

III. Substandard (*Deficiente*): Weak financial condition. Cash flow is insufficient to cover debt service. Included in this category are: (i) corporate debtors, big-business loan debtors and medium business loan debtors with payment delays of 61 to 120 days; (ii) small-business loan debtors, micro-business loan debtors, revolving consumer loan debtors and non-revolving consumer loan debtors with payment delays of 31 to 60 days; and (iii) residential mortgage loan debtors with payment delays of 61 to 120 days.

IV. Doubtful (*Dudoso*): Financial condition is critical. Cash flow is insufficient to repay interest. Included in this category are: (i) corporate debtors, big-business loan debtors and medium business loan debtors with delays of 121 to 365 days; (ii) small-business loan debtors, micro-business loan debtors, revolving consumer loan debtors and non-revolving consumer loan debtors with payment delays of 61 to 120 days; and (iii) residential mortgage loan debtors with payment delays of 121 to 365 days.

V. Loss (*Pérdida*): Cash flow is insufficient to cover operating costs. Debtor is insolvent. Included in this category are: (i) corporate debtors, big-business loan debtors and medium business loan debtors with occasional and reduced payment delays of more than 365 days; (ii) small-business loan debtors, micro-business loan debtors, revolving consumer loan debtors and non-revolving consumer loan debtors with payment delays of more than 120 days; and (iii) residential mortgage loan debtors with payment delays of more than 365 days.

SBS regulations require Peruvian banks to maintain two types of loan loss reserves: (a) "generic" loan loss reserves (*provisiones genéricas*) on their total direct and indirect loan portfolio that is classified as category I at an allowance rate of (i) 0.7% for corporate loans, big business loans and residential mortgage loans, and (ii) 1.0% for medium business loans, small-business loans, micro business loans, revolving consumer loans and non-revolving consumer loans, and (b) specific reserves (*provisiones específicas*) on their total direct and indirect loan portfolio classified under categories II through V described above at an allowance rate of 5%, 25%, 60%, and 100%. These percentages may be reduced if the loans are secured with certain types of collateral and for certain special types of loans, provided that certain requirements set forth under SBS Resolution No. 11356-2008, as amended, are satisfied.

As of December 31, 2008, banks were required to make dynamic loan loss reserves (*provisiones procíclicas*) based on the behavior of Peru's annualized average GDP over the last 30 months as determined and published by the Central Bank. On September 10, 2009, the SBS, through Circular No. B-2181-2009, announced the suspension of the pro-cyclical requirements. This suspension was lifted on September 28, 2010, through Circular No. B-2193-2010 as the annualized average change in GDP over the last thirty (30) months was 5.86%, 0.86% above the required minimum of 5% to activate the rule.

Banks must report loan classifications on a monthly basis to the SBS. The worst classification assigned to a single person by any bank affects classification and allowance requirements for all other banks, which means that all banks are bound by the worst classification that is assigned to any given debtor by any bank in the Peruvian banking system.

**Risk of Over-Indebtedness by Consumer Banking Customers**

According to SBS Resolution No. 6941-2008, as amended, banks and other financial entities must adopt a system to manage the risk of over-indebtedness that (a) allows the mitigation of such risk before and after making the loan, (b) permits the performance of a permanent monitoring of the portfolio to identify over-indebted borrowers and (c) includes the periodic evaluation of the control mechanisms being used and of the corrective actions or required improvements, as the case may be. The board of directors of such banks and other financial entities are responsible for (i) establishing and reviewing the policies and proceedings for the identification, measuring, treatment, control, reporting and monitoring of the risk from the level of indebtedness of its consumer banking customers and (ii) causing the management to adopt the necessary measures to monitor and control such risks. In addition, the board of directors must cause the bank and/or financial entity to have an organizational structure that guarantees total independence between the risk and the commercial divisions and that the incentive schemes for employees' performance does not cause a conflict of interest with risk management policies.

Banks and financial entities that are not able to monitor, control and identify the risk of over-indebtedness are obliged to maintain a special loan loss reserve. Banks and financial entities that comply with the requirements described above are not required to maintain any such specific allowance.

**Lending Limits**

Under article 206 of the Peruvian Banking Law, the total amount of direct and indirect credits and financings granted in favor of a person shall not exceed 10% of a bank's regulatory capital. A person is defined for the purposes therein as a person or group of persons or entities representing a common or single risk.

The 10% limit indicated above may be raised to 15%, 20% and 30%, depending on the type of collateral securing the excess over each limit. Accordingly, the limit can be extended to 15% when the excess is secured by a mortgage, it may be extended to 20% when the excess is collateralized with securities listed on the Selective Index of the Lima Stock Exchange (ISBVL), and it may be extended to 30% when the excess is secured with deposits that are maintained and pledged with the bank.

Other special lending limits have been considered, such as lending to related parties or affiliates (30% of regulatory capital), to local banks (30%), and to foreign banks (from 5% for non-regulated banks to 30% for first category international banks (as defined by the Central Bank from time to time), which may also be raised to 50% when backed by letters of credit). There are other limits that require banks to diversify their portfolio in different types of assets, benefiting liquid and low risk assets.

**Lending to Related Parties**

The Peruvian Banking Law regulates and limits transactions with related parties and affiliates of financial institutions on an unconsolidated basis. In 1997, the SBS and the SMV enacted regulations defining indirect ownership, related parties and economic groups. These regulations serve as the basis for determining limits on transactions with related parties and affiliates and also provide the basis for the development of specific standards for the supervision of financial and mixed conglomerates formed by financial institutions.

Under article 202 of the Peruvian Banking Law, the aggregate amount of loans to related party borrowers cannot exceed 30% of a bank's regulatory capital. For purposes of this test, a related party borrower includes any corporation holding, directly or indirectly, 4% or more of a bank's shares, directors, certain principal executive officers or persons affiliated with the administrators of the bank. All loans to related parties must be made on an arm's length basis with terms no more favorable than the best terms that the bank offers to the public.

Also, under article 201 of the Peruvian Banking Law the total amount of loans to directors, employees or close relatives of any such persons may not exceed 7% of a bank's regulatory capital per person. All loans made to any single related party borrower may not exceed 0.35% of the regulatory capital (i.e., 5% of the overall 7% limit).

**Country Risk Reserve Requirements**

SBS Resolution No. 505-2002, enacted in June 2002, requires the establishment of reserves to cover exposure to country risk, which includes sovereign risk, transfer risk and expropriation or nationalization risk, all of which may affect operations with companies or individuals in foreign countries. The SBS has also established guidelines indicating the procedures and responsibilities that are necessary for coping with country risk.

**Integral Risk Management**

SBS Resolution No. 37-2008, enacted in January 2008, contains guidelines for integral risk management of financial institutions. Integral risk management is a process intended to identify potential events that can affect banks and to manage those events according to its nature and risk level. This new regulation covers all kinds of risks that could affect a banking operation, such as operational, market, credit, strategic, liquidity, legal and reputational risks.

**Investments in Financial Instruments**

Investment in financial instruments by Peruvian banks is restricted to those financial instruments listed in the Peruvian Banking Law, such as equity instruments traded on a stock exchange, debt instruments (to the extent that certain requirements are satisfied), sovereign debt instruments and quotas in mutual and investment funds, among others.

Pursuant to SBS Regulation No. 10639-2008, effective as of March 2009, investments in financial instruments by Peruvian banks shall be classified into any of the following categories: (a) investments at fair value with changes in results (short-term), (b) investments available for sale, (c) investments until maturity (long-term) and (d) investments in subsidiaries and affiliates.

Financial instruments are valued at their market value, provided that there is an active market for them. If there is no active market for a financial instrument, then such financial instrument will be valued pursuant to methodologies and models developed by banks that allow the determination of the fair value of such financial instruments or, as approved by the SBS, pursuant to the valuations made by valuation entities or other sources of information that publish market prices or sell pricing services. Banks will evaluate, at each balance sheet date, if there is evidence that a financial instrument in which it has invested has reduced in value and will make the corresponding provisions. For such purposes, a bank will reduce the value of a financial instrument if there is objective evidence of a deterioration of such financial instruments as a consequence of an event occurring after its initial registration on a bank's balance sheet and to the extent that such event has a negative impact (that can be measured with confidence) on the future cash flows of the financial instrument.

**Reserve Requirements Required by the Central Bank**

Under the Peruvian Banking Law, all financial institutions regulated by the SBS (except for small-business development non-bank institutions) are required to maintain a legal reserve (*encaje*) for certain obligations. The Central Bank may require additional and marginal reserves. The exact level and method of calculation of the reserve requirement is set by the Central Bank, which has issued different sets of regulations for foreign and local currency-denominated obligations of banks. Among others, the following liabilities are subject to the reserve requirement: demand and time deposits, savings accounts, certain bonds and funds administered by the bank and amounts due to foreign banks and other foreign financial companies (in certain circumstances). Subject to certain requirements, the regulation excludes mid-term and long-term funding (i.e. more than two years) from foreign financial institutions, other central banks, governments or multilateral lending agencies.

Since January 1, 2011, the minimum legal reserve requirement for local and foreign currency deposits is 9.0%. Foreign currency and local currency deposits collected from the general public are subject to a marginal rate of 55% and 25%, respectively. Deposits in all currencies collected from a foreign financial institution are subject to a 65%

special rate and a 120% marginal rate. Local and foreign currency borrowings from certain foreign sources with an original maturity of two years or less are subject to a 60% special rate. Financial institutions may satisfy the minimum reserve requirements with funds that they hold in vaults or that they have deposited in their accounts at the Central Bank.

They must also keep at least 3.0% of their local and foreign currency deposited in the Central Bank. The Central Bank oversees compliance with the reserve requirements.

The Central Bank also establishes the interest rate payable on reserves that exceed the minimum legal reserve requirement applicable to both local and foreign currency deposits. The current applicable interest rate for (a) local currency reserves, different from those described below, is the overnight deposits interest rate, minus 100 basis points; and (b) foreign currency deposits, is a 60% one-month LIBOR interest rate. Currently, no interest rate is payable in respect of local currency deposits to certain foreign sources, such as financial institutions, hedge funds, brokerage firms, pension funds and others with a foreign parent company, except for those authorized by the SBS to collect deposits from the general public in Peru. The applicable interest rate is expected to be periodically revised by the Central Bank in accordance with monetary policy objectives.

In the past few months, the Central Bank has on numerous occasions changed the deposit reserve requirements applicable to Peruvian commercial banks and both the rate of interest paid on deposit reserves and the amount of deposit reserves on which no interest is payable by the Central Bank.

**Deposit Insurance Fund**

Bank deposits are protected by the Deposit Insurance Fund (*Fondo de Seguro de Depósitos*) or "FSD," against bank failure. Specifically, saving deposit accounts maintained by individuals, saving deposit accounts maintained by non-profit entities and checking accounts are covered in full up to an amount that is revised quarterly by SBS. For the period between June 1, 2011 and August 31, 2011, the maximum coverage amount is S/.89,477 per person per bank.

The FSD was established in 1991 and was organized as a private corporation in 1996. Its governing body is led by a representative of the SBS. The additional members are appointed by the Central Bank (one member), the Ministry of Economy and Finance (one member) and by financial institutions (three members). The SBS provides the necessary administrative and operational resources. The financial resources available to the FSD pursuant to the Peruvian Banking Law include, among others, the original contribution from the Central Bank, insurance premiums paid by banks, unclaimed bank deposits after ten years and fines imposed by the SBS for violations of the Peruvian Banking Law.

In addition, the FSD may, in extraordinary situations, borrow with authorization from the Treasury or borrow long-term government securities from the Treasury.

**Anti-Money Laundering Rules**

Money laundering is considered a criminal act in Peru. A special legal framework was established in April 2002, which follows the 40 recommendations of the Financial Action Task Force on Money Laundering, or "FATF," established by the G-7. Since then, this legal framework has been amended in order to improve and increase the efficiency of the Peruvian anti-money laundering system.

Money laundering includes a wide range of serious offenses such as tax evasion, terrorism, drug trafficking, corruption and other criminal activities. A special set of anti-money laundering rules applies specifically to banks, which include specific rules for customer and employee due-diligence and record-keeping. In March 2008, the SBS enacted additional anti-money laundering provisions, pursuant to which, among other things, banks must establish a set of policies and procedures specifically aimed to prevent asset laundering and the financing of terrorist activities. In November 2008, the SBS modified the anti-money laundering provisions to include, among other changes, the obligations of Peruvian banks to verify that their branches and foreign subsidiaries comply with the anti-money laundering and terrorism financing provisions enacted by the SBS and with the recommendations of the FATF.

The government agency responsible for supervising the anti-money laundering system is the Peruvian Financial Intelligence Unit, which was absorbed by the SBS in July 2007. The chairman of this agency is appointed by the chairman of the SBS.

**Disclosure of Material Information**

All banks that are organized as corporations (the only exception being the Peruvian branches of foreign banks) are listed on the BVL. As a result, they are subject to the disclosure and reporting rules contained in the Peruvian securities market law and the internal regulations of the BVL.

Under these rules, listed companies such as banks are required to disclose to the market on a timely manner (within 24 hours) all information that investors are reasonably likely to consider material. Special regulation provides for specific parameters to determine what is considered relevant information. Banks are also subject to full disclosure and reporting obligations under the banking regulatory framework.

**Subordinated Debt as a Component of Regulatory Capital of BCP**

Subject to certain requirements set forth under Peruvian law, the full amount of redeemable subordinated debt, such as the notes, or a portion thereof, may qualify as a component of Tier II regulatory capital of BCP, according to Peruvian law. By issuing redeemable subordinated debt, BCP will increase its regulatory Capital base, which will in turn increase its lending capacity.

As a component of Tier II regulatory capital, the amount of outstanding redeemable subordinated debt, such as the notes, including principal and/or interest, may be used to absorb losses that are incurred by BCP. Accordingly, during an Intervention or liquidation proceeding and upon instruction of the SBS, any losses of BCP would be absorbed first by bank reserves, then by capital, then by hybrid instruments eligible as Tier I and Tier II regulatory capital and ultimately by holders of redeemable subordinated debt eligible as Tier II regulatory capital.

The only portion of redeemable subordinated debt that is eligible to be included in Tier II regulatory capital in its entirety is the aggregate outstanding amount of subordinated debt which has a term to maturity equal to or greater than five years. The percentage of redeemable subordinated debt eligible to be included in Tier II regulatory capital decreases at a 20% discount rate per annum during the five-year period prior to maturity as follows:

| Maturity | Discount Rate |
|---|---|
| Less than or equal to one year | 100% |
| More than one year but less than two years | 80% |
| More than two years but less than three years | 60% |
| More than three years but less than four years | 40% |
| More than four years but less than five years | 20% |

As a result, from September 2021, the outstanding aggregate principal amount of the notes will no longer qualify as Tier II regulatory capital in its entirety and from September 2025, the outstanding aggregate principal amount of the notes will no longer qualify as Tier II regulatory capital at all.

**Intervention by the SBS and Liquidation**

Pursuant to the Peruvian Banking Law, the SBS has the power to interrupt the operations of a bank in order to prevent it from, or to control and reduce the effects of, a bank failure. Accordingly, the SBS may intervene in a bank's business by adopting either a temporary surveillance regime ("Surveillance") or a definitive intervention regime ("Intervention") depending on how critical the situation is deemed to be by the SBS. Either of these actions may be taken upon the occurrence of certain events, including (a) suspension of payments; (b) repeated failure to comply with instructions from the SBS or the Central Bank; (c) repeated violation of the Peruvian Banking Law or the Bank's by-laws; (d) unauthorized or unsound management; or (e) deficit of regulatory capital (to the extent that if it is in excess of 50%, then an Intervention is mandatory). Less drastic measures, such as (i) placing additional requirements, (ii) ordering a capital increase or an asset divesture, or (iii) imposing a financial restructuring plan, may be adopted by the SBS when the situation allows for them.

An Intervention may halt a bank's operations up to 45 days, which may be extended for a second period of up to 45 additional days, during which time the SBS may institute measures such as (a) canceling losses by reducing reserves, capital and subordinated debt; (b) segregating certain assets and liabilities for transfer to another financial institution; and (c) merging the intervened bank with another acquiring institution. After an Intervention, the SBS will proceed to dissolve and liquidate the bank unless the preceding option (c) was applied.

Beginning on the date on which a resolution of the SBS subjecting a bank to an Intervention regime is issued, and continuing until such Intervention is concluded (which period ends when the liquidation process begins), the Peruvian Banking Law prevents any creditor of the bank from: (a) initiating any judicial or administrative procedure for the collection of any amount owed by the bank, (b) enforcing any judicial decision rendered against the bank to secure payment of any of its obligations, (c) constituting a lien or attachment over any of the assets of the bank to secure payment of any of its obligations, or (d) making any payment, advance or compensation or assuming any obligation on behalf of the bank, with the funds or assets that may belong to it and are held by third parties, except for: (i) set-off compensation payments that are made between regulated entities of the Peruvian financial system and insurance systems, and (ii) set-off of reciprocal obligations arising from repurchase agreements and operations with financial derivates entered into with local or foreign financial and insurance institutions.

During liquidation, claims of bank creditors rank as follows:

**First order** - Labor claims:

*1st.* Employee remunerations.

*2nd.* Social benefits, contributions to the private and public pension system and other labor claims against the bank accrued until the date when the dissolution is declared, retirement pensions or the capital required to redeem those pensions or to secure them by purchasing annuities.

**Second order** - Claims for bank deposits and other types of saving instruments provided under the Peruvian Banking Law, in the portion not covered by the FSD.

**Third order -** Taxes:

*1st.* Claims by the Peruvian social security administration (*EsSalud*) related to health care benefits for which the bank is responsible as employer.

*2nd.* Taxes.

**Fourth order -** Unsecured and non-privileged credits:

*1st.* All unsecured and non-privileged credits against the bank, ranked on the basis of (i) the date they were assumed or incurred by the bank whereby obligations assumed or incurred on an earlier date shall rank senior in right of payment to obligations assumed or incurred by the bank at a later date, and (ii) obligations assumed or incurred by the bank on a date that cannot be determined shall rank junior in right of payment to all the obligations comprised in (i) above and *pari passu* among themselves.

*2nd.* The legal interests on the Bank's obligations that may accrue during the liquidation.

*3rd.* Subordinated debt.

Except for unsecured and non-privileged credits, all claims within an order will be ranked *pari passu* among themselves. Each category of creditors will collect in the order indicated above, whereby distributions in one order will be subject to completing full distribution in the prior order. See "Risk Factors—Risk Factors Relating to the Notes—The notes will be unsecured and subordinated and rank junior in payment and in liquidation to all of our existing and future Senior Obligations."

Any security interest created before the issuance of the resolution declaring the Bank's dissolution and the initiation of the liquidation process shall subsist in order to guarantee the obligations it secures. The secured creditors shall retain the right to collect from the proceeds of the sale of the collateral, on a preferred basis (except with respect to labor claims and savings, which are privileged claims), subject to certain rules established under article 119 of the Peruvian Banking Law.

Peruvian banks are not subject to the regime of insolvency and bankruptcy otherwise applicable to Peruvian corporations in general.

**Panamanian Regulation**

We are issuing the notes through our Panamanian branch.

Our Panamanian branch is subject to the supervision of the PSB as well as the SBS. Banking activities in Panama are regulated in accordance with Decree Law No. 9 of 1998, modified by Decree Law No. 2 of 2008, or the Panamanian Banking Law, which reformed the Panamanian banking regulatory framework and created the PSB, an autonomous entity responsible for the supervision of the banking system.

The PSB has powers, among others, to issue and revoke bank licenses, establish minimum capital requirements, establish liquidity and reserve requirements, authorize the opening and closing of branches within and outside Panama, authorize any merger or consolidation or the sale of all or substantially all of a bank's assets, authorize material changes in the ownership of banks, supervise banks' operations, including determining banking hours and bank holidays, inspect banks, impose fines, interpret the Panamanian Banking Law and issue banking regulations. In addition, the PSB must authorize the voluntary liquidation and dissolution of banks and has the power to intervene and administer insolvent banks and order their reorganization or forceful liquidation upon its determination that a bank's financial situation warrants such action.

Banks in Panama are classified into four groups: (i) public sector banks (official banks), which are owned by the Government of Panama; (ii) general license banks, which may be Panamanian-owned or foreign-owned and can undertake domestic banking or international banking operations; (iii) international license banks, which cannot undertake domestic banking operations and are only authorized to direct from their Panamanian offices banking operations that are negotiated, carried out or produce their results outside Panama; and (iv) representative offices of foreign banks, established to act as representatives of banks that do not operate in Panama and that do not engage in banking activities in or from Panama.

Our Panamanian branch operates under an international banking license issued by the PSB, which permits us to engage in international operations from Panama limited to taking deposits from, and making loans to, persons outside of Panama, but does not allow us to undertake domestic operations in Panama.

**Capital Adequacy**

International license banks are required to maintain a minimum paid-in capital of U.S.$3,000,000, of which U.S.$250,000 must be kept as a deposit in the National Bank of Panama or in the *Caja de Ahorros* of Panama. In addition, international license banks must have an adjusted capital of not less than 8% of weighted risk assets. However, in the case of branches of foreign banks operating under an international banking license in Panama, the PSB has opted not to apply local capital adequacy rules. Thus, branches and consolidated subsidiaries of foreign banks must instead comply with the capital adequacy requirements of their head office.

**Lending Limits**

Branches and consolidated subsidiaries of foreign banks operating in Panama under an international banking license are not required to comply with regulations on lending limits issued by the PSB, but are required to comply with those established by the applicable foreign supervisory body.

### Loan Classification and Loan-Loss Allowance Requirements

International license banks are required to comply with the loan classification and loan-loss allowance requirements established by the PSB. Branches and consolidated subsidiaries of foreign banks may rely on reserves established by their head office.

### Liquidity

Branches and consolidated subsidiaries of foreign banks under a foreign supervisory body operating in Panama under an international banking license are not required to comply with liquidity requirements established by the PSB.

### Taxation

International license banks are not subject to income tax in Panama if the transactions conducted by such banks from an office established in Panama are perfected, completed or take effect abroad and if the parties (other than the Panamanian branch) to such transactions are natural persons or entities not domiciled in Panama and are not generating taxable income in Panama.

### Anti-Money Laundering Rules

International license banks are required to comply with all anti-money laundering laws and regulations, including the appointment of a compliance officer. In addition, there are no restrictions imposed on banks with international banking licenses, such as our Panamanian branch, regarding the issuance of debt instruments such as the notes.

## MANAGEMENT

We are managed by our Board of Directors, President (Chief Executive Officer) and Executive Vice-Presidents. Our Board of Directors consists of:

| Name | Position | Board Member Since |
|---|---|---|
| Mr. Dionisio Romero Paoletti | President | 2003 |
| Mr. Raimundo Morales Dasso | Vice President | 2009 |
| Mr. Jorge Camet Dickman | Deputy Director | 1999 |
| Mr. Fernando Fort Marie | Member of the Board of Directors | 1990 |
| Mr. Reynaldo Llosa Barber | Member of the Board of Directors | 1990 |
| Mr. Juan Carlos Verme Giannoni | Member of the Board of Directors | 1990 |
| Mr. Luis Enrique Yarur Rey | Member of the Board of Directors | 1995 |
| Mr. Juan Bautista Isola Cambana | Member of the Board of Directors | 2002 |
| Mr. Eduardo Hochschild Beeck | Member of the Board of Directors | 2003 |
| Mr. Roque Benavides Ganoza | Member of the Board of Directors | 2009 |
| Mr. Benedicto Cigüeñas Guevara | Member of the Board of Directors | 2005 |
| Mr. Felipe Ortiz de Zevallos Madueño | Member of the Board of Directors | 2006 |
| Mr. Germán Suárez Chávez | Member of the Board of Directors | 2006 |
| Mr. Luis Enrique Romero Belismelis | Member of the Board of Directors | 2009 |

Detailed below is a brief biographical description of the members of our Board of Directors.

**Mr. Dionisio Romero Paoletti**

Mr. Dionisio Romero Paoletti holds a degree in Business Administration from Brown University and a Master's degree in Business Management from Stanford University. He has been a Director of the Bank since 2003. In addition, he has served as the Chairman of the Board of Credicorp since March 2009 and he serves as a Director on the boards of various other companies.

**Mr. Raimundo Morales Dasso**

Mr. Raimundo Morales Dasso is an economist from the Universidad del Pacífico and he holds a Master's degree in Business Management from The Wharton School, University of Pennsylvania. From October 1990 until March 2008, he served as the Bank's General Manager. In addition, he serves as Deputy Chairman of the Board of Credicorp and several of its subsidiaries, and serves as a Director on the boards of various other companies.

**Mr. Jorge Camet Dickman**

Mr. Jorge Camet Dickman is an engineer and became a Director of the Bank in 1999. He has had a distinguished career in the public sector and was Minister of Economy and Finance and Minister of Industry, Tourism, Commerce and International Commercial Negotiations.

**Mr. Fernando Fort Marie**

Mr. Fernando Fort Marie is a lawyer and a partner at the law firm of Fort, Bertorini y Godoy. Mr. Fort has served as a Director of the Bank from 1979 to 1987 and from March 1990 to the present. He has served as a Director of Credicorp since March 1999. Additionally, Mr. Fort serves as a Director on the board of Inversiones Centenario and the boards of various other companies.

**Mr. Reynaldo Llosa Barber**

Mr. Reynaldo Llosa Barber is a businessman and has served as a Director of the Bank from 1980 to 1987 and from March 1990 to the present. He has been a Director of Credicorp since August 1995. Mr. Llosa is also the main partner and general manager of F.N. Jones S.R. Ltda., and serves as a Director on the boards of various other companies.

**Mr. Juan Carlos Verme Giannoni**

Mr. Juan Carlos Verme Giannoni is a businessman and has served as a Director of the Bank since March 1990 and as a Director of Credicorp since August 1995. Mr. Verme also serves as a Director on the boards of various other companies.

**Mr. Luis Enrique Yarur Rey**

Mr. Luis Enrique Yarur Rey is a businessman with a Bachelor's degree in law and graduate degrees in Economics and Management. He became a Director of Credicorp in 2002. Mr. Yarur is the Chairman of the Board of Banco de Crédito e Inversiones in Chile, and a member of the boards of various other Chilean companies.

**Mr. Juan Bautista Isola Cambana**

Mr. Juan Bautista Isola Cambana is an engineer and became a Director of the Bank in 2002. He serves as a Director on the boards of several other companies.

**Mr. Eduardo Hochschild Beeck**

Mr. Eduardo Hochschild Beeck is a mechanical engineer and holds a degree in Physics. He became a Director of the Bank in 2003. He serves as a Director on the boards of various other companies.

**Mr. Roque Benavides Ganoza**

Mr. Roque Benavides Ganoza is an engineer from Pontificia Universidad Católica del Perú and holds a Master's degree in Business Administration from Henley, the Management College of Brunel University. He is a Director and the Executive President of Compañia de Minas Buenaventura S.A., one of the largest mining companies in Peru, since 2004, and is a Director on the boards of several companies affiliated with Buenaventura. He has been a member and served as the President of several industrial organizations such as CONFIEP (Confederación Nacional de Instituciones Empresariales Privadas). He has been a Director on the board of the Bank since March 2009.

**Mr. Benedicto Cigüeñas Guevara**

Mr. Benedicto Cigüeñas Guevara is an economist and became a Director of the Bank in January 2005. Previously he had been Chief Financial Officer of the Bank for 12 years (1991 to 2003).

**Mr. Felipe Ortiz de Zevallos Madueño**

Mr. Felipe Ortiz de Zevallos Madueño is an industrial engineer with a Master's degree in Management Science from Rochester University and a Management Program Degree from Harvard Business School. He became a Director of the Bank in March 2006. He also serves as a Director on the board of Credicorp and other companies.

**Mr. Germán Suárez Chávez**

Mr. Germán Suárez Chávez is an economist and received his Master's degree in Economics from Columbia University. Mr. Suárez became a Director of the Bank in March 2006. Mr. Suárez was President and Chairman of the Board of the Peruvian Central Bank from 1992 to 2001, and he serves as a Director on the boards of various other companies, including Credicorp, Compañía de Minas Buenaventura S.A. and Refinería La Pampilla.

**Mr. Luis Enrique Romero Belismelis**

Mr. Luis Enrique Romero Belismelis has a Bachelor's degree from Boston University. He is a board member of several industrial, commercial and service sector companies in Peru. He has served as the Vice-President of the board of Alicorp S.A.A., one of the largest industrial companies in Peru, since 1996. He is Mr. Romero Paoletti's first cousin.

The business address of each member of our board of directors is Calle Centenario 156, La Molina - Lima 12, Perú.

**Executive Committee and Audit Committee**

Our Executive Committee meets weekly and is responsible for approving credit operations beyond the authority of our management. In addition, the Executive Committee approves, modifies or dismisses issues on which it has been consulted by our managers and provides guidance on the actions of our management. The Executive Committee participates in the review of our financial statements, our internal controls and the performance of our external and internal auditors, and engages in our follow-up responses to recommendations of the SBS. In certain urgent circumstances, the Executive Committee has the authority is empowered to make decisions in place of the Board of Directors.

Our Audit Committee is responsible for monitoring our internal controls and reports to our Board of Directors on the execution of our internal controls, policies and procedures. The Audit Committee approves and oversees the execution of the working plan of our Audit Group and is also responsible for evaluating the performance of our external auditors. The Audit Committee meets once every two months.

The members of our Executive Committee are:

| Name | Position |
|---|---|
| Mr. Dionisio Romero Paoletti | Chairman |
| Mr. Raimundo Morales Dasso | Member of the Board of Directors |
| Mr. Fernando Fort Marie | Member of the Board of Directors |
| Mr. Reynaldo Llosa Barber | Member of the Board of Directors |
| Mr. Benedicto Cigüeñas Guevara | Member of the Board of Directors |
| Mr. Juan Carlos Verme Giannoni | Member of the Board of Directors |

The members of our Audit Committee are:

| Name | Position |
|---|---|
| Mr. Raimundo Morales Dasso | Member of the Board of Directors |
| Mr. Juan Carlos Verme Giannoni | Member of the Board of Directors |
| Mr. Benedicto Cigüeñas Guevara | Member of the Board of Directors |
| Mr. Germán Suárez Chávez | Member of the Board of Directors |

**Senior Management**

Our principal executives are as follows:

| Executive Vice Presidents | Position | Year Joined Bank |
|---|---|---|
| Mr. Walter Bayly Llona | General Manager | 1993 |
| Mr. Alvaro Correa Malachowski | Planning and Finance Central Manager | 1997 |
| Mr. Pedro Rubio Feijoo | Wholesale Banking Central Manager | 1985 |
| Mr. Gianfranco Ferrari de las Casas | Retail Banking Central Manager | 1995 |
| Mr. Javier Maggiolo Dibós | Asset Management Central Manager | 1997 |
| Mr. Jorge Ramirez del Villar Lopez de Romaña | Operations and Systems Central Manager | 1993 |
| Mr. Pablo Miñan Galarza | Credit Management Division | 1994 |
| Mr. Christian Laub Benavides | Corporate Banking Division | 1998 |
| Mr. Fernando Fort Godoy | Middle Market Banking Division | 1996 |

| Executive Vice Presidents | Position | Year Joined Bank |
|---|---|---|
| Mr. Carlos Morante Ormeño | Commercial Division | 1994 |
| Mr. Ricardo Bustamante Gonzales | Systems and Organizations Division | 1993 |
| Mr. Franco Giuffra Monteverde | Marketing Division | 1997 |
| Mr. Jose Esposito Li-Carrillo | Audit Division | 1996 |
| Mr. Guillermo Morales Valentin | Legal Division | 2007 |
| Mr. André Figuerola Boesch | Treasury and FX Division | 1995 |
| Mr. Reynaldo Llosa Benavides | Risk Management Division | 1997 |
| Mr. Bernardo Sambra Graña | Human Resources Division | 1999 |
| Mr. Jose Luis Muñoz Rivera | Accounting Division | 1997 |

Set forth below is brief biographical information regarding our current officers who are not also directors.

**Mr. Walter Bayly Llona**

Mr. Walter Bayly Llona received a Bachelor's degree in Business Administration from Universidad del Pacífico in Lima, Peru, and a Master's degree in Management from the Arthur D. Little Management School in Cambridge, Massachusetts. He has been the General Manager of the Bank since June 30, 2008. He was previously Chief Financial and Accounting Officer of Credicorp and Executive Vice President of Planning and Finance of the Bank, a position he held since April 2004. Previously, Mr. Bayly held various other management positions within the Bank, including the Wholesale Banking, Middle Market Banking, Systems and Organization, and Investment Banking Groups. Mr. Bayly joined the Bank in 1993. Previously, he worked for three years at Casa de Bolsa México where he was Partner and Managing Director in Corporate Finance and for ten years at Citibank in Lima, New York, Mexico and Caracas, where he worked primarily in the Corporate Finance and Loan Syndication groups.

**Mr. Alvaro Correa Malachowski**

Mr. Alvaro Correa Malachowski is an industrial engineer from the Pontificia Universidad Católica del Peru. He also holds a Master's degree in Business Administration from Harvard Business School. In 1997, he joined the Retail Risk Management group of the Bank, serving as IT solution manager in the Systems and Organization Division. Mr. Correa then served as General Manager of Atlantic Security Bank, one of our related parties, Credicorp Securities and the Bank's Miami agency for three years. Since 2008 he has held the position of Planning and Finance Central Manager of the Bank.

**Mr. Pedro Rubio Feijoo**

Mr. Pedro Rubio Feijoo is an industrial engineer with a degree from North Carolina State University. He is the Wholesale Banking Group Manager at the Bank, and previously served as Middle-Market Banking Manager. He has been with the Bank since 1985.

**Mr. Gianfranco Ferrari de las Casas**

Mr. Gianfranco Ferrari de las Casas has a Master's degree in Business Administration and marketing from Northwestern University's J.L. Kellogg Graduate School of Management. He joined the Bank's Wholesale Banking Group in 1995, where he served as Corporate Finance Manager and Corporate Finance Group Manager. Between 2005 and 2007, Mr. Gianfranco Ferrari de las Casas served as General Manager of Banco de Crédito de Bolivia BCB. Currently, he is the Retail Banking Central Manager of the Bank.

**Mr. Javier Maggiolo Dibós**

Mr. Javier Maggiolo Dibós holds a degree in Economics and a Master's degree in Business Administration with a specialization in Finance from New York University. Since 1996 he has been the Asset Management Central Manager, where he is responsible for currency transactions, custody and trust services, investment advisory services and general research activities of the Bank. He is also in charge of the investments of the Bank's subsidiaries, Credibolsa, Creditítulos and Credifondo. From 1980 to 1996, Mr. Maggiolo worked in the Ministry of Economy and Finance, Irving Trust, Citibank and Atlantic Security Bank. Additionally, Mr. Maggiolo is the General Manager of Atlantic Security Bank. He has been with the Bank since 1997.

**Mr. Jorge Ramírez del Villar López de Romaña**

Mr. Jorge Ramírez del Villar López de Romaña is the Operations and Systems Central Manager. He is an industrial engineer with a Master's degree in Information Technology from the University of Pennsylvania, a Master's degree in Business Administration from The Wharton School, University of Pennsylvania, a Master's degree in Economics from the London School of Economics and a Master's degree in International Affairs from Cambridge University. He previously served as the Bank's Corporate Finance Manager and Credibolsa's General Manager and Finance Group Manager. Mr. Ramirez del Villar also worked at Occidental Petroleum Corporation and Booz, Allen & Hamilton. He has been with the Bank since 1993.

**Mr. Pablo Miñán Galarza**

Mr. Pablo Miñán Galarza is an industrial engineer, with a Master's degree in Business Administration from ESAN. Previously, he was responsible for the Corporate Finance unit of the Bank, serving as Risk Administration Manager. Currently, he is the Credit Group Manager. Mr. Pablo Miñán Galarza has been with the Bank since 1994.

**Mr. Christian Laub Benavides**

Mr. Christian Laub Benavides is an economist from Universidad del Pacífico, with a Master's degree in Business Administration from Harvard University's Business School. He has been Manager of the Corporate Finance unit and also of the Capital Markets unit. He has also been General Manager of Credifondo SAF and was responsible for the Assets Management unit at Atlantic Security Bank. Currently, Mr. Laub Benavides is the Corporate Banking Group Manager.

**Mr. Fernando Fort Godoy**

Mr. Fernando Fort Godoy has a degree in Business Administration and a Master's degree from the University of Michigan Business School. He has served the Bank as a consultant in the Corporate Finance area and in various positions within the Wholesale Banking group. He has been the Manager of the Middle-Market Banking Group since March 2008.

**Mr. Carlos Morante Ormeño**

Mr. Carlos Morante Ormeño has an engineering degree from Pontificia Universidad Católica del Perú and has a Master's degree in Finance from The Wharton School, University of Pennsylvania. He has been with the Bank since 1994, and in 1998 he assumed the management of the Private Banking group. He then acted as Manager in several groups within the Retail Banking Central Management. Since 2008, he has been the Manager of the Commercial Banking Group.

**Mr. Ricardo Bustamante González**

Mr. Ricardo Bustamante González holds an undergraduate degree in Economics and a Master's degree in Information Technology Project Management from George Washington University. Mr. Bustamante joined the Bank in 1993. Since May 1999, he has served as Manager of the Systems and Organization Division. Previously, he worked at Banco del Sur del Perú, Grupo Inca and Global Insurance Organization in Australia.

**Mr. Franco Giuffra Monteverde**

Mr. Franco Giuffra Monteverde obtained a Bachelor's degree in Philosophy at Pontificia Universidad Católica del Perú and a Master's degree in Public Policy at the University of Chicago. Mr. Giuffra joined the Bank in 1997 as a Project Manager in the Corporate Finance Area. In 1998, Mr. Giuffra became manager of the Cash Management

Services Area. In 2005 he became the head of BCP's Human Resources Division. Since June 2010, he is the manager of the Marketing Division. Prior to joining BCP, Mr. Giuffra worked for Apoyo Consultoría, PromPerú and other institutions.

**Mr. Jose Esposito Li-Carrillo**

Mr. Esposito is an economist from Universidad del Pacífico, Peru. He also has a Master's degree in Economics from the University of Wisconsin – Milwaukee and L-3 Certificate of Insurance from the CII, U.K. Mr. Esposito joined BCP in 1996 in the Corporate Finance Department. He has held the position of General Manager of Credibolsa, the brokerage house of BCP between 2000 and 2005. From 2006 to 2009 he has been the Chief Financial Officer of Pacífico Seguros, Credicorp's insurance company. Since 2010, he has held the position of Chief Audit Executive of the Bank and Credicorp.

**Mr. Guillermo Morales Valentín**

Mr. Guillermo Morales Valentin is the Legal Group Manager. He holds a law degree from Pontificia Universidad Católica del Perú and a Master's Degree in Law (LLM) from Texas University. He has been the Bank's Legal Group Manager since January 2010. He was the Legal Manager for Grupo Santander Peru from 2003 to 2007. Mr. Morales has also been a Director in the board of Edelnor S.A.A., Red Electrica del Sur and Universia Peru S.A. He has been with the Bank since 2007.

**Mr. André Figuerola Boesch**

Mr. André Figuerola Boesch holds a double major in Finance and Business Economics from The University of South Carolina, and a Master's degree in Business Administration from Universidad del Pacífico. He has been a portfolio manager in the Latam Private Banking Division at UBS in Zürich, Switzerland, and Head of the FX sales team at Banco Unión in Caracas, Venezuela. He has been with the Bank since 1995.

**Mr. Reynaldo Llosa Benavides**

Mr. Reynaldo Llosa Benavides is the Risk Management Division Manager. He holds a degree in Business Management from St. Mary's University and a Master's degree in Business Administration with a specialization in Finance from Northwestern University's J.L. Kellogg Graduate School of Management. He previously served as the Bank's Middle-Market and Corporate Banking Manager. He has been with the Bank since 1997.

**Mr. Bernardo Sambra Graña**

Mr. Bernardo Sambra Graña has a degree in Business Administration from Universidad de Lima, with a Master's degree in Finance from Universidad del Pacífico and a Human Resources specialization from Ross School of Business at the University of Michigan. He previously served as Manager of Electronic Cash Management Solutions in the Wholesale Banking Division. Currently, Mr. Sambra is the Human Resources Division Manager at BCP. He has been with the bank since 1999.

**Mr. José Luis Muñoz Rivera**

Mr. José Luis Muñoz Rivera is an accountant with an Executive Master's degree in Business Administration from Universidad de Piura. Since March 1997, he has been the Manager of the Accounting Division of the Bank. Previously, he was a manager in the Audit and Business Advising Divisions of Arthur Andersen in Peru. Mr. Muñoz has also been an Accounting and Audit Professor in Universidad del Pacífico and Universidad de Lima. He has been with the Bank since 1997.

## OWNERSHIP

BCP is the principal subsidiary of Credicorp, a financial holding company to various financial institutions, which directly and indirectly owns 97.60% of our common stock. The remaining 2.40% is diluted among individual investors. Credicorp's common stock trades on the NYSE under the symbol BAP.

As of June 30, 2011, Credicorp's issued capital consisted of 94,382,317 fully subscribed and paid common shares.

The following table provides the percentages of common shares owned by holders of 5% or more of the common shares of Credicorp as stated in annual report on form 20-F filed with the SEC on February 14, 2011:

| Shareholder | Nominal amount of shares | % Ownership(1) |
|---|---|---|
| Atlantic Security Holding Corporation .................................... | 14,620,845 | 15.49 |
| Romero family(2) .................................................................... | 14,156,115 | 15.00 |

(1) As a percentage of issued and outstanding shares (including shares held by BCP, ASHC and PPS).

(2) Includes common shares directly or indirectly owned by Dionisio Romero Seminario and his family or companies owned or controlled by him. Mr. Dionisio Romero Paoletti, son of Dionisio Romero Seminario, is the Chairman and Chief Executive Officer of Credicorp.

## RELATED-PARTY TRANSACTIONS

We have entered into various transactions with related parties. Under the Peruvian Banking Law, all loans to related parties must be provided on terms no more favorable than the best terms that we offer to the public. We believe that we are in full compliance with this requirement and all other related-party transaction requirements under the Peruvian Banking Law.

Our related-party transactions include:

- acquiring bonds, extending loans, supplying and soliciting banking services, correspondent relationships and other operations with Credicorp subsidiaries, which include Atlantic Security Bank and Prima AFP; and
- extending direct and indirect loans to non-Credicorp related parties, which consist principally of loans to companies controlled by the controlling shareholders of Credicorp.

The following is a summary of such commitments with Credicorp subsidiaries, categorized by transaction type, as of and for the years ended December 31, 2009 and 2010, and as of and for the six months ended June 30, 2011:

| | As of and for the year ended December 31, | | As of and for the six months ended June 30, |
|---|---|---|---|
| | 2009 | 2010 | 2011 |
| | (*Nuevos Soles in thousands*) | | |
| **Related-party transactions with Credicorp subsidiaries** | | | |
| **Assets** | | | |
| Loans, net | 366,552 | 155,631 | 182,873 |
| Other assets | 13,860 | 64,163 | 109,180 |
| **Liabilities** | | | |
| Deposits and obligations | 4,618,081 | 325,711 | 570,190 |
| Other liabilities | 485,326 | 4,232,062 | 3,490,536 |
| Contingent operations | 57,954 | 82,497 | 78,739 |
| Other off-balance sheet accounts | 1,760,206 | 1,151,448 | 1,018,378 |
| **Income** | | | |
| Interest income | 11,121 | 10,634 | 4,610 |
| Interest expenses | 260,464 | 242,110 | 104,174 |
| Other income, net | 17,358 | 55,040 | 28,087 |

The following is a summary of direct and indirect loans extended to non-Credicorp related parties, which consist principally of companies controlled by the controlling shareholders of Credicorp, as of December 31, 2009 and 2010, and as of June 30, 2011:

| | As of and for the year ended December 31, | | As of and for the six months ended June 30, |
|---|---|---|---|
| | 2009 | 2010 | 2011 |
| | (*Nuevos Soles in thousands*) | | |
| **Related-party transactions with non-Credicorp subsidiaries** | | | |
| Loans, net | 618,986 | 745,974 | 617,846 |
| Indirect loans | 58,153 | 75,827 | 77,013 |
| Derivatives at market value | 817 | 3,751 | 4,044 |
| Deposits and obligations | 237,126 | 286,460 | 227,277 |

In addition, we also hold securities-available-for-sale in related parties in the amount of S/.10.3 million, S/.9.3 million and S/.7.1 million as of December 31, 2009, December 31, 2010, and June 30, 2011, respectively.

Accordingly, as of June 30, 2011, direct and indirect loans to Credicorp subsidiaries were S/.315.6 million, in the aggregate, including S/.182.9 million in outstanding loans. None of these loans are among our 20 largest borrower concentrations. These loans comprised approximately 0.4% of our total loan portfolio, of which 100.0% were classified as Normal (*Normal*), 0.0% as Potential problem (*Problema Potencial*), 0.0% as Substandard (*Deficiente*), 0.0% as Doubtful (*Dudoso*) and 0.0% as Loss (*Pérdida*).

As of June 30, 2011, loans and other credits to our employees amounted to S/.402.9 million (U.S.$146.6 million).

On an unconsolidated basis and in accordance with the Peruvian Banking Law, the SBS regulates and closely monitors loans to related-parties and has established a limit on related-party loans equivalent to 30% of a bank's regulatory capital. Our total related-party loans (including loans to Credicorp subsidiaries and to non-Credicorp subsidiaries) on an unconsolidated basis were 12.8% of our regulatory capital as of June 30, 2011 and 16.3% of our regulatory capital as of December 31, 2010. We intend to continue to enter into transactions with related parties on terms similar to those that would be offered by or to an unaffiliated third party.

## DESCRIPTION OF THE NOTES

The Notes were issued pursuant to an indenture dated as of September 16, 2011, between The Bank of New York Mellon, as trustee, paying agent, calculation agent and security registrar and The Bank of New York Mellon (Luxembourg) S.A., as Luxembourg paying agent and transfer agent, and us, acting through our Panamanian branch.

The indenture provides for the issuance of the Notes but does not limit the aggregate principal amount of Notes that may be issued under the indenture, and provides that, subject to certain conditions, additional Notes may be issued under the indenture from time to time. The indenture does not limit the amount of additional indebtedness or other obligations that we may incur. At our option, this additional indebtedness may consist of additional Notes ("Additional Notes") issued by us in one or more transactions, which shall have identical terms (other than issue date, issue price and in certain cases, first interest payment date) as the notes issued hereby; provided, however, that if the Additional Notes are not fungible with the Notes for U.S. federal income tax purposes, the Additional Notes will have separate CUSIP, ISIN and Common Code numbers. Holders of Additional Notes would have the right to vote together with holders of the Notes issued hereby as one class.

This section describes the terms and provisions of the indenture and the Notes. In case of any conflict regarding the rights and obligations of the holders of the Notes under the indenture, the Notes, and this offering memorandum, the terms of the indenture will prevail. Capitalized terms not otherwise defined in this "Description of the Notes" have the meanings ascribed to them in the indenture. You may obtain a copy of the indenture and the form of the Notes by contacting the trustee at the address indicated in this offering memorandum and, for so long as the Notes are admitted to listing on the Official List of the Luxembourg Stock Exchange (the "LSE") and to trading on the Euro MTF Market, at the office of the paying agent in Luxembourg.

### General

The Notes:

- are BCP's direct, unsecured subordinated obligations, junior in right of payment to all existing and future Senior Obligations in accordance with the subordination provisions of the indenture;
- are issued in an aggregate principal amount of U.S.$476,120,000;
- will be at least *pari passu* in right of payment with BCP's Parity Securities; and
- are senior in right of payment to the payment of BCP's Junior Securities.

Acceleration of any payments due under the Notes will occur only upon the occurrence and continuation of an Acceleration Event. There is no right of acceleration in the case of a default in any payment on the Notes (whether when due, upon redemption or otherwise) or the performance of any of BCP's other obligations under the indenture or the Notes.

As of June 30, 2011, BCP had total Senior Obligations of approximately S/.64.0 billion (approximately U.S.$23.3 billion) of which S/.47.9 billion (approximately U.S.$17.4 billion) represents bank deposits. As indicated above and as discussed in detail below under the caption "Subordination," payments on the Notes will be subordinated to the payment of Senior Obligations, which includes employee liabilities (such as payroll), bank deposits and other types of saving instruments and taxes, among other types of obligations. The indenture will permit BCP to incur additional Senior Obligations.

## Principal, Maturity and Interest

BCP will issue U.S.$350 million in aggregate principal amount of Notes in this offering. The Notes will mature on September 16, 2026, and unless previously redeemed, the aggregate principal amount of the Notes will be due and payable on September 16, 2026. BCP will issue the Notes only in fully registered form in the form of beneficial interests in one or more global Notes registered in the name of Cede & Co., as nominee of The Depository Trust Company, or DTC. BCP will issue Notes in denominations of U.S.$10,000 and integral multiples of U.S.$1,000 in excess of U.S.$10,000.

Through September 16, 2021, BCP will pay interest on the Notes semi-annually on each March 16 and September 16, commencing March 16, 2012, to the person in whose name such Note was registered at the close of business on the immediately preceding March 1 or September 1, as the case may be (whether or not a Business Day). After September 16, 2021, BCP will pay interest on the Notes quarterly on March 16, June 16, September 16 and December 16 of each year to the person in whose name such Note was registered at the close of business on the immediately preceding March 1, June 1, September 1 and December 1, as the case may be (whether or not a Business Day). However, interest not punctually paid or duly made available for payment, if any, will be paid instead to the person in whose name the Note is registered on a special record date rather than on the regular record date. In the case of interest due at the date of maturity, BCP will pay interest to the persons to whom principal is payable, whether or not the date of maturity is an interest payment date.

The Notes will bear interest from September 16, 2011 or from the most recent interest payment date on which BCP has paid or provided for interest on the Notes. From and including September 16, 2011 to but excluding September 16, 2021, the Notes will bear interest at the rate per annum set forth on the cover page of this offering memorandum (the "fixed rate period"). BCP will make the first interest payment on March 16, 2012. During the period from and including September 16, 2021 to but excluding the date of maturity or earlier redemption date (the "floating rate period"), the interest rate per annum for the Notes will be reset quarterly on the first day of each Interest Reset Period and will be equal to three-month LIBOR *plus* 7.708%, as determined by the calculation agent. The Bank of New York Mellon will initially act as calculation agent. During the fixed rate period, interest will be computed on the basis of a 360-day year of twelve 30-day months. During the floating rate period, interest will be computed on the basis of a 360-day year and the actual number of days elapsed. The amount of interest for each day the Notes are outstanding (the "Daily Interest Amount") during the floating rate period will be calculated by dividing the interest rate in effect for that day by 360 and multiplying the result by the principal amount of the Notes. The amount of interest to be paid on the Notes for each interest period during the floating rate period will be calculated by adding the Daily Interest Amounts for each day in the interest period. Except as described below for the first interest period, on each interest payment date, BCP will pay interest for the period commencing on and including the immediately preceding interest payment date and ending on and including the day preceding the next interest payment date.

In the event that an interest payment date occurring during the fixed rate period is not a Business Day, BCP will pay interest on the next day that is a Business Day, with the same force and effect as if paid on such interest payment date, and no interest shall accrue on the amount so payable for the period from and after such interest payment date. In the event that an interest payment date occurring during the floating rate period is not a Business Day, BCP will pay interest on the next day that is a Business Day, and the amount paid on such day will include interest accrued to but excluding such next Business Day, unless it would thereby fall in the next succeeding calendar month, in which case such interest payment date will be brought forward to the immediately preceding Business Day. If the date of maturity or earlier redemption date falls on a day that is not a Business Day, the payment of principal and interest, if any, will be made on the next succeeding Business Day and no interest shall accrue on the amount so payable for the period from and after such date of maturity or earlier redemption date.

Any money that BCP pays to the paying agent for the purpose of making payments on the Notes that remains unclaimed two years after the payments were due will, at its written request, be returned to BCP. After that time any holder of a Note can only look to BCP for payment on the Notes.

All percentages resulting from any of the above calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, with five one-millionths of a percentage point rounded upwards (*e.g.*, 9.876545% (or .09876545) being rounded to 9.87655% (or .0987655)) and all dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one-half cent being rounded upwards).

The interest rate on the Notes will in no event be higher than the maximum rate permitted by Peruvian, Panamanian, or New York law (as the same may be modified by United States law of general application).

The calculation agent will, upon the written request of the holder of any Note, provide the interest rate then in effect. All calculations of the calculation agent, in the absence of manifest error, shall be conclusive for all purposes and binding on BCP and holders of the Notes. BCP may appoint a successor calculation agent.

Under New York's statute of limitations, any legal action upon the notes in respect of interest or principal must be commenced within six years after the payment thereof is due.

**Payment of Additional Amounts**

All payments in respect of the Notes will be made free and clear of and without any deduction or withholding for or on account of any present or future Taxes (as defined below), unless the withholding or deduction of such Taxes is required by law or the official interpretation thereof, or by the administration thereof. If BCP is required by any law of any Taxing Jurisdiction (as defined below) to withhold or deduct any Taxes from or in respect of any sum payable under the Notes, BCP shall (i) pay such additional amounts ("Additional Amounts") as may be necessary in order that the net amounts receivable by holders of any Notes after such withholding or deduction shall equal the respective amounts which would have been receivable by such holder in the absence of such withholding or deduction, (ii) make such withholding or deduction, and (iii) pay the full amount withheld or deducted to the relevant tax or other authority in accordance with applicable law, except that no such Additional Amounts will be payable in respect of any Note:

(i) to the extent that such Taxes are imposed or levied by reason of such holder (or the beneficial owner) having some connection with the Taxing Jurisdiction other than the mere holding (or beneficial ownership) of such Note, receiving principal or interest payments on the Notes or enforcing rights thereunder (including but not limited to citizenship, nationality, residence, domicile, or existence of a business, permanent establishment, a dependent agent, a place of business or a place of management present or deemed present in the Taxing Jurisdiction);

(ii) to the extent that any Taxes are imposed other than by deduction or withholding from payments of principal, premium, if any, or interest on or in respect of the Notes;

(iii) in the event that the holder (or beneficial owner) fails to comply with any certification, identification or other reporting requirement concerning nationality, residence, identity or connection with the Taxing Jurisdiction if (1) compliance is required by applicable law, regulation, administrative practice or treaty as a precondition to exemption from all or part of the taxes, (2) if the certification, identification or other reporting requirement does not concern nationality, residence or identity with the Taxing Jurisdiction, the holder (or beneficial owner) is able to comply with these requirements without undue hardship and (3) we have given the holders (or beneficial owners) at least 30 calendar days prior notice that they will be required to comply with such requirement;

(iv) in the event that the holder fails to surrender (where surrender is required) its Note for payment within 30 days after we have made available a payment of principal or interest, provided that we will pay Additional Amounts to which a holder would have been entitled had the Note been surrendered on the last day of such 30-day period;

(v) to the extent that such Taxes are imposed by reason of an estate, inheritance, gift, personal property, value added, use or sales tax or any similar taxes, assessments or other governmental charges;

(vi) where such withholding or deduction of Taxes is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other directive on the taxation of savings implementing the conclusions of the European Council of Economic and Finance Ministers ("ECOFIN") meeting of June 3, 2003 or any law implementing or complying with, or introduced in order to conform to, such directive;

(vii) by or on behalf of a holder who has been able to avoid such withholding or deduction of Taxes by presenting the relevant Note to another available paying agent of BCP in a member state of the European

Union; or

(viii) any combination of items (i) to (vii) above.

Notwithstanding the language above in (v), Additional Amounts will be payable in respect of any Note to the extent that a Peruvian or Panamanian value added tax is imposed on payments of interest on the Notes.

Any reference to payments on the Notes shall be deemed also to include any Additional Amounts. However, no holder of a Note shall be entitled to receive any Additional Amounts greater than the amounts necessary in order that the net amounts receivable by such holder after such withholding or deduction equal the respective amounts which would have been receivable by such holder in the absence of such withholding or deduction, subject to the exceptions above.

"Taxes" means, with respect to payments on the Notes, all taxes, withholdings, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of Peru or Panama, or in the event that BCP appoints additional paying agents, by the jurisdictions of such additional paying agents, or the jurisdiction of any successor corporation (each, a "Taxing Jurisdiction"), or any political subdivision thereof or any authority or agency therein or thereof having power to tax.

For a discussion of Peruvian withholding taxes applicable to payments under or with respect to the Notes, see "Taxation."

## Redemption Prior to Maturity

### *Make-Whole Redemption*

On September 16, 2016 or on any date occurring thereafter until September 16, 2021, subject to the prior approval of the SBS or any other then-applicable Peruvian Governmental Authority, BCP may at its option redeem the Notes in whole or in part, at a price equal to the greater of (1) 100% of the principal amount of such Notes on such redemption date and (2) the sum of the present value of each remaining scheduled payment of principal and interest on the Notes to September 16, 2021 (exclusive of interest accrued to the date of redemption) discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 50 basis points (the "Make-Whole Amount"), *plus* in each case any accrued and unpaid interest on the principal amount of the Notes up to, but not including, the date of redemption, *plus* Additional Amounts, if any (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date).

### *Optional Redemption*

On September 16, 2021, or on any interest payment date occurring thereafter, subject to the prior approval of the SBS or any other then-applicable Peruvian Governmental Authority, BCP may at its option redeem the Notes in whole or in part, at a redemption price equal to 100% of the aggregate principal amount of the Notes to be redeemed, *plus* any accrued and unpaid interest on the principal amount of the Notes, up to, but not including, the date of redemption, *plus* Additional Amounts, if any (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date).

### *Redemption upon Tax Event or Regulatory Event*

At any time with the prior approval of the SBS, or any other then-applicable Peruvian Governmental Authority, if required, BCP may redeem the Notes in whole, but not in part, following the occurrence of a Tax Event (as defined below) or Regulatory Event (as defined below). In the case of redemption following a Tax Event, BCP will redeem the Notes at a redemption price equal to 101% of the aggregate principal amount of the Notes to be redeemed, *plus* any accrued and unpaid interest on the principal amount of the Notes, up to, but not including, the date of redemption, *plus* Additional Amounts, if any. In the case of redemption following a Regulatory Event, BCP will redeem the Notes at a redemption price equal to the Make-Whole Amount (as defined under the caption "—Make-Whole Redemption" above), *plus* any accrued and unpaid interest on the principal amount of the Notes, up to, but not including, the date of redemption, *plus* Additional Amounts, if any.

In the case of a Tax Event, before giving notice of redemption, BCP shall deliver to the trustee an officers' certificate stating that BCP is entitled to effect such redemption in accordance with the terms set forth in the indenture and setting forth in reasonable detail a statement of the facts relating thereto. The statement will be accompanied by a written opinion of counsel to the effect, among other things, that:

(i) as a result of a Tax Event, BCP has become obligated to pay or will be liable for Additional Amounts payable in respect of the Notes in excess of the gross amount of Additional Amounts payable in respect of such Notes prior to such Tax Event; and

(ii) such obligation cannot be avoided by taking reasonable measures available to BCP (such measures not involving any material cost to BCP or the incurring of any material tax or penalty).

In the case of a Tax Event or a Regulatory Event, BCP is required, prior to exercising the right of redemption, to deliver to the trustee an officers' certificate together with a written legal opinion of Peruvian counsel of recognized standing, selected by BCP, in a form satisfactory to the trustee confirming that such right of redemption has been authorized by the SBS or any other then-applicable Peruvian Governmental Authority.

"*Tax Event*" means (a) any change in or amendment (including any announced prospective change) to the laws, treaties or regulations of Peru or Panama or any political subdivision or governmental authority thereof or (b) any judicial decision, official administrative announcement or regulatory procedure, of Peru or Panama (each an "Administrative Action"), or (c) any amendment to or change in the official position or the official interpretation of such Administrative Action that provides for a position with respect to such Administrative Action that differs from the theretofore generally accepted position, in each case, by any legislative body, court, governmental authority or regulatory body having appropriate jurisdiction, irrespective of the manner in which such amendment or change is made known, which amendment or change is effective or such pronouncement or decision is announced on or after the date of issuance of the Notes.

"*Regulatory Event*" means that, as a result of (i) any change in, or amendment to, the laws (or any regulations or rulings issued thereunder) of Peru or any political subdivision thereof or any regulatory authority therein or (ii) any change in the application, administration or official interpretation of such laws, regulations or rulings, including, without limitation, the holding of a court of competent jurisdiction, which change or amendment becomes effective on or after the issuance date of the Notes, BCP will no longer be entitled to treat the full, or the applicable portion of, principal amount of the Notes as Tier II Regulatory Capital pursuant to Peruvian banking regulations. See "Regulatory Environment—Subordinated Debt as a Component of Regulatory Capital of BCP."

***Notice of Redemption***

In the event that BCP exercises its option to redeem the Notes (subject to obtaining the approval of the SBS or any other then-applicable Peruvian Governmental Authority), BCP will give the trustee notice of redemption at least 45 days prior to the proposed redemption date (unless a shorter period of time is agreed upon), and the trustee is obligated to provide to the holders written notice of redemption not less than 30 nor more than 60 days prior to the redemption date; provided it receives timely notice of redemption from BCP.

Notice of redemption will be given as described in the indenture and under the caption "Notices" below. If the redemption price in respect of any Notes is improperly withheld or refused and is not paid by BCP, interest on the Notes will continue to be payable until the redemption price is paid in full.

***Open Market Purchases***

With the prior approval of the SBS or any other then-applicable Peruvian Governmental Authority (if then required), BCP may at any time purchase any Notes in the open market or otherwise in any manner and at any price, which Notes may be delivered to the trustee to be promptly cancelled by it; *provided* that, in the event that BCP does not purchase the entire aggregate principal amount of the Notes outstanding, following any such purchase at least U.S.$50.0 million in aggregate principal amount of the Notes must remain outstanding. Upon cancellation, the cancelled Notes will no longer be considered part of BCP's Regulatory Capital. Any such Note not delivered to the trustee to be cancelled may be resold in compliance with all relevant laws, regulations and directives.

### Subordination

The Notes will constitute BCP's direct, unsecured, subordinated obligations and will rank *pari passu* without preference among themselves. In the event of BCP's bankruptcy, insolvency, liquidation, dissolution, winding up or equivalent proceeding under the Peruvian Banking Law, the Notes will rank:

- junior in right of payment to the payment of all of BCP's Senior Obligations;
- *pari passu* in right of payment with BCP's Parity Securities; and
- senior in right of payment to the payment of BCP's Junior Securities.

The indenture provides that, in the event of BCP's bankruptcy, unless all holders of its Senior Obligations have been paid in full, no payment or other distribution may be made in respect of the Notes. If the trustee under the indenture or any holders of the Notes receive any payment or distribution that is prohibited under these provisions, then the trustee or the holders will have to repay that money to, or hold that money in trust for the benefit of, holders of BCP's Senior Obligations. See "Risk Factors—Risk Factors Relating to the Notes—The Notes will be unsecured and subordinated and rank junior in payment and in liquidation to all of our existing and future Senior Obligations."

### Loss Absorption

Pursuant to the Peruvian Banking Law, as amended, and regulations promulgated thereunder, the SBS may decree that in the case of Intervention (as defined below) by the SBS or the liquidation of BCP the principal amount and/or interest on the Notes be used to absorb losses of BCP. If the SBS were to do so, any losses of BCP would be absorbed first by current and retained earnings, donations and premiums on the issuance of shares and legal and voluntary reserves, then by common and preferred shares, followed by hybrid instruments which qualify as Tier I and Tier II Regulatory Capital (as applicable) and finally by redeemable subordinated debt which qualifies as Tier II Regulatory Capital, such as the Notes.

### Peruvian Bankruptcy Considerations

Pursuant to the Peruvian Banking Law, the SBS has the power to interrupt the operations of a bank in order to prevent it from, or to control and reduce the effects of, a bank failure. Accordingly, the SBS may intervene in a bank's business by adopting either a temporary surveillance regime ("Surveillance") or a definitive intervention regime ("Intervention") depending on how critical the situation is deemed to be by the SBS. Either of these actions may be taken upon the occurrence of certain events, including (a) suspension of payments; (b) repeated failure to comply with instructions from the SBS or the Central Bank; (c) repeated violation of the Peruvian Banking Law or the bank's by-laws; (d) unauthorized or unsound management; or (e) deficit of regulatory capital (provided that if the deficit is in excess of 50%, then an Intervention is mandatory). Less drastic measures, such as (i) placing additional requirements, (ii) ordering a capital increase or an asset divesture, or (iii) imposing a financial restructuring plan, may be adopted by the SBS when the situation allows for them.

An Intervention may halt a bank's operations for up to 45 days, which may be extended for a second period of up to 45 additional days, during which time the SBS may institute measures such as (a) canceling losses by reducing reserves, capital and subordinated debt; (b) segregating certain assets and liabilities for transfer to another financial institution; and (c) merging the intervened bank with another acquiring institution. After an Intervention, the SBS will proceed to dissolve and liquidate the bank unless the preceding option (c) was applied.

Beginning on the date on which a resolution of the SBS subjecting a bank to an Intervention regime is issued, and continuing until such Intervention is concluded (which period ends when the liquidation process begins), the Peruvian Banking Law prevents any creditor of the bank from: (a) initiating any judicial or administrative procedure for the collection of any amount owed by the bank, (b) enforcing any judicial decision rendered against the bank to secure payment of any of its obligations, (c) constituting a lien or attachment over any of the assets of the bank to secure payment of any of its obligations, or (d) making any payment, advance or compensation or assuming any obligation on behalf of the bank, with the funds or assets that may belong to it and are held by third parties, except for: (i) set-off compensation payments that are made between regulated entities of the Peruvian financial system and insurance systems, and (ii) set-off of reciprocal obligations arising from repurchase agreements and operations with financial derivates entered into with local or foreign financial and insurance institutions.

During liquidation, claims of bank creditors rank as follows:

**First order** – Labor claims:

*1st.* Employee remunerations.

*2nd.* Social benefits, contributions to the private and public pension system and other labor claims against the bank accrued until the date when the dissolution is declared, retirement pensions or the capital required to redeem those pensions or to secure them by purchasing annuities.

**Second order** – Claims for bank deposits and other types of saving instruments provided under the Peruvian Banking Law, in the portion not covered by the Deposit Insurance Fund (*Fondo de Seguro de Depósitos*).

**Third order** – Taxes:

*1st.* Claims by the Peruvian social security administration (*EsSalud*) related to health care benefits for which the bank is responsible as employer.

*2nd.* Taxes.

**Fourth order** – Unsecured and non-privileged credits:

*1st.* All unsecured and non-privileged credits against the bank, ranked on the basis of (i) the date they were assumed or incurred by the bank whereby obligations assumed or incurred on an earlier date shall rank senior in right of payment to obligations assumed or incurred by the bank at a later date, and (ii) obligations assumed or incurred by the bank on a date that cannot be determined shall rank junior in right of payment to all the obligations comprised in (i) above and *pari passu* among themselves.

*2nd.* The legal interest on the Bank's obligations that may accrue during the liquidation.

*3rd.* Subordinated debt.

Except for unsecured and non-privileged credits, all claims within an order will be ranked *pari passu* among themselves. Each category of creditors will collect in the order indicated above, whereby distributions in one order will be subject to completing full distribution in the prior order. See "Risk Factors—Risk Factors Relating to the Notes—The Notes will be unsecured and subordinated and rank junior in payment and in liquidation to all of our existing and future Senior Obligations."

Creditors representing at least 30% of total amount of credits may submit a restructuring plan for consideration and approval of the SBS. Such restructuring plan may establish that losses will be absorbed by holders of subordinated debt. Peruvian banks are not subject to the regime of insolvency and bankruptcy otherwise applicable to corporations in general.

### Highly Leveraged Transactions; Change of Control

The indenture does not include any debt covenants or other provisions which afford holders of the Notes protection in the event of a highly leveraged transaction or a change of control.

### Indebtedness, Liens, Dividends, Investments, Transactions with Affiliates, Reserves and Maintenance of Properties

The indenture does not limit our ability to incur additional indebtedness (including Additional Notes), our ability to grant liens on our assets and properties, our payment of dividends, our ability to make investments or enter into transactions with our affiliates or require us to create or maintain any reserves.

We may not dispose of and must maintain and keep in good condition any tangible property useful in the conduct of our business, unless such disposal or the discontinuance of its maintenance is, in our judgment, desirable in the conduct of our business and not disadvantageous in any material respect to the holders of the Notes.

**Covenants**

We have agreed to restrictions on our activities for the benefit of holders of the Notes. The following restrictions will apply separately to the Notes:

***Consolidation, Merger, Sale or Conveyance***

We may not consolidate with or merge into any other corporation or convey or transfer our properties and assets substantially as an entirety to any person, unless:

(1) the successor corporation shall be a corporation organized and existing under the laws of (A) Peru, (B) the United States of America or any state thereof, or (C) any country member of the Organisation for Economic Co-operation and Development or the G-20 and any state thereof (to the extent applicable), and shall expressly assume by a supplemental indenture, delivered to and in a form satisfactory to the trustee, the due and punctual payment of the principal of, premium, if any and interest on all the outstanding Notes and the performance of every covenant in the indenture on our part to be performed or observed;

(2) immediately after giving effect to such transaction, no default under the indenture or the Notes, and no event which, after notice or lapse of time or both would become a default under the indenture or the Notes, shall have happened and be continuing; and

(3) we shall have delivered to the trustee an officers' certificate and an opinion of counsel, each stating that such consolidation, merger, conveyance or transfer and such supplemental indenture comply with the foregoing provisions relating to such transaction and all conditions precedent in the indenture relating to such transaction have been complied with.

In case of any such consolidation, merger, conveyance or transfer, such successor corporation will succeed to and be substituted for us as obligor on the Notes with the same effect as if it had issued the Notes. Upon the assumption of our obligations by any such successor corporation in such circumstances subject to certain exceptions, we will be discharged from all obligations under the Notes and the indenture.

***Periodic Reports***

So long as any Notes are outstanding, we will furnish to the trustee:

(1) Within 120 days following the end of each of our fiscal years, an English version (or accompanied by an English translation thereof) of our consolidated audited income statements, balance sheets, statements of shareholders equity and cash flow statements and the related Notes thereto for the two most recent fiscal years in accordance with Peruvian GAAP or in accordance with such accounting standards as may from time to time be required for Peruvian banks, together with an audit report thereon by our independent auditors and with corresponding notes to the financial statements in English; and

(2) Within 60 days following the end of the first three fiscal quarters in each of our fiscal years, an English version (or accompanied by an English translation thereof) of our quarterly reports containing unaudited consolidated balance sheets, statements of income, statements of shareholders equity and statements of cash flows and the related notes thereto, in each case for the quarterly period then ended and the corresponding quarterly period in the prior fiscal year and prepared in accordance with Peruvian GAAP or in accordance with such accounting standards as may from time to time be required for Peruvian banks.

In addition, we shall furnish to the holders of the Notes and to prospective investors, upon the requests of such holders, any information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act so long as such Notes are not freely transferable under the Exchange Act by "persons" who are not "affiliates" under the Securities Act.

In addition, if and so long as the Notes are admitted to listing on the Official List of the LSE and to trading on the Euro MTF Market, copies of such reports and information furnished to the trustee will also be made available at the specified office of the paying agent in Luxembourg.

**Listing**

In the event that the Notes are admitted to listing on the Official List of the LSE and to trading on the Euro MTF Market, we will use our reasonable best efforts to maintain such listing, provided that if, as a result of the European Union regulated market amended Directive 2001/34/EC (the "Transparency Directive") or any legislation implementing the Transparency Directive we could be required to publish financial information either more regularly than we otherwise would be required to or according to accounting principles which are materially different from the accounting principles which we would otherwise use to prepare our published financial information, or we determine that it is unduly burdensome to maintain a listing on the LSE, we may delist the Notes from the Euro MTF Market in accordance with the rules of the LSE and seek an alternative admission to listing, trading and/or quotation for the Notes on a different section of the LSE or by such other listing authority, stock exchange and/or quotation system inside or outside the European Union as we may decide. Although we cannot assure you as to the liquidity that may result from a listing on the LSE, delisting the Notes from the LSE may have a material effect on the ability of holders of the Notes to resell the Notes in the secondary market.

**Acceleration Event**

If BCP fails to make payment of principal of or interest or Additional Amounts, if any, on the Notes (and, in the case of payment of interest or Additional Amounts, such failure to pay continues for 30 days), each holder of the Notes has the right to demand and collect under the indenture and BCP will pay to the holders of the Notes the applicable amount of such due and payable principal, accrued interest and Additional Amounts, if any, on the Notes. **There is no right of acceleration in the case of a default in any payment on the Notes (whether when due, upon redemption or otherwise) or the performance of any of BCP's other obligations under the indenture or the Notes.**

Acceleration of any payments due under the Notes will occur only upon the occurrence and continuation of an Acceleration Event. In the event that BCP becomes subject to Intervention, the rate at which interest will accrue on the Notes (to the extent the Notes have not been used to absorb losses) during the Intervention and liquidation process will be limited to the legal interest rate for dollar-denominated indebtedness determined by the Central Bank.

Pursuant to the Peruvian Banking Law, upon Intervention by the SBS, the operations of BCP will be interrupted in order to prevent, or to control and reduce the effects of, a BCP failure. Upon Intervention by the SBS and subsequent liquidation, the Notes may be used to absorb losses. See "—Loss Absorption."

**Modification of the Indenture**

Subject to applicable Peruvian Banking Law, and with the prior approval of the SBS (if then required), BCP and the trustee may, without the consent of the holders of the Notes, amend, waive or supplement the indenture or the Notes for certain specified purposes, including, among other things, curing ambiguities, defects, omissions or inconsistencies, to conform the text of the indenture or the Notes to any provision in this "Description of the Notes" or making any other provisions with respect to matters or questions arising under the indenture or the Notes or making any other change as will not adversely affect the interests of any holder of the Notes in any material respect.

Without the consent of any holder of the Notes, we and the trustee may amend the indenture to evidence the assumption by a successor corporation of our covenants contained in the indenture and the Notes, to add to our covenants, or to surrender any right or power conferred by the indenture upon us, for the benefit of the holders of the Notes, to establish any form of security as provided for in the indenture and the issuance of and terms thereof, to add to the rights of the holders of the Notes and to evidence and provide for the acceptance of a successor trustee.

In addition, with certain exceptions and subject to applicable Peruvian Banking Law, and with the prior approval of the SBS (if required), BCP and the trustee may amend, waive or supplement the indenture or the Notes with the consent of the holders of at least a majority in aggregate principal amount of the Notes then outstanding, but no such modification may be made without the consent of the holder of each outstanding Note affected thereby which would:

(i) change the maturity of any payment of principal of or any installment of interest on any Note, or reduce the principal amount thereof or the interest or premium payable thereon, or change the method of computing the amount of principal thereof or interest or premium, if any, payable thereon on any date or change any place of payment where, or the coin or currency in which, any principal or interest or premium thereon are payable, or impair the right of holders to institute suit for the enforcement of any such payment on or after the date when due; or

(ii) reduce the percentage in aggregate principal amount of the outstanding Notes, the consent of whose holders is required for any such amendment, supplement or waiver, or the consent of whose holders is required for any waiver of compliance with certain provisions of the indenture or certain defaults thereunder and their consequences provided for in the indenture; or

(iii) modify any of the provisions of certain sections of the indenture with respect to the Notes, including the provisions summarized in this paragraph, except to increase any such percentage or to provide that certain other provisions of the indenture cannot be modified or waived without the consent of the holder of each outstanding Note affected thereby.

Any amendment to, or waiver of, the subordination provisions of the indenture that adversely affects the rights of the holders of the Notes will require the consent of the holders of at least 75% in aggregate principal amount of Notes then outstanding.

The indenture provides that the Notes owned by us or any of our affiliates shall be deemed not to be outstanding for, among other purposes, consenting to any such modification.

**Registrar, Calculation Agent, Transfer Agent and Paying Agents**

The Bank of New York Mellon will act as our agent as security registrar for the Notes. The Bank of New York Mellon will also act as our agent as paying agent and calculation agent for the Notes. We have the right at any time to vary or terminate the appointment of any paying agents and to appoint additional or successor paying agents in respect of the Notes. Registration of transfers of the Notes will be effected without charge, but upon payment (with the giving of such indemnity as we and the security registrar may require) in respect of any tax or other governmental charges that may be imposed in relation to it. We will not be required to register or cause to be registered the transfer of the Notes after the Notes have been called for redemption. Application has been made to admit the Notes for listing on the Official List of the LSE and to trading on the Euro MTF Market. As long as the Notes are listed on this market, we will also maintain a paying agent and a transfer agent in Luxembourg.

**The Trustee**

The Bank of New York Mellon is the trustee under the indenture. The indenture provides that during the existence of a default under the Notes or the indenture, the trustee will exercise the rights and powers vested in it by the indenture, using the same degree of care and skill as a prudent person would exercise or use under the circumstances in the conduct of his own affairs. In the absence of a default under the Notes or the indenture, the trustee need only perform the duties specifically set forth in the indenture. The indenture does not contain limitations on the rights of the trustee under the indenture, should it become our creditor, to obtain payment of claims. The trustee is not precluded from engaging in other transactions and, if it acquires any conflicting interest, it is not required to eliminate such conflict or resign. The address of the trustee is The Bank of New York Mellon, 101 Barclay Street, Floor 4 East, New York, New York 10286.

**Notices**

Notice to holders will be given by mail to the addresses of such holders as they appear in the security register.

From and after the date the Notes are listed on the Euro MTF Market and so long as a listing on the Euro MTF Market is maintained or is required by the rules of the LSE, all notices to holders of Notes will be published in English:

(1) in a leading newspaper having a general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*); or

(2) if such Luxembourg publication is not practicable, in one other leading English language newspaper being published on each day in morning editions, whether or not it shall be published in Saturday, Sunday or holiday editions.

Any notice to holders may also be published on the website of the Luxembourg Stock Exchange (www.bourse.lu). Notices shall be deemed to have been given on the date of publication as aforesaid or, if published on different dates, on the date of the first such publication.

Notices to be given to holders of a global note will be given only to DTC in accordance with its applicable policies as in effect from time to time. Notices to be given to holders of Notes not in global form will be sent by mail to the respective addresses of the holders as they appear in the security register maintained by the security registrar, and will be deemed given when mailed. Neither the failure to give notice to a particular holder, nor the defect in a notice given to a particular holder, will affect the sufficiency of any notice given to another holder.

**Governing Law; Submission to Jurisdiction**

The Notes are being issued as redeemable subordinated debt under Article 233 of the Peruvian Banking Law, and the indenture provides that it and the Notes will be governed by, and be construed in accordance with, the laws of the State of New York, without giving effect to the applicable principles of conflict of laws.

BCP has consented to the jurisdiction of any court of the State of New York or any United States Federal court sitting, in each case, in the Borough of Manhattan, The City of New York, New York, United States, and any appellate court from any of these courts, and to the courts of our own corporate domicile, in respect of actions brought against us as defendants, and have waived any immunity from the jurisdiction of these courts over any suit, action or proceeding that may be brought by the trustee or a holder based upon the indenture and the Notes and have waived any right to be sued in any other jurisdiction to which we may be entitled on account of place of residence and domicile. We have appointed National Registered Agents, Inc. as our initial authorized agent upon which all writs, process and summonses may be served in any suit, action or proceeding brought by the trustee or a holder based upon the indenture or the Notes against us in any court of the State of New York or any United States Federal court sitting in the Borough of Manhattan, The City of New York and have agreed that such appointment shall be irrevocable so long as any of the Notes remain outstanding or until the irrevocable appointment by us of a successor in The City of New York as its authorized agent for such purpose and the acceptance of such appointment by such successor.

**Certain Definitions**

"*Acceleration Event*" means that the SBS has entered a decree or order for Intervention of BCP or for the appointment of a custodian, conservator, receiver, liquidator, assignee, trustee, sequestrator or other similar official in any liquidation, insolvency or similar proceeding with respect to BCP or all or substantially all of its property, in each case pursuant to the Peruvian Banking Law; and such decree or order has been communicated by the SBS to BCP.

"*Business Day*" means a day that is a day other than Saturday, Sunday or a day on which banking institutions in New York City, United States, Panama City, Panama or Lima, Peru, generally are authorized or required by law, regulation or executive order to remain closed.

"*Comparable Treasury Issue*" means the United States Treasury security or securities selected by an Independent Investment Banker as having an actual or interpolated maturity of September 16, 2021, that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of a comparable maturity to the remaining term of such Notes.

"*Comparable Treasury Price*" means, with respect to any redemption date (1) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest such Reference Treasury Dealer Quotation or (2) if the Quotation Agent obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations.

"*Designated LIBOR Page*" means Reuters Screen "LIBOR 01" Page, or any successor service (or any other service or services of major banks for the purpose of displaying the London interbank offered rates for U.S. dollar deposits).

"*Determination Date*" means, with respect to any Interest Reset Period, the second London Banking Day preceding the first day of such Interest Reset Period.

"*G-20*" means the Group of Twenty (G-20) Finance Ministers and Central Bank Governors.

"*Independent Investment Banker*" means one of the Reference Treasury Dealers appointed by BCP.

"*Interest Reset Period*" means each period during the floating rate period commencing on and including an interest payment date and ending on but excluding the next succeeding interest payment date. The first Interest Reset Period shall commence on and include September 16, 2021.

"*Junior Securities*" means (i) all hybrid instruments of BCP which qualify as consolidated Tier I and Tier II Regulatory Capital, as applicable; (ii) all classes of BCP's capital stock and preferred stock and (iii) any other securities or obligations of BCP which rank *pari passu* with any class of BCP's capital stock with respect to the payment of dividends and distributions of assets upon liquidation, dissolution or winding up.

"*LIBOR*" means, with respect to any Interest Reset Period, the rate (expressed as a percentage per annum) for deposits in United States dollars for a three-month period beginning on the second London Banking Day after the Determination Date that appears on the Designated LIBOR Page as of 11:00 a.m., London time, on the Determination Date. If the Designated LIBOR Page does not include this rate or is unavailable on the Determination Date, the calculation agent will determine LIBOR as follows:

- BCP will select the principal London office of each of four major banks in the London interbank market, and request each bank to provide its offered quotation (expressed as a percentage per annum) as of approximately 11:00 a.m., London time, on the Determination Date to prime banks in the London interbank market for deposits in a Representative Amount in United States dollars for a three-month period beginning on the second London Banking Day after the Determination Date. BCP will notify the calculation agent in writing of each such quotation. If at least two offered quotations are so provided, the calculation agent will compute LIBOR for the Interest Reset Period as the arithmetic mean of those quotations.

- If fewer than two quotations are so provided, BCP will select three major banks in New York City, and request that each bank provide its rate (expressed as a percentage per annum), as of approximately 11:00 a.m., New York City time, on the Determination Date for loans in a Representative Amount in United States dollars to leading European banks for a three-month period beginning on the second London Banking Day after the Determination Date. BCP will notify the calculation agent in writing of each such quotation. If at least two rates are so provided, the calculation agent will compute LIBOR for the Interest Reset Period as the arithmetic mean of those rates.

- If fewer than two rates are so provided, then LIBOR for the Interest Reset Period will be LIBOR in effect with respect to the immediately preceding Interest Reset Period or, in the case of the first Interest Reset Period, 2.167%.

The calculation agent may conclusively rely on any quotations that we provide to it and any information obtained from the Designated LIBOR Page.

"*London Banking Day*" means any day in which dealings in United States dollars are transacted or, with respect to any future date, are expected to be transacted in the London interbank market.

"*Parity Securities*" means (i) all securities or other subordinated obligations of BCP which qualify as consolidated Tier II Regulatory Capital of BCP and (ii) any other securities or obligations of BCP which rank (pursuant to mandatory provisions of law or otherwise) or are expressed to rank, *pari passu* with BCP's obligations under the Notes.

"*Person*" means an individual, partnership, corporation, limited liability company, unincorporated organization, trust or joint venture, or a governmental agency or political subdivision thereof.

"*Peruvian Banking Law*" means the *Ley General del Sistema Financiero y de Seguros y Orgánica de la Superintendencia de Banca y Seguros*, Law 26702, as amended, replaced or supplemented from time to time.

"*Peruvian GAAP*" means generally accepted accounting principles as prescribed by the SBS for banks licensed to operate in Peru, consistently applied, which are in effect from time to time.

"*Peruvian Governmental Authority*" means the government of Peru or any political subdivision thereof, whether federal, state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other Person exercising executive, legislative, judicial, taxing, regulatory or administrative powers, or functions of or pertaining to a government with jurisdiction, over BCP.

"*Quotation Agent*" means an internationally recognized investment bank other than the Reference Treasury Dealers.

"*Reference Treasury Dealer*" means Merrill Lynch, Pierce, Fenner & Smith Incorporated and Morgan Stanley & Co. LLC, or their respective affiliates which are primary United States government securities dealers and not less than two other leading primary United States government securities dealers in New York City reasonably designated by us; provided, however, that if any of the foregoing shall cease to be a primary United States government securities dealer in New York City (a "Primary Treasury Dealer"), we will substitute therefor another Primary Treasury Dealer.

"*Reference Treasury Dealer Quotation*" means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Quotation Agent, of the bid and asked price for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Quotation Agent by such Reference Treasury Dealer at 3:30 p.m. New York time on the third business day preceding such redemption date.

"*Regulatory Capital*" has the meaning assigned to the term *Patrimonio Efectivo* under the Peruvian Banking Law and in regulations issued by the SBS, as the same may be amended, restated, supplemented or replaced from time to time.

"*Representative Amount*" means a principal amount that is representative for a single transaction in the relevant market at the relevant time.

"*SBS*" means the Peruvian Superintendency of Banks, Insurance and Private Pension Fund Administrators (*Superintendencia de Banca, Seguros y Administradoras Privadas de Fondos de Pensiones*).

"*Senior Obligations*" means (a) all claims of BCP's unsubordinated creditors and other claims and obligations that rank senior in right of payment under mandatory provisions of Peruvian law, including all labor claims of BCP's employees, all claims of BCP's depositors and all claims of the Peruvian social security administration (*Seguro Social de Salud*) for healthcare obligations and claims for taxes; and (b) all claims of all of BCP's other creditors, except those whose claims rank, or are expressed to rank, *pari passu* with, or junior to, the claims of holders of Parity Securities.

"*Subsidiary*" means any corporation or other business entity of which BCP owns or controls (either directly or through one or more other Subsidiaries) more than 50% of the issued share capital or other ownership interests, in each case having ordinary voting power to elect or appoint directors, managers or trustees of such corporation or other business entity (whether or not capital stock or other ownership interests or any other class or classes shall or might have voting power upon the occurrence of any contingency).

"*Tier I Regulatory Capital*" means the tier 1 regulatory capital (*patrimonio efectivo básico o de nivel 1*) of BCP calculated in accordance with article 184(A) of the Peruvian Banking Law, as amended, restated, supplemented or replaced from time to time.

"*Tier II Regulatory Capital*" means the tier 2 regulatory capital (*patrimonio efectivo de nivel 2*) of BCP calculated in accordance with article 184(B) of the Peruvian Banking Law, as amended, restated, supplemented or replaced from time to time.

"*Tier III Regulatory Capital*" means the tier 3 regulatory capital (*patrimonio efectivo de nivel 3*) of BCP calculated in accordance with article 184(B) of the Peruvian Banking Law, as amended, restated, supplemented or replaced from time to time.

"*Treasury Rate*" means, with respect to any redemption date, the rate per annum equal to the semi-annual equivalent yield to maturity or interpolated maturity (on a day count basis) of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

**Book-Entry System; Delivery and Form**

The Notes are being offered and sold in connection with the initial offering thereof solely to "qualified institutional buyers," as that term is defined in Rule 144A under the Securities Act, pursuant to Rule 144A, and in offshore transactions to persons other than "U.S. persons," as defined in Regulation S under the Securities Act, in reliance on Regulation S. Following the initial offering of the Notes, the Notes may be resold to qualified institutional buyers pursuant to Rule 144A, non-U.S. persons in offshore transactions in reliance on Regulation S, and pursuant to Rule 144 under the Securities Act, as described under "Notice to Investors."

***The Global Notes***

*Rule 144A Global Note*

Notes offered and sold to qualified institutional buyers pursuant to Rule 144A will initially be issued in the form of one or more registered Notes in global form, without interest coupons. The Rule 144A global Note will be deposited on the date of the closing of the sale of the Notes with, or on behalf of, The Depository Trust Company, or DTC and registered in the name of Cede & Co., as nominee of DTC, and will remain in the custody of The Bank of New York Mellon, as custodian pursuant to the FAST Balance Certificate Agreement between DTC and The Bank of New York Mellon, as custodian. Interests in the Rule 144A global note will be available for purchase only by qualified institutional buyers.

*Regulation S Global Note*

Notes offered and sold in offshore transactions to non-U.S. persons in reliance on Regulation S under the Securities Act will initially be issued in the form of one or more registered notes in global form, without interest coupons. The Regulation S global note will be deposited upon issuance with, or on behalf of, a custodian for DTC in the manner described in the preceding paragraph for credit to the respective accounts of the purchasers, or to such other accounts as they may direct, at Euroclear Bank S.A./N.V., as operator of the Euroclear System ("Euroclear") or Clearstream Banking, *société anonyme* ("Clearstream") as participants in DTC.

Investors may hold their interests in the Regulation S global note directly through Euroclear or Clearstream, if they are participants in such systems, or indirectly through organizations which are participants in such systems. After the expiration of the Restricted Period (defined below under "—Exchanges Among the Global Notes"), investors may also hold such interests through organizations other than Euroclear or Clearstream that are participants in the DTC system. Euroclear and Clearstream will hold such interests in the Regulation S global note on behalf of their participants through customers' securities accounts in their respective names on the books of their respective depositaries. Such depositaries, in turn, will hold such interests in the Regulation S global note in customers' securities accounts in the depositaries' names on the books of DTC.

Except as set forth below, the Rule 144A global note and the Regulation S global note, collectively referred to in this section as the "global notes," may be transferred, in whole and not in part, solely to another nominee of DTC or to a successor of DTC or its nominee. Beneficial interests in respect of the global notes may not be exchanged for Notes in physical, certificated form (referred to as "certificated notes") except in the limited circumstances described below.

The Notes will be subject to certain restrictions on transfer and will bear a restrictive legend as set forth under "Notice to Investors."

All interests in the global notes, including those held through Euroclear or Clearstream, may be subject to the procedures and requirements of DTC. Those interests held through Euroclear or Clearstream may also be subject to the procedures and requirements of such systems.

***Exchanges Among the Global Notes***

Prior to the 40th day after the later of the commencement of the offering of the Notes and the date of the closing of the sale of the Notes (through and including the 40th day, the "Restricted Period"), transfers by an owner of a beneficial interest in respect of the Regulation S global note to a transferee who takes delivery of this interest through the Rule 144A global note will be made only in accordance with applicable procedures and upon receipt by the trustee of a written certification from the transferor of the beneficial interest in the form provided in the indenture to the effect that such transfer is being made to a person whom the transferor reasonably believes is a qualified institutional buyer within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A. Such written certification will no longer be required after the expiration of the Restricted Period.

Transfers by an owner of a beneficial interest in respect of the Rule 144A global note to a transferee who takes delivery of such interest through the Regulation S global note, whether before or after the expiration of the Restricted Period, will be made only upon receipt by the trustee of a certification from the transferor in the form provided in the indenture to the effect that such transfer is being made in accordance with Regulation S or (if available) Rule 144 under the Securities Act and that, if such transfer is being made prior to the expiration of the Restricted Period, the interest transferred will be held immediately thereafter through Euroclear or Clearstream.

Any beneficial interest in respect of one of the global notes that is transferred to a person who takes delivery in the form of an interest in another global note will, upon transfer, cease to be an interest in such global note and become an interest in the other global note and, accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to beneficial interests in such other global note for as long as it remains such an interest.

***Certain Book-Entry Procedures for the Global Notes***

The descriptions of the operations and procedures of DTC, Euroclear and Clearstream set forth below are provided solely as a matter of convenience. These operations and procedures are solely within the control of the respective settlement systems and are subject to change by them from time to time. Neither we, the trustee, any paying agent, security registrar, calculation agent, transfer agent nor the initial purchasers take any responsibility for these operations or procedures, and investors are urged to contact the relevant system or its participants directly to discuss these matters.

DTC has advised us that it is (i) a limited purpose trust company organized under the laws of the State of New York, (ii) a "banking organization" within the meaning of the New York Banking Law, (iii) a member of the Federal Reserve System, (iv) a "clearing corporation" within the meaning of the Uniform Commercial Code, as amended, and (v) a "clearing agency" registered pursuant to Section 17A of the Exchange Act. DTC was created to hold securities for its participants and facilitates the clearance and settlement of securities transactions between participants through electronic book-entry changes to the accounts of its participants, thereby eliminating the need for physical transfer and delivery of certificates. DTC's participants include securities brokers and dealers (including the initial purchasers), banks and trust companies, clearing corporations and certain other organizations. Indirect access to DTC's system is also available to other entities such as banks, brokers, dealers and trust companies, or indirect participants that clear through or maintain a custodial relationship with a participant, either directly or indirectly. Investors who are not participants may beneficially own securities held by or on behalf of DTC only through participants or indirect participants.

We expect that pursuant to procedures established by DTC (i) upon deposit of each global note, DTC will credit the accounts of participants designated by the initial purchasers with an interest in the global note and (ii) ownership of the Notes will be shown on, and the transfer of ownership thereof will be effected only through, records maintained by DTC (with respect to the interests of participants) and the records of participants and the indirect participants (with respect to the interests of persons other than participants).

The laws of some jurisdictions may require that certain purchasers of securities take physical delivery of such securities in definitive form. Accordingly, the ability to transfer interests in the Notes represented by a global note to such persons may be limited. In addition, because DTC can act only on behalf of its participants, who in turn act on behalf of persons who hold interests through participants, the ability of a person having an interest in Notes represented by a global note to pledge or transfer such interest to persons or entities that do not participate in DTC's system, or to otherwise take actions in respect of such interest, may be affected by the lack of a physical definitive security in respect of such interest.

So long as DTC or its nominee is the registered owner of a global note, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by the global note for all purposes under the indenture. Except as provided below, owners of beneficial interests in respect of a global note will not be entitled to have Notes represented by such global note registered in their names, will not receive or be entitled to receive physical delivery of certificated Notes, and will not be considered the owners or holders thereof under the indenture for any purpose, including with respect to the giving of any direction, instruction or approval to the trustee thereunder. Accordingly, each holder owning a beneficial interest in respect of a global note must rely on the procedures of DTC and, if such holder is not a participant or an indirect participant, on the procedures of the participant through which such holder owns its interest, to exercise any rights of a holder of Notes under the indenture or such global note. We understand that under existing industry practice, in the event that we request any action of holders of Notes, or a holder that is an owner of a beneficial interest in respect of a global note desires to take any action that DTC, as the holder of such global note, is entitled to take, DTC would authorize the participants to take such action and the participants would authorize holders owning through such participants to take such action or would otherwise act upon the instruction of such holders. Neither we nor the trustee or any paying agent, calculation agent, security registrar or transfer agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of Notes by DTC, or for maintaining, supervising or reviewing any records of DTC relating to such Notes.

Payments with respect to the principal of, premium, if any, liquidated damages, if any, and interest on any Notes represented by a global note registered in the name of DTC or its nominee on the applicable record date will be payable by the trustee to or at the direction of DTC or its nominee in its capacity as the registered holder of the global note representing such Notes under the indenture. Under the terms of the indenture, we and the trustee, the calculation agent, the paying agents, the security registrar and the transfer agents may treat the persons in whose names the Notes, including the global notes, are registered as the owners thereof for the purpose of receiving payment thereon and for any and all other purposes whatsoever. Accordingly, neither we nor the trustee, any paying agent, calculation agent, security registrar or transfer agent has or will have any responsibility or liability for the payment of such amounts to owners of beneficial interests in respect of a global note (including principal, premium, if any, liquidated damages, if any, and interest). Payments by the participants and the indirect participants to the owners of beneficial interests in respect of a global note will be governed by standing instructions and customary industry practice and will be the responsibility of the participants or the indirect participants and DTC.

Transfers between participants in DTC will be effected in accordance with DTC's procedures, and will be settled in same-day funds. Transfers between participants in Euroclear or Clearstream will be effected in the ordinary way in accordance with their respective rules and operating procedures.

Subject to compliance with the transfer restrictions applicable to the Notes, cross-market transfers between the participants in DTC, on the one hand, and Euroclear or Clearstream participants, on the other hand, will be effected through DTC in accordance with DTC's rules on behalf of Euroclear or Clearstream, as the case may be, by its respective depositary. However, such cross-market transactions will require delivery of instructions to Euroclear or Clearstream, as the case may be, by the counterparty in such system in accordance with the rules and procedures and within the established deadlines (Brussels time) of such system. Euroclear or Clearstream, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to its respective depositary to take action to effect final settlement on its behalf by delivering or receiving interests in the relevant global notes in DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Euroclear participants and Clearstream participants may not deliver instructions directly to the depositaries for Euroclear or Clearstream.

Because of time zone differences, the securities account of a Euroclear or Clearstream participant purchasing an interest in a global note from a participant in DTC will be credited, and any such crediting will be reported to the relevant Euroclear or Clearstream participant, during the securities settlement processing day (which must be a business day for Euroclear and Clearstream) immediately following the settlement date of DTC. Cash received in Euroclear or Clearstream as a result of sales of interest in a global note by or through a Euroclear or Clearstream participant to a participant in DTC will be received with value on the settlement date of DTC but will be available in the relevant Euroclear or Clearstream cash account only as of the business day for Euroclear or Clearstream following DTC's settlement date.

Although DTC, Euroclear and Clearstream have agreed to the foregoing procedures to facilitate transfers of interests in the global notes among participants in DTC, Euroclear and Clearstream, they are under no obligation to perform or to continue to perform such procedures, and such procedures may be discontinued at any time. Neither we nor the trustee or any calculation agent, paying agent, security registrar or transfer agent will have any responsibility for the performance by DTC, Euroclear or Clearstream or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

#### *Certificated Notes*

If (i) we notify the trustee in writing that DTC is no longer willing or able to act as a depositary or DTC ceases to be registered as a clearing agency under the Exchange Act and a successor depositary is not appointed within 90 days of such notice or cessation, (ii) we, at our option, notify the trustee in writing that we elect to cause the issuance of certificated notes under the indenture, (iii) upon the request of any holder subsequent to the occurrence of any default under the indenture or (iv) upon the occurrence of certain other events as provided in the indenture, then, upon surrender by DTC of the global notes, certificated notes will be issued to each person that DTC identifies as the beneficial owner of the Notes represented by the global notes. Upon any such issuance, the trustee is required to register such certificated notes in the name of such person or persons (or the nominee of any thereof) and cause the same to be delivered thereto.

Neither we nor the trustee, any calculation agent, paying agent, security registrar or transfer agent shall be liable for any delay by DTC or any participant or indirect participant in identifying the beneficial owners of the related Notes and each such person may conclusively rely on, and shall be protected in relying on, instructions from DTC for all purposes (including with respect to the registration and delivery, and the respective principal amounts, of the Notes to be issued).

### Replacement of Notes

In case of mutilated, destroyed, lost or stolen Notes, application for replacement thereof may be made to the trustee or us. Any such Note shall be replaced by the trustee in compliance with such procedures, on such terms as to evidence and indemnification as the trustee and we may require and subject to any applicable law or regulation. All such costs as may be incurred in connection with the replacement of any Notes shall be borne by the applicant. Mutilated Notes must be surrendered before new ones will be issued.

## BENEFIT PLAN CONSIDERATIONS

The notes may be purchased and held by or with the assets of an employee benefit plan subject to Title I of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), an individual retirement account or other plan subject to Section 4975 of the Code (collectively, "Plans") or an employee benefit plan sponsored by a state or local government or otherwise subject to laws that include restrictions substantially similar to Section 406 of ERISA or Section 4975 of the Code ("similar laws"). A fiduciary of an employee benefit plan subject to ERISA must determine that the purchase and holding of notes is consistent with its fiduciary duties under ERISA.

In addition, Section 406 of ERISA and Section 4975 of the Code prohibit certain transactions involving the assets of a Plan and persons who have specified relationships to the Plan, *i.e.*, "parties in interest" as defined in ERISA or "disqualified persons" as defined in Section 4975 of the Code (collectively referred to as "parties in interest"), unless exemptive relief is available under a class exemption issued by the U.S. Department of Labor or a statutory exemption. Parties in interest that engage in a non-exempt prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and Section 4975 of the Code. We, and our current and future affiliates, may be parties in interest with respect to many Plans. Thus, each fiduciary who is, or is acting on behalf of, a Plan or a plan subject to similar laws must determine whether an investment in the notes might constitute or give rise to a non-exempt prohibited transaction under ERISA or Section 4975 of the Code or any similar law. Each purchaser or holder of the notes, and each fiduciary who causes any entity to purchase or hold the notes will be deemed by its purchase and holding to have represented and warranted on each day such purchaser or holder holds such notes, that either (i) it is neither a Plan nor a plan subject to similar laws and it is not purchasing or holding notes on behalf of or with the assets of any Plan or plan subject to similar laws; or (ii) its purchase, holding and subsequent disposition of the notes shall not constitute or give rise to a non-exempt prohibited transaction under Section 406 of ERISA, Section 4975 of the Code or any similar law.

Fiduciaries of any Plans or plans subject to similar law should consult their own legal counsel before purchasing the notes. Each purchaser of notes will have exclusive responsibility for ensuring that its purchase, holding and subsequent disposition of the notes does not violate the fiduciary or prohibited transaction rules of ERISA, the Code or any similar laws. Nothing herein shall be construed as a representation that an investment in the notes would meet any or all of the relevant legal requirements with respect to investments by, or is appropriate for, Plans or plans subject to similar law generally or any particular Plan or plan subject to similar law.

## TAXATION

The following discussion summarizes certain Peruvian, Panamanian and U.S. federal income tax considerations that may be relevant to you if you purchase, own or sell the notes. This summary is based on laws, regulations, rulings and decisions now in effect in each of these jurisdictions, including any relevant tax treaties. Any change could apply retroactively and could affect the continued validity of this summary.

**This summary does not describe all of the tax considerations that may be relevant to you or your situation, particularly if you are subject to special tax rules.**

You should consult your tax advisor about the tax consequences of acquiring, holding and disposing of the notes, including the relevance to your particular situation of the considerations discussed below, as well as of state, local or other tax laws.

### Peruvian Tax Considerations

The following summary of certain Peruvian tax matters as in force on the date of this offering memorandum describes the principal tax consequences of an investment in the notes by a person or an entity who is not domiciled in Peru for tax purposes. This summary does not intend to be a comprehensive description of all of the tax considerations that may be relevant to a decision to make an investment in the notes. In addition, it does not intend to describe any tax consequences: (i) arising under the laws of any taxing jurisdiction other than Peru or (ii) applicable to a person or entity domiciled in Peru or to the permanent establishment of foreign entities in Peru.

In this section, the term "Peruvian Holder" means a beneficial owner of a note who, for Peruvian income tax purposes, is treated as a resident of Peru. A legal entity is treated as a Peruvian tax resident if it has been incorporated in Peru, or if it is deemed to be a permanent establishment in Peru of a foreign entity. An individual is deemed to be a Peruvian tax resident if such individual (i) is a Peruvian citizen and has a regular residence in Peru or, (ii) is not a Peruvian citizen but has resided in Peru for a period of at least 183 days during any 12-month period.

The term "Non-Peruvian Holder" means a beneficial owner of a note who is not a Peruvian Holder.

Peru has entered into treaties with various countries to avoid double taxation, and is in the process of entering into similar treaties with Spain. The following are the countries with which Peru has executed treaties to avoid double taxation, all of which are currently in effect: Bolivia, Brazil, Canada, Chile, Colombia and Ecuador.

*Payment of Interest*

In the case of Non-Peruvian Holders, interest paid on debt is subject to income tax withholding, which generally would be imposed at a rate of 30%. However, interest paid on bonds and other debentures issued by Peruvian financial entities are subject to income tax withholding at a preferential rate of 4.99%. Accordingly, interest paid on the notes will be subject to withholding at this preferential rate of 4.99%.

We are required to act as withholding agent for any income tax due with respect to interest paid on the notes. We have agreed, subject to specified exceptions and limitations, to pay additional amounts to the holders of the notes in respect of the Peruvian income taxes mentioned above. See "Description of the Notes—Additional Amounts."

*Sale of the Notes*

Any gain arising from the sale, exchange or other disposition of the beneficial interest in the notes would not be subject to Peruvian income tax, except with respect to Peruvian Holders. Prospective purchasers should discuss with their own tax advisors the application of any income tax described herein to their particular situations.

*Financial Transaction Tax*

Deposits in and withdrawals from accounts held in Peruvian banks or other financial institutions, whether in Nuevos Soles or foreign currency, are levied with a financial transactions tax ("FTT") at a 0.005% rate. Therefore, FTT will levy the price paid for and the interest resulting from the notes if deposited in or withdrawn from a Peruvian bank or other financial institution, as the case may be.

**Panamanian Tax Considerations**

Payments of interest on the notes to any holder thereof not domiciled in Panama and not generating taxable income in Panama, will not be subject to income tax or withholding requirements in Panama; *provided*, that the net proceeds received by us upon the original issuance and sale of the notes are not placed, invested or economically utilized in Panama and our income is realized exclusively from activities outside Panama. A holder of a note not domiciled in Panama and not generating taxable income in Panama, will not be subject to income tax in Panama on any gain realized on the sale, exchange or retirement of a note; *provided,* that the proceeds received by us upon the original issuance and sale of the notes are not placed, invested or economically utilized in Panama and our income is realized exclusively from activities outside Panama.

Commissions charged in connection with credit facilities extended by financial institutions to natural persons or entities not domiciled in Panama are not subject to value added tax.

We do not intend to place, invest or economically utilize in Panama the proceeds that we will receive upon the original issuance and sale of the notes, or to conduct business activities in Panama.

On November 30, 2010, Panama and the United States of America signed an Agreement for Taxation Cooperation and the Exchange of Taxation Information, which entered in effect on April 18, 2011.

Panama has entered into treaties to avoid double taxation with the following countries: Mexico, Barbados, Portugal, Qatar, the Netherlands, Spain, Luxembourg, South Korea, Singapore, France and Italy. Of these, only the double taxation treaties of Mexico, Barbados, Portugal, Qatar, Luxembourg, Spain, the Netherlands, Singapore, South Korea and Italy have been ratified by the Legislative Assembly of Panama, and only the treaties with Mexico and Spain are currently in force.

The above summary is based upon statutes, regulations, rulings and opinions as in effect on the date hereof.

**U.S. Federal Income Tax Considerations**

THIS DISCLOSURE IS LIMITED TO THE U.S. FEDERAL INCOME TAX ISSUES ADDRESSED HEREIN. ADDITIONAL ISSUES MAY EXIST THAT ARE NOT ADDRESSED IN THIS DISCLOSURE AND THAT COULD AFFECT THE U.S. FEDERAL INCOME TAX TREATMENT OF THE NOTES. THIS TAX DISCLOSURE WAS WRITTEN IN CONNECTION WITH THE PROMOTION OR MARKETING BY THE COMPANY OF THE NOTES, AND IT CANNOT BE USED BY ANY U.S. TAXPAYER FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE ASSERTED AGAINST THE HOLDER UNDER THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"). U.S. TAXPAYERS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

The following is a description of certain U.S. federal income tax consequences that may be relevant to the acquisition, ownership and disposition of the notes by U.S. Holders, as defined below. This description addresses only the U.S. federal income tax considerations applicable to U.S. Holders that purchase notes pursuant to this offering for the "issue price," which will equal the first price to the public (not including bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) at which a substantial amount of the notes is sold for money and that will hold the notes as capital assets (generally, assets held for investment). This description does not address tax considerations applicable to holders that may be subject to special tax rules, including:

- certain financial institutions;
- insurance companies;
- real estate investment trusts or regulated investment companies;

- dealers or traders in securities;
- tax-exempt entities;
- persons that will hold the notes as part of a "conversion" transaction or as a position in a "straddle" for U.S. federal income tax purposes;
- persons subject to the U.S. federal alternative minimum tax;
- persons that have a "functional currency" other than the U.S. dollar; or
- partnerships or other entities classified as partnerships for U.S. federal income tax purposes.

The U.S. federal income tax treatment of a partner in a partnership (including any entity classified as a partnership for U.S. federal income tax purposes) that holds notes will depend on the status of the partner and the activities of the partnership. Prospective purchasers that are partnerships and partners in such partnerships should consult their tax advisors concerning the U.S. federal income tax consequences to them of the acquisition, ownership and disposition of the notes by the partnership.

This description is based on the Code, existing, proposed and temporary U.S. Treasury Regulations and judicial and administrative interpretations thereof, in each case as of the date hereof. U.S. tax laws and the interpretation thereof are subject to change, which change could apply retroactively and could affect the tax consequences described below.

For purposes of this description, a "U.S. Holder" is a beneficial owner of the notes for U.S. federal income tax purposes that is:

- a citizen or individual resident of the United States;
- a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States or any state thereof, including the District of Columbia; or
- an estate or trust the income of which is subject to U.S. federal income taxation regardless of its source.

This discussion does not address any U.S. federal tax consequences other than U.S. federal income tax consequences (such as the estate and gift tax or the Medicare tax on net investment income). This discussion also does not address U.S. state, local and non-U.S. tax consequences. You should consult your tax advisor with respect to the U.S. federal, state, local and non-U.S. tax consequences of acquiring, owning or disposing of the notes, in your particular circumstances.

We intend to treat the notes as debt for U.S. federal income tax purposes. It is possible, however, that the Internal Revenue Service ("IRS") would take the position that the notes should be treated as equity for these purposes because of the limited acceleration rights and loss absorption features of the notes. Even if the notes were treated as equity for these purposes, we do not expect this treatment to result in any significant adverse U.S. federal income tax consequences to U.S. Holders. The balance of the discussion assumes that our position that the notes are debt will be respected.

***Payments of Interest***

Based on applicable Treasury Regulations relating to the accrual of interest and original issue discount on debt instruments that provide for "alternative payment schedules" (such as debt instruments that provide the issuer with an optional right to redeem the debt instruments), we intend to treat the notes as maturing on September 16, 2021. Under this treatment, interest paid on a note (including any Additional Amounts) will be taxable to a U.S. Holder as ordinary interest income at the time it accrues or is received in accordance with the U.S. Holder's method of accounting for federal income tax purposes.

The amount of interest taxable as ordinary income will include any amounts withheld in respect of Peruvian or Panamanian taxes. Interest income earned by a U.S. Holder with respect to a note will constitute foreign-source income for United States federal income tax purposes, which may be relevant to a U.S. Holder in calculating the U.S. Holder's foreign tax credit limitation. The limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. In addition, certain Peruvian or Panamanian taxes, if any withheld from interest income on a note may be eligible for credit against the U.S. Holder's United States federal income tax liability, subject to generally applicable limitations and conditions, or, at the election of the U.S. Holder, for deduction in computing the U.S. Holder's taxable income. Generally, only income taxes (or taxes in lieu of income taxes) qualify for the foreign tax credit. The rules governing foreign tax credits are complex and, therefore, U.S. Holders should consult their own tax advisors regarding the availability of foreign tax credits in their particular circumstances.

***Sale, Exchange, Retirement or Other Taxable disposition***

Upon the sale, exchange, retirement or other taxable disposition of a note, a U.S. Holder will recognize taxable gain or loss equal to the difference between the amount realized on the sale, exchange, retirement or other taxable disposition and the U.S. Holder's tax basis in the note. Gain or loss, if any, will generally be U.S.-source income for purposes of computing a U.S. Holder's foreign tax credit limitation. For these purposes, the amount realized does not include any amount attributable to accrued interest, which will be taxed as interest. The U.S. Holder's tax basis in a note generally will equal the U.S. Holder's cost for acquiring the note (minus any amount attributable to accrued interest). The U.S. Holder's gain or loss will be capital gain or loss and will be long-term capital gain or loss if at the time of sale, exchange, retirement or other taxable disposition the note has been held for more than one year.

***Backup Withholding and Information Reporting***

Information returns may be filed with the IRS in connection with payments on the notes and the proceeds from a sale or other disposition of the notes. A U.S. Holder may be subject to U.S. backup withholding on these payments if the U.S. Holder fails to provide its taxpayer identification number to the paying agent and comply with certain certification procedures or otherwise establish an exemption from backup withholding. Backup withholding is not an additional tax. The amount of any backup withholding from a payment to a U.S. Holder will be allowed as a credit against the U.S. Holder's U.S. federal income tax liability and may entitle the U.S. Holder to a refund, provided that the required information is timely furnished to the IRS. U.S. Holders should consult their tax advisors concerning the application of information reporting and backup withholding rules.

## PLAN OF DISTRIBUTION

Subject to the terms and conditions set forth in a purchase agreement among us and the initial purchasers, we have agreed to sell to the initial purchasers, and each of the initial purchasers has agreed, severally and not jointly, to purchase from us, the principal amount of notes set forth opposite its name below.

| Initial Purchaser | Principal Amount of Notes |
|---|---|
| Merrill Lynch, Pierce, Fenner & Smith Incorporated | U.S.$175,000,000 |
| Morgan Stanley & Co. LLC | 175,000,000 |
| **Total** | **U.S.$350,000,000** |

U.S.$126,120,000 principal amount of Notes have been issued pursuant to the exchange offer.

In addition, Credibolsa, our wholly owned subsidiary, is acting as placement agent solely with respect to the placement of the notes in Peru.

Subject to the terms and conditions set forth in the purchase agreement, the initial purchasers have agreed, severally and not jointly, to purchase all of the notes sold under the purchase agreement if any of these notes are purchased.

We have agreed to indemnify the initial purchasers and their controlling persons against certain liabilities in connection with this offering, including liabilities under the Securities Act, or to contribute to payments the initial purchasers may be required to make in respect of those liabilities.

The initial purchasers are offering the notes, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the notes, and other conditions contained in the purchase agreement, such as the receipt by the initial purchasers of officer's certificates and legal opinions. The initial purchasers reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

### Commissions and Discounts

The initial purchasers propose initially to offer the notes at the offering price set forth on the cover page of this offering memorandum. After the initial offering, the offering price or any other term of the offering may be changed. The expenses of the offering, not including the underwriting discount, are estimated at U.S.$1.0 million and are payable by us.

### Notes Are Not Being Registered

The notes have not been registered under the Securities Act or any state securities laws. The initial purchasers propose to offer the notes for resale in transactions not requiring registration under the Securities Act or applicable state securities laws, including sales pursuant to Rule 144A and Regulation S. The initial purchasers will not offer or sell the notes except to persons they reasonably believe to be qualified institutional buyers or pursuant to offers and sales to non-U.S. persons that occur outside of the United States within the meaning of Regulation S. In addition, until 40 days following the commencement of this offering, an offer or sale of notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act unless the dealer makes the offer or sale in compliance with Rule 144A or another exemption from registration under the Securities Act. Each purchaser of the notes will be deemed to have made acknowledgments, representations and agreements as described under "Notice to Investors."

### New Issue of Notes

The notes are a new issue of securities with no established trading market. We have applied to have the notes listed on the Official List of the Luxembourg Stock Exchange for trading on the Euro MTF Market, we cannot assure you that an active market for the notes will develop. We have been advised by the initial purchasers that they may make a market in the notes after completion of the offering. However, they are under no obligation to do so and may discontinue any market-making activities at any time without any notice. We cannot assure the liquidity of the trading market for the notes. If an active trading market for the notes does not develop, the market price and liquidity of the notes may be adversely affected. If the notes are traded, they may trade at a discount from their initial offering price, depending on prevailing interest rates, the market for similar securities, our operating performance and financial condition, general economic conditions and other factors. See "Risk Factors—Risk Factors Relating to the Notes—The notes constitute a new issue of securities for which there is no existing market, and we cannot assure you that you will be able to sell your notes in the future."

**Settlement**

Delivery of the notes was made to investors on September 16, 2011.

**No Sales of Similar Securities**

We have agreed that, for a period of 45 days after the date of this offering memorandum, we will not, without first obtaining the prior written consent of Merrill Lynch, Pierce, Fenner & Smith Incorporated and Morgan Stanley & Co. LLC, directly or indirectly, issue, sell, offer to contract or grant any option to sell, pledge, transfer or otherwise dispose of, any of our debt securities substantially similar to the notes offered hereby in the international capital markets, except for the notes sold to the initial purchasers pursuant to the purchase agreement.

**Short Positions**

In connection with the offering, the initial purchasers may purchase and sell the notes in the open market. These transactions may include short sales and purchases on the open market to cover positions created by short sales. Short sales involve the sale by the initial purchasers of a greater principal amount of notes than they are required to purchase in the offering. The initial purchasers must close out any short position by purchasing notes in the open market. A short position is more likely to be created if the initial purchasers are concerned that there may be downward pressure on the price of the notes in the open market after pricing that could adversely affect investors who purchase in the offering.

Similar to other purchase transactions, the initial purchasers' purchases to cover the syndicate short sales may have the effect of raising or maintaining the market price of the notes or preventing or retarding a decline in the market price of the notes. As a result, the price of the notes may be higher than the price that might otherwise exist in the open market.

Neither we nor any of the initial purchasers make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the notes. In addition, neither we nor any of the initial purchasers make any representation that the initial purchasers will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

**Other Relationships**

Affiliates of the initial purchasers are lenders and arrangers under certain of our debt facilities. Some of the initial purchasers and their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with us or our affiliates. They have received, or may in the future receive, customary fees and commissions for these transactions.

In addition, in the ordinary course of their business activities, the initial purchasers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of ours or our affiliates. Certain of the initial purchasers or their affiliates that have a lending relationship with us routinely hedge their credit exposure to us consistent with their customary risk management policies. Typically, such initial purchasers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the notes offered hereby. Any such short positions could adversely affect future trading prices of the notes offered hereby. The initial purchasers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Credibolsa, which is serving as placement agent for the notes in Peru, is our wholly-owned subsidiary.

**Notice to Prospective Investors in Peru**

The notes and the information contained in this offering memorandum have not been and will not be registered with or approved by SMV or the BVL. Accordingly, the notes cannot be offered or sold in Peru, except if such offering is considered a private offering under the securities laws and regulations of Peru. The Peruvian securities market law establishes that any particular offer may qualify as private if it is directed exclusively to institutional investors.

**Notice to Prospective Investors in Panama**

The notes and the information contained in this offering memorandum have not been and will not be registered with or approved by the Panamanian National Securities Commission (*Comisión Nacional de Valores de Panamá*) or the Panamanian Stock Exchange (*Bolsa de Valores de Panamá, S.A.*). Accordingly, the notes cannot be offered or sold in Panama, except in transactions exempted from the registration requirements of the securities laws and regulations of Panama.

**Notice to Prospective Investors in the EEA**

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State") an offer to the public of any notes which are the subject of the offering contemplated by this offering memorandum may not be made in that Relevant Member State, except that an offer to the public in that Relevant Member State of any notes may be made at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

(a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(b) by the initial purchasers to fewer than 100 natural or, if the Relevant Member State has implemented the relevant provisions of the 2010 PD Amending Directive, 150, or legal persons (other than "qualified investors" as defined in the Prospectus Directive) subject to obtaining the prior consent of the representatives for any such offer; or

(c) in any other circumstances falling within Article 3(2) of the Prospectus Directive;

provided that no such offer of notes shall result in a requirement for the publication by us or any representative of a prospectus pursuant to Article 3 of the Prospectus Directive.

Any person making or intending to make any offer of notes within the EEA should only do so in circumstances in which no obligation arises for us or any of the initial purchasers to produce a prospectus for such offer. Neither we nor the initial purchasers have authorized, nor do they authorize, the making of any offer of notes through any financial intermediary, other than offers made by the initial purchasers which constitute the final offering of notes contemplated in this offering memorandum.

For the purposes of this provision, and your representation below, the expression an "offer to the public" in relation to any notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any notes to be offered so as to enable an investor to decide to purchase any notes, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression "Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive to the extent implemented in the

Relevant Member State) and includes any relevant implementing measure in the Relevant Member State and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

Each person in a Relevant Member State who receives any communication in respect of, or who acquires any notes under, the offer of notes contemplated by this offering memorandum will be deemed to have represented, warranted and agreed to and with us and each initial purchaser that:

(a) it is a "qualified investor" within the meaning of the law in that Relevant Member State implementing Article 2(1)(e) of the Prospectus Directive; and

(b) in the case of any notes acquired by it as a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive, (i) the notes acquired by it in the offering have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Relevant Member State other than "qualified investors" (as defined in the Prospectus Directive), or in circumstances in which the prior consent of the representatives has been given to the offer or resale; or (ii) where notes have been acquired by it on behalf of persons in any Relevant Member State other than qualified investors, the offer of those notes to it is not treated under the Prospectus Directive as having been made to such persons.

Any offer or sale of the notes in any member state of the European Economic Area which has implemented the Prospectus Directive must be addressed to qualified investors (as defined in the Prospectus Directive).

**Notice to Prospective Investors in the United Kingdom**

With respect to offers and sales in the United Kingdom each initial purchaser has represented and agreed that :

- it has only communicated and caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act of 2000, or "FSMA") received by it in connection with the issue or sale of any notes included in this offering in circumstances in which section 21(1) of the FSMA does not apply to the issuer; and

- it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the notes included in this offering in, from or otherwise involving the United Kingdom.

**Notice to Prospective Investors in Hong Kong**

The notes may not be offered or sold in Hong Kong, by means of any document, other than (a) to "professional investors" as defined in the Securities and Futures ordinance (Cap. 571, Laws of Hong Kong) and any rules made under that Ordinance or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32, Laws of Hong Kong) or which do not constitute an offer to the public within the meaning of that Ordinance. No advertisement, invitation or document relating to the notes may be issued or may be in the possession of any person for the purpose of the issue, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to the Securities which are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) or any rules made under that Ordinance.

**Notice to Prospective Investors in Singapore**

This offering memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this offering memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the notes may not be circulated or distributed, nor may the notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Future Act, Chapter 289 of Singapore (the "SFA"), (ii) to a "relevant person" as defined in Section 275(2) of the SFA, or any person pursuant to Section 275 (1A), and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of any other applicable provision of the SFA.

Where the notes are subscribed and purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor (as defined in Section 4A of the SFA)) whose sole purpose is to hold investments and each beneficiary is an accredited investor;

shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest (howsoever described ) in that trust shall not be transferable within six months after that corporation or that trust has acquired the notes under Section 275 of the SFA except:

(i) to an institutional investor under Section 274 of the SFA or to a relevant person (as defined in Section 275(2) of the SFA) and in accordance with the conditions, specified in Section 275 of the SFA;

(ii) (in the case of a corporation) where the transfer arises from an offer referred to in Section 275(1A) of the SFA, or (in the case of a trust) where the transfer arises from an offer that is made on terms that such rights or interests are acquired at a consideration of not less than $200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets;

(iii) where no consideration is or will be given for the transfer; or

(iv) where the transfer is by operation of law.

By accepting this offering memorandum, the recipient hereof represents and warrants that he is entitled to receive it in accordance with the restrictions set forth above and agrees to be bound by limitations contained herein. Any failure to comply with these limitations may constitute a violation of law.

**Notice to Prospective Investors in Switzerland**

The notes may not be offered or sold, directly or indirectly, in Switzerland except in circumstances that will not result in the offer of the notes being a public offering in Switzerland within the meaning of the Swiss Federal Code of Obligations ("CO"). Neither this prospectus supplement and the accompanying prospectus nor any other offering or marketing material relating to the notes constitutes a prospectus as that term is understood pursuant to Article 652a or 1156 CO, and neither this prospectus supplement and the accompanying prospectus nor any other offering material relating to the notes may be publicly distributed or otherwise made publicly available in Switzerland. The notes are not authorized by or registered with the Swiss Financial Market Supervisory Authority as a foreign collective investment scheme. Therefore, investors do not benefit from protection under the Swiss Federal Act on Collective Investment Schemes or supervision by the Swiss Financial Market Supervisory Authority.

## NOTICE TO INVESTORS

The notes have not been registered, and will not be registered, under the Securities Act or any state securities laws, and the notes may not be offered or sold except pursuant to an effective registration statement or pursuant to transactions exempt from, or not subject to, registration under the Securities Act. Accordingly, the notes are being offered and sold only:

- in the United States to qualified institutional buyers (as defined in Rule 144A) pursuant to Rule 144A under the Securities Act; and

- outside of the United States, to certain persons, other than U.S. persons, in offshore transactions meeting the requirements of Rule 903 of Regulation S under the Securities Act.

### Purchasers' Representations and Restrictions on Resale and Transfer

Each purchaser of notes (other than the initial purchasers in connection with the initial issuance and sale of notes) and each owner of any beneficial interest therein will be deemed, by its acceptance or purchase thereof, to have represented and agreed as follows:

(1) it is purchasing the notes for its own account or an account with respect to which it exercises sole investment discretion and it and any such account is either (a) a qualified institutional buyer and is aware that the sale to it is being made pursuant to Rule 144A or (b) a non-U.S. person that is outside the United States;

(2) it acknowledges that the notes have not been registered under the Securities Act or with any securities regulatory authority of any state and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth below;

(3) it understands and agrees that notes initially offered in the United States to qualified institutional buyers will be represented by a global note and that notes offered outside the United States pursuant to Regulation S will also be represented by a global note;

(4) it will not resell or otherwise transfer any of such notes except (a) to us or any of our subsidiaries, (b) within the United States to a qualified institutional buyer in a transaction complying with Rule 144A under the Securities Act, (c) outside the United States in compliance with Rule 903 or 904 of Regulation S under the Securities Act, (d) pursuant to an exemption from registration under the Securities Act (if available) or (e) pursuant to an effective registration statement under the Securities Act, in each case in accordance with all applicable securities laws of the states of the United States and other jurisdictions;

(5) either (i) it is neither an employee benefit plan subject to Title I of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), an individual retirement account or other plan subject to Section 4975 of the Code (collectively, "Plans") nor an employee benefit plan sponsored by a state or local government or otherwise subject to laws that include restrictions substantially similar to Section 406 of ERISA or Section 4975 of the Code ("similar laws") and it is not purchasing or holding notes on behalf of or with the assets of any Plan or plan subject to similar laws; or (ii) its purchase, holding and subsequent disposition of the notes shall not constitute or give rise to a non-exempt prohibited transaction under Section 406 of ERISA, Section 4975 of the Code or any similar law;

(6) it agrees that it will give to each person to whom it transfers the notes notice of any restrictions on transfer of such notes;

(7) it acknowledges that prior to any proposed transfer of notes (other than pursuant to an effective registration statement or in respect of notes sold or transferred either pursuant to (a) Rule 144A or (b) Regulation S) the holder of such notes may be required to provide certifications relating to the manner of such transfer as provided in the indenture;

(8) it acknowledges that the trustee, registrar or transfer agent for the notes may not be required to accept for registration or transfer of any notes acquired by it, except upon presentation of evidence satisfactory to the Issuer that the restrictions set forth herein have been complied with;

(9) it acknowledges that we, the initial purchasers and other persons will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of the acknowledgements, representations and agreements deemed to have been made by its purchase of the notes are no longer accurate, it will promptly notify us and the initial purchasers; and

(10) if it is acquiring the notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each account.

**Legends**

The following is the form of restrictive legend which will appear on the face of the Rule 144A global note and which will be used to notify transferees of the foregoing restrictions on transfer. This legend will only be removed with our consent. If we so consent, it will be deemed to be removed.

THE SECURITIES EVIDENCED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR ANY STATE OR OTHER SECURITIES LAWS, AND MAY NOT BE OFFERED, SOLD, PLEDGED, OR OTHERWISE TRANSFERRED EXCEPT IN ACCORDANCE WITH THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF OR OF A BENEFICIAL INTEREST HEREIN, THE HOLDER OF THIS SECURITY BY ITS ACCEPTANCE HEREOF (1) REPRESENTS THAT IT, AND ANY ACCOUNT FOR WHICH IT IS ACTING, (A) IS A “QUALIFIED INSTITUTIONAL BUYER” (WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT) OR (B) IS NOT A U.S. PERSON AND IS ACQUIRING THIS SECURITY IN AN “OFFSHORE TRANSACTION” PURSUANT TO RULE 903 OR 904 OF REGULATION S AND, WITH RESPECT TO (A) AND (B), EXERCISES SOLE INVESTMENT DISCRETION WITH RESPECT TO SUCH ACCOUNT, (2) AGREES FOR THE BENEFIT OF THE ISSUER THAT IT WILL NOT OFFER, SELL, PLEDGE OR OTHERWISE TRANSFER THIS SECURITY OR ANY BENEFICIAL INTEREST HEREIN, EXCEPT (A) (I) TO THE ISSUER OR ANY SUBSIDIARY THEREOF, (II) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BECOME EFFECTIVE UNDER THE SECURITIES ACT, (III) TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT, (IV) IN AN OFFSHORE TRANSACTION COMPLYING WITH THE REQUIREMENTS OF RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, OR (V) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT (IF AVAILABLE), AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND OTHER JURISDICTIONS, (3) (I) REPRESENTS THAT IT AND ANY ACCOUNT FOR WHICH IT IS ACTING IS NEITHER A EMPLOYEE BENEFIT PLAN SUBJECT TO TITLE I OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED (“ERISA”), AN INDIVIDUAL RETIREMENT ACCOUNT OR OTHER PLAN SUBJECT TO SECTION 4975 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE “CODE”) (COLLECTIVELY, “PLANS”) NOR AN EMPLOYEE BENEFIT PLAN SPONSORED BY A STATE OR LOCAL GOVERNMENT OR OTHERWISE SUBJECT TO LAWS THAT INCLUDE RESTRICTIONS SUBSTANTIALLY SIMILAR TO SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (“SIMILAR LAWS”) AND IT IS NOT PURCHASING OR HOLDING THE SECURITIES ON BEHALF OF OR WITH THE ASSETS OF ANY PLAN OR PLAN SUBJECT TO SIMILAR LAWS; OR (II) REPRESENTS THAT ITS PURCHASE, HOLDING AND SUBSEQUENT DISPOSITION OF THE SECURITIES SHALL NOT CONSTITUTE OR GIVE RISE TO A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA, SECTION 4975 OF THE CODE OR ANY SIMILAR LAW, AND (4) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. AS USED HEREIN, THE TERMS “OFFSHORE TRANSACTION,” “UNITED STATES” AND “U.S. PERSON” HAVE THE RESPECTIVE MEANINGS GIVEN TO THEM BY REGULATION S UNDER THE SECURITIES ACT.

THIS LEGEND MAY ONLY BE REMOVED AT THE OPTION OF THE ISSUER.

PRIOR TO THE REGISTRATION OF ANY TRANSFER IN ACCORDANCE WITH PARAGRAPH 2A(V) ABOVE, THE ISSUER RESERVES THE RIGHT TO REQUIRE THE DELIVERY OF SUCH LEGAL OPINIONS, CERTIFICATIONS, OR OTHER EVIDENCE AS MAY REASONABLY BE REQUIRED IN ORDER TO DETERMINE THAT THE PROPOSED TRANSFER IS BEING MADE IN COMPLIANCE WITH THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS. NO REPRESENTATION IS MADE AS TO THE AVAILABILITY OF ANY EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

The following is the form of restrictive legend which will appear on the face of the Regulation S global note and which will be used to notify transferees of the foregoing restrictions on transfer:

THE SECURITIES EVIDENCED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR ANY STATE OR OTHER SECURITIES LAWS. PRIOR TO EXPIRATION OF THE 40-DAY DISTRIBUTION COMPLIANCE PERIOD (AS DEFINED IN REGULATION S (“REGULATION S”) UNDER THE SECURITIES ACT), THIS SECURITY MAY NOT BE REOFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES (AS DEFINED IN REGULATION S) OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, A U.S. PERSON (AS DEFINED IN REGULATION S), EXCEPT TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT IN A TRANSACTION MEETING THE REQUIREMENTS OF THE INDENTURE REFERRED TO HEREIN.

## LEGAL MATTERS

Certain U.S. legal matters relating to the issuance of the notes will be passed upon for us by Davis Polk & Wardwell LLP, New York, New York, and Peruvian legal matters will be passed upon for us by Payet Rey Cauvi Abogados, Lima, Peru. Certain legal matters will be passed upon for the initial purchasers by Milbank, Tweed, Hadley & McCloy LLP, New York, New York and Miranda & Amado Abogados, Lima, Peru.

## LISTING AND GENERAL INFORMATION

### Listing

We have applied to admit to listing the notes on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF Market. If listed and so long as the rules of the Luxembourg Stock Exchange require, notice of any optional redemption, change of control or any change in the rate of interest payable on the notes will be published on the website of the Luxembourg Stock Exchange at www.bourse.lu (or in a leading daily newspaper of general circulation in Luxembourg, which we expect to be *Luxemburger Wort*).

We accept responsibility for the information contained in this offering memorandum. To the best of our knowledge (having taken all reasonable care to ensure that such is the case), the information contained in this offering memorandum is in accordance with the facts and does not omit anything likely to affect the import of such information.

We have appointed The Bank of New York Mellon (Luxembourg) S.A. as the Luxembourg listing and paying agent for the notes in Luxembourg. We reserve the right to vary such appointment. So long as the notes are listed on the Luxembourg Stock Exchange and traded on the Euro MTF Market, we will maintain a paying agent in Luxembourg.

Copies of the indenture and our bylaws will be available at the expense of the Issuer at the corporate trust office of the trustee and at the offices of the Luxembourg paying agent.

### Clearing Information

The global notes representing the notes have been accepted into the applicable systems used by DTC, Euroclear and Clearstream. The CUSIP and ISIN numbers for the notes are as follows:

| 144A note CUSIP | 144A note ISIN |
|---|---|
| 05954T AH4 | US05954TAH41 |

| Regulation S note CUSIP | Regulation S note ISIN |
|---|---|
| P09646 AD5 | USP09646AD58 |

The common codes are as follows:

| Regulation S note Common Code | 144 A note Common Code |
|---|---|
| 067891007 | 067848039 |

### Authorization

Our Board of Directors authorized the issuance of the notes in a meeting on June 22, 2011. The generic terms and conditions of the notes were approved by our Executive Committee on June 15, 2011. We have obtained all other consents and authorizations necessary under Peruvian and Panamanian law for the issuance of the notes.

**Litigation**

Other than as set forth in this offering memorandum, we are not involved in any litigation or arbitration proceeding that is material in the context of the issuance of the notes. We are not aware of any material litigation or arbitration proceeding that is pending or threatened other than as set forth in this offering memorandum.

**Financial Information**

We have prepared, and intend to continue to prepare, audited fiscal year-end consolidated financial statements and quarterly unaudited interim consolidated financial statements while the notes are outstanding, both in conformity with Peruvian GAAP. There has been no material adverse change in our business, financial condition, results of operations or prospects since June 30, 2011, the date of our last interim consolidated financial statements.

Copies of our latest audited annual and unaudited quarterly interim reports may be obtained, and copies of offering documents referred to herein (including the forms of the notes) will be available free of charge at the corporate trust office of the trustee and at the offices of the Luxembourg paying agent.

## INDEPENDENT ACCOUNTANTS

Our independent auditor for the years ended December 31, 2008, 2009 and 2010 was Medina, Zaldívar, Paredes & Asociados, a member firm of Ernst & Young Global, independent certified public accountants in Peru. The annual consolidated financial statements as of and for the years ended December 31, 2009 and 2010, and for the three-year period ended December 31, 2010, included in this offering memorandum have been audited by Medina, Zaldívar, Paredes & Asociados, as stated in its report appearing herein. The interim consolidated financial statements as of June 30, 2011 and for the six months ended June 30, 2010 and 2011 included in this offering memorandum have not been audited but have undergone a limited review by Medina, Zaldívar, Paredes & Asociados, in accordance with International Standard on Review Engagements No. 2410.

## AVAILABLE INFORMATION

We will furnish, upon prior written request of any registered owner of a note, or noteholder, or beneficial owner of a note, or note owner, such information as is specified in paragraph (d)(4) of Rule 144A under the Securities Act: (a) to such noteholder or note owner, (b) to a prospective purchaser of such note (or beneficial interest therein) who is a qualified institutional buyer designated by such noteholder or note owner or (c) to the trustee for delivery to such noteholder or note owner or such prospective purchaser so designated, in each case in order to permit compliance by such noteholder or note owner with Rule 144A in connection with the resale of such note (or a beneficial interest therein) in reliance upon Rule 144A unless, at the time of such request, (1) we are subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act, or (2) we qualify for the exemption to Rule 12g3-2(b).

**BANCO DE CRÉDITO DEL PERÚ AND SUBSIDIARIES**

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Translation of a report originally issued in Spanish - See Note 30 to the consolidated financial statements

# Independent auditor's report

To the shareholders and Board of Directors of Banco de Crédito del Perú

We have audited the accompanying consolidated financial statements of Banco de Crédito del Perú (a subsidiary of Credicorp Ltd., a holding incorporated in Bermuda) and Subsidiaries, which comprise the consolidated balance sheets as of December 31, 2010 and 2009, and the consolidated statements of income, changes in shareholders' equity and cash flows for each of the three years ended December 31, 2010, 2009 and 2008, and the summary of significant accounting policies and other explanatory notes.

*Management's responsibility for the financial statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles prescribed by the Superintendencia de Banca, Seguros y AFP (SBS) for Peruvian financial entities, and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

*Auditor's responsibility*

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

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

Translation of a report originally issued in Spanish - See Note 30 to the consolidated financial statements

## Independent auditor's report (continued)

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

*Opinion*

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Banco de Crédito del Perú and Subsidiaries as of December 31, 2010 and 2009, and the consolidated results of its operations and its consolidated cash flows for each of the three years ended December 31, 2010, 2009 and 2008; in accordance with accounting principles prescribed by the Superintendencia de Banca, Seguros y AFP (SBS) for Peruvian financial entities.

Lima, Peru,
February 22, 2011

Medina, Zaldívar, Paredes & Asociados

Countersigned by:

Cristian Emmerich
C.P.C.C. Register No.19-289

## Banco de Crédito del Perú and Subsidiaries

# Consolidated balance sheets

As of December 31, 2010 and 2009

| | Note | 2010<br>S/.(000) | 2009<br>S/.(000) |
|---|---|---|---|
| **Assets** | | | |
| Cash and due from banks: | 5 | | |
| Cash and clearing | | 2,164,682 | 1,960,535 |
| Deposits in Peruvian Central Bank | | 17,719,107 | 6,091,065 |
| Deposits in local and foreign banks | | 3,783,874 | 2,518,831 |
| Accrued interest on cash | | 19,679 | 4,616 |
| | | 23,687,342 | 10,575,047 |
| Interbank funds | | 165,733 | 216,754 |
| Investments at fair value through profit or loss and available-for-sale investments, net | 6 | 4,536,565 | 8,944,193 |
| Loans, net | 7 | 39,085,582 | 32,426,538 |
| Investments in associates | | 35,849 | 29,855 |
| Property, furniture and equipment, net | 8 | 997,157 | 898,223 |
| Other assets, net: | | | |
| Financial instruments at fair value | 9 | 623,496 | 594,304 |
| Other, net | 9 | 1,828,055 | 1,602,492 |
| **Total assets** | | 70,959,779 | 55,287,406 |
| **Off-balance sheet accounts -** | 18 | | |
| Contingent operations | | 28,855,244 | 26,553,753 |
| Other | | 242,271,804 | 189,734,529 |
| **Total** | | 271,127,048 | 216,288,282 |

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

Translation of consolidated financial statements originally issued in Spanish - See Note 30

## Banco de Crédito del Perú and Subsidiaries

# Consolidated income statements

For the years ended December 31, 2010, 2009 and 2008

| | Note | 2010 | 2009 | 2008 |
|---|---|---|---|---|
| | | S/.(000) | S/.(000) | S/.(000) |
| **Financial income and expenses** | | | | |
| Financial income | 19 | 3,790,337 | 3,716,174 | 3,806,220 |
| Financial expenses | 19 | (1,142,336) | (1,257,112) | (1,642,574) |
| **Gross financial margin** | | 2,648,001 | 2,459,062 | 2,163,646 |
| Allowance for loan losses, net | 20 | (600,533) | (517,892) | (272,463) |
| | | 2,047,468 | 1,941,170 | 1,891,183 |
| Gain (loss) for exchange difference | | 24,404 | (252,547) | 49,435 |
| **Net financial margin** | | 2,071,872 | 1,688,623 | 1,940,618 |
| **Non - financial income** | | | | |
| Banking services commissions, net | 21 | 1,298,332 | 1,088,567 | 990,698 |
| Net gain on securities | 22 | 174,876 | 254,964 | 74,955 |
| Net gain on foreign exchange transactions | | 243,978 | 202,528 | 324,420 |
| Other non - financial income | 23 | 319,261 | 272,114 | 234,586 |
| | | 2,036,447 | 1,818,173 | 1,624,659 |
| **Operating expenses** | | | | |
| Salaries and employees' benefits | 24 | (1,299,130) | (1,148,069) | (831,247) |
| General and administrative | | (709,029) | (713,459) | (622,785) |
| Depreciation and amortization | 8(a) and 9(d) | (219,026) | (181,740) | (137,827) |
| Provision for seized assets | | (4,136) | (4,033) | (7,343) |
| Taxes and contributions | | (79,889) | (84,722) | (61,197) |
| Goodwill amortization | | - | - | (980) |
| Other operating expenses | 23 | (70,171) | (71,865) | (230,220) |
| | | (2,381,381) | (2,203,888) | (1,891,599) |
| **Income before workers' profit sharing and income tax** | | 1,726,938 | 1,302,908 | 1,673,678 |
| Workers' profit sharing | 13(b) | (69,929) | (49,265) | (41,557) |
| Income tax | 13(b) | (447,668) | (329,142) | (297,575) |
| **Net income** | | 1,209,341 | 924,501 | 1,334,546 |
| **Basic and diluted earnings per share (in nuevos soles)** | | 0.4728 | 0.3615 | 0.5218 |
| **Weighted average number of outstanding shares, adjusted by stock splits (in thousands)** | 25 | 2,557,738 | 2,557,738 | 2,557,738 |

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

# Translation of consolidated financial statements originally issued in Spanish - See Note 30

## Banco de Crédito del Perú and Subsidiaries

## Consolidated statements of changes in shareholders’ equity

For the years ended December 31, 2010, 2009 and 2008

| | Number of outstanding shares (in thousands) | Capital stock S/.(000) | Legal reserve S/.(000) | Spec reser S/.(00 |
|---|---|---|---|---|
| **Balances as of January 1, 2008** | 1,286,528 | 1,286,528 | 546,519 | 491,3 |
| Capitalization of income, note 14(a) | 221,760 | 221,760 | - | |
| Transfer to special reserve, note 14(c) | - | - | - | 290,5 |
| Cash dividends, note 14(e) | - | - | - | |
| Net unrealized loss on cash flow hedges | - | - | - | |
| Net income | - | - | - | |
| **Balances as of December 31, 2008** | 1,508,288 | 1,508,288 | 546,519 | 781,8 |
| Capitalization of income, note 14(a) | 720,000 | 720,000 | - | |
| Transfer to special reserve, note 14(c) | - | - | - | 6 |
| Cash dividends, note 14(e) | - | - | - | |
| Net unrealized gain on available-for-sale investments, note 14(d) | - | - | - | |
| Net transfer of realized gain on available-for-sale investments to income statements, note 14(d) | - | - | - | |
| Net unrealized gain on cash flow hedges, note 14(d) | - | - | - | |
| Net income | - | - | - | |
| **Balances as of December 31, 2009** | 2,228,288 | 2,228,288 | 546,519 | 782,5 |
| Capitalization of income, note 14(a) | 329,450 | 329,450 | - | |
| Transfer to legal reserve, note 14(c) | - | - | 348,689 | (348,6 |
| Transfer to special reserve, note 14(c) | - | - | - | |
| Cash dividends, note 14(e) | - | - | - | |
| Net unrealized gain on available-for-sale investments, note 14(d) | - | - | - | |
| Net transfer of realized gain on available-for-sale investments to income statements, note 14(d) | - | - | - | |
| Net unrealized loss on cash flow hedges, note 14(d) | - | - | - | |
| Net income | - | - | - | |
| **Balances as of December 31, 2010** | 2,557,738 | 2,557,738 | 895,208 | 433,9 |

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

## Banco de Crédito del Perú and Subsidiaries

# Consolidated cash flows statements

For the years ended December 31, 2010, 2009 and 2008

| | 2010<br>S/.(000) | 2009<br>S/.(000) | 2008<br>S/.(000) |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Net income | 1,209,341 | 924,501 | 1,334,546 |
| | | | |
| **Adjustments to reconcile net income to net cash provided by operating activities:** | | | |
| Allowance for loan losses, net of recoveries | 600,533 | 517,892 | 272,463 |
| Depreciation and amortization | 219,026 | 181,740 | 137,827 |
| Goodwill amortization | - | - | 980 |
| Deferred income tax and workers' profit sharing | 1,483 | (5,206) | (40,664) |
| Provision for seized assets | 4,136 | 4,033 | 7,343 |
| (Gain) loss from valuation of indexed certificates | (156,625) | (98,244) | 190,994 |
| Loss (gain) from share-based compensation plan | 192,260 | 158,447 | (86,898) |
| Net gain from sale of securities | (174,876) | (254,964) | (74,955) |
| Net gain from sale of seized assets | (16,396) | (17,257) | (41,641) |
| | | | |
| **Changes in asset and liability accounts:** | | | |
| Other assets | 116,238 | (144,691) | 63,802 |
| Other liabilities | 44,219 | (144,493) | (232,867) |
| | | | |
| **Net cash provided by operating activities** | 2,039,339 | 1,121,758 | 1,530,930 |

## Consolidated statements of cash flows (continued)

| | 2010<br>S/.(000) | 2009<br>S/.(000) | 2008<br>S/.(000) |
|---|---|---|---|
| **Cash flows from investing activities** | | | |
| Sales of property, furniture and equipment | 1,183 | 13,424 | 5,600 |
| Sales of seized assets | 24,973 | 15,780 | 65,660 |
| Acquisition of Edyficar, net of cash received | - | (263,147) | - |
| Purchase of intangible assets | (182,169) | (121,823) | (97,496) |
| Purchase of property, furniture and equipment | (236,284) | (162,891) | (270,823) |
| **Net cash used in investing activities** | (392,297) | (518,657) | (297,059) |
| **Cash flows from financing activities** | | | |
| Net increase (decrease) of deposits and obligations | 6,115,956 | (2,105,735) | 10,896,687 |
| Net sale (purchase) of trading securities | 4,698,361 | 1,378,727 | (529,842) |
| Net sale (purchase) of investments in associates and received dividends | (2,914) | 11,940 | (21,093) |
| Net increase (decrease) of due to banks, correspondents and other entities, and interbank funds | 6,547,132 | (404,651) | (558,183) |
| Net increase of bonds and subordinated notes issued | 1,974,628 | 1,031,051 | 336,943 |
| Net increase of loan portfolio | (7,272,957) | (318,710) | (8,393,897) |
| Cash dividends | (594,953) | (613,873) | (371,163) |
| **Net cash (used in) provided by financing activities** | 11,465,253 | (1,021,251) | 1,359,452 |
| **Net increase (decrease) in cash and cash equivalents** | 13,112,295 | (418,150) | 2,593,323 |
| Cash and cash equivalents at the beginning of year | 10,575,047 | 10,993,197 | 8,399,874 |
| **Cash and cash equivalents at the end of year** | 23,687,342 | 10,575,047 | 10,993,197 |
| **Supplementary cash flow information** | | | |
| Cash paid during the year for: | | | |
| Interests | 1,115,817 | 1,344,624 | 1,402,722 |
| Income tax | 469,012 | 394,856 | 385,660 |
| **Non-cash flows transactions** | | | |
| Related parties liabilities, note 10(d) | 4,130,812 | - | - |

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

## Banco de Crédito del Perú and Subsidiaries

# Notes to the consolidated financial statements

As of December 31, 2010 and 2009

1. **Operations**

Banco de Crédito del Perú (hereinafter "the Bank" or "BCP") was incorporated in 1889 and is a subsidiary of Credicorp Ltd. (a holding incorporated in Bermuda in 1995), which as of December 31, 2010 owns directly and indirectly 12.73 and 84.87 percent, respectively of its capital stock (97.41 percent of direct participation as of December 31, 2009).

The Bank's registered office is at Calle Centenario N°156, La Molina, Lima, Peru. As of December 31, 2010, the Bank and its Subsidiaries has 328 branches and agencies in Peru and 2 branches abroad (329 branches and agencies in Peru and 2 branches abroad as of December 31, 2009).

The Bank, whose operations are governed by the "Ley General del Sistema Financiero y de Seguros y Orgánica de la Superintendencia de Banca, Seguros y AFP" (General Law of the Financial and Insurance Systems and Organic of the SBS – Law 26702), hereinafter the "Banking Law", is authorized by the Superintendencia de Banca, Seguros y AFP - SBS (Peruvian banking and insurance authority, hereinafter "SBS" for is Spanish acronym) to operate as a universal bank, in accordance with prevailing Peruvian legislation. The Bank is authorized to receive third-party deposits and invest them, together with its own capital, in loan placements and securities acquisitions; likewise, the Bank may grant guarantees and letters of credit, engage in any type of financing transaction and banking services and other activities as allowed by the Banking Law. Likewise, the Bank may engage in underwriting and brokerage activities and may establish and manage mutual funds, among other similar activities, if those activities are carried out by Subsidiaries organized for such purposes.

The accompanying consolidated financial statements include the Bank's financial statements and those of its Subsidiaries i and its Subsidiaries, which are included in the consolidation process as of December 31, 2010 and 2009, before eliminatio

| Entity | Activity and country | Percentage of participation | | |
|---|---|---|---|---|
| | | 2010 | 2009 | 2010 |
| | | % | % | S/.(000 |
| Banco de Crédito del Perú | Banking, Peru | - | - | 67,211,15 |
| Banco de Crédito de Bolivia and Subsidiaries | Banking, Bolivia | 95.92 | 95.92 | 3,146,29 |
| Empresa Financiera Edyficar S.A., note 2 | Micro-credits, Peru | 99.79 | 99.79 | 1,289,97 |
| Inversiones BCP S.A. | Holding, Chile | 99.99 | 99.99 | 719,83 |
| Solución Empresa Administradora Hipotecaria S.A. (*) | Mortgage loans, Peru | 100.00 | 100.00 | 245,26 |
| Credifondo S.A. - Sociedad Administradora de Fondos | Mutual funds management, Peru | 100.00 | 100.00 | 94,81 |
| Credibolsa - Sociedad Agente de Bolsa S.A. | Brokerage, Peru | 100.00 | 100.00 | 66,19 |
| Creditítulos Sociedad Titulizadora S.A. | Assets securitization management, Peru | 100.00 | 100.00 | 13,90 |
| Inmobiliaria BCP S.A. | Real estate, Peru | 100.00 | 100.00 | 4,45 |

(*) Following a shareholder's agreement dated May 25, 2010, and after SBS approval, Solución Financiera de Crédito de is granting mortgage loans.

The consolidated financial statements as of December 31, 2009 and for the year then ended were approved by the General Shareholders Meeting dated March 26, 2010 with no modifications. The accompanying consolidated financial statements as of December 31, 2010, were approved by the Audit Committee and Management on February 22, 2011, and will be submitted for their final approval by the Board of Directors and the General Shareholders Meeting within the period established by law. In Management's opinion, the accompanying consolidated financial statements will be approved by the Board of Directors and the General Shareholders Meeting without modifications.

## 2. Acquisition of Empresa Financiera Edyficar S.A.

On October 14, 2009, the Bank acquired 99.79 percent of the capital stock of Empresa Financiera Edyficar S.A. (hereinafter "Edyficar"). The total amount paid for the acquisition amounted to US$96.1 million (approximately S/.274.0 million), which includes related direct acquisition costs.

The acquisition of Edyficar was recorded in accordance with IFRS 3 "Business Combinations" applicable at the date of the transaction, using the purchase method, reflecting the assets and liabilities acquired at their estimated fair values at the acquisition date, including intangible assets not recorded in Edyficar balance sheet at the acquisition date, such as the brand name and client relationships, as well as the resulting goodwill and considering the deferred income tax and workers' profit sharing due to fair value recognition. The book values and fair values for identified assets and liabilities at the acquisition date were as follows:

| | Book value of the acquired entity S/.(000) | Fair value adjustments S/.(000) | Fair value of the acquired entity S/.(000) |
|---|---|---|---|
| **Assets -** | | | |
| Cash and due from banks | 10,857 | - | 10,857 |
| Loans, net | 621,886 | (29,691) | 592,195 |
| Property, furniture and equipment, net, note 8(a) | 27,001 | - | 27,001 |
| Brand name | - | 37,504 | 37,504 |
| Client relationships | - | 18,735 | 18,735 |
| Other assets | 30,159 | 9,417 | 39,576 |
| Goodwill, note 9(a) | - | 144,841 | 144,841 |
| **Liabilities -** | | | |
| Deposits and obligations | 109,976 | - | 109,976 |
| Due to Banks and correspondents | 394,010 | - | 394,010 |
| Bonds and subordinated notes issued | 43,564 | - | 43,564 |
| Other liabilities | 27,821 | 21,334 | 49,155 |
| **Net acquired assets** | 114,532 | 159,472 | 274,004 |

3. **Significant accounting policies**

In the preparation and presentation of the accompanying consolidated financial statements, the Bank and its Subsidiaries' Management has complied with the regulations established by the SBS in force in Peru as of December 31, 2010 and 2009. Significant accounting principles and practices used in the preparation of the Bank and its Subsidiaries' consolidated financial statements are the following:

(a) Basis for presentation, use of estimates and accounting changes -

(i) Basis for presentation and use of estimates -

The accompanying consolidated financial statements have been prepared from the Bank and its Subsidiaries' accounting records, which are maintained in nominal Peruvian currency (nuevos soles), in accordance with SBS regulations and, supplementary, with International Financial Reporting Standards - IFRS approved by the Consejo Normativo de Contabilidad (hereinafter "CNC" for its Spanish acronym) in force in Peru as of December 31, 2010 and 2009, see paragraph (y.1) below.

The Subsidiaries and branches' accounting records are maintained in the currency of the country of their incorporation and their balances are translated into nuevos soles for consolidation purposes using the exchange rates prevailing as of the date of each balance sheet. The resulting translation differences are recognized in each year consolidated income statements. Also, the Subsidiaries and branches financial statements were standardized to the SBS accounting rules.

The preparation of consolidated financial statements requires Management to make estimates that affect the reported amounts of assets, liabilities, income and expenses and the disclosure of material events in the notes to the consolidated financial statements. Actual results could differ from those estimates. Estimates are continually evaluated and are based on historical experience and other factors. The most significant estimates used in relation with the accompanying consolidated financial statements are the computation of the allowance for loan losses, the valuation of investments, the estimated useful live and recoverable amount of property, furniture and equipment and intangible assets, the provision for seized assets, the valuation of the brand name, goodwill and client relationships and the valuation of the derivative financial instruments. The accounting criteria used for each of these items is described in this note.

(ii) Accounting changes –

(ii.a) On November 19, 2008, the SBS issued Resolution N°11356-2008, which became effective July 1, 2010, except for the pro-cyclical provisioning requirements, which have been in effect since December 1, 2008. The objective of the pro-cyclical provisioning requirements is to increase generic provisions for loans classified as normal, especially consumer loans, see note 7(e).

The main changes introduced by SBS Resolution N°11356-2008 are:

- Establish new types of loan portfolio classification, increasing the existing four categories (commercial, consumer, micro-business and mortgage) to eight (corporate loans, large business loans, medium business loans, small business loans, micro-business loans, revolving consumer loans, non revolving consumer loans and residential mortgage loans) which are classified, mainly, depending on the debtor's total revenue and its debt's level in the financial system, see note 3(e).

- Separates the loan portfolio in retail and non retail borrowers. Retail borrowers include individuals or legal entities with direct or indirect loans classified as consumer (revolving and none revolving), micro-business, small business or mortgage loans. Non retail borrowers are individuals or legal entities with direct or indirect loans with corporate, large business or medium business loans.

- Establish credit conversion factors to determine the "Equivalent exposition to credit risk" over indirect loans. The factors can be 0, 20, 50 and 100 percent, depending on the credit type, which will be the base to calculate the required provision.

- Establish new percentages for the provision on credits classified as normal, see note 7(e)(i).

- Requires that for each loan past due over 90 days, its expected loss on each borrowed amount must be estimated. Such estimation must consider the economic situation and the transaction conditions, including the collateral's value, type of credit, borrower's economic activity or sector, among others. The recorded specific allowance must be the greater amount between the expected loss and the allowance estimated following general procedures, see paragraph (e).

As SBS Regulations apply prospectively, the adoption of the indicated regulation did not have any impact in the financial situation and results presented in the consolidated financial statements of the Bank and its Subsidiaries as of December 31, 2009.

(ii.b) On February 24, 2010, the SBS issued Resolution N°1967-2010, which establishes the accounting procedures for intangible assets with finite and indefinite useful live.

- Finite useful live intangible assets will be amortized in no more than 5 years, and the adopted amortization method cannot be modified without the SBS approval.

- Indefinite useful live assets, as goodwill, registered before January 1, 2010, will be amortized following to regulations in force on the date of initial recognition, and considering a period of no more than 5 years. Indefinite useful live assets recognized after January 1, 2010, will be recognized at cost, less any accumulated impairment. This new accounting principle had no effect, because the SBS had authorized the Bank and its Subsidiaries to recognize of goodwill at cost, less any impairment, see following paragraph (m).

(b) Consolidation -

Subsidiaries are all entities over which the Bank has control, meaning the power to govern their financial and operating policies. This is generally evidenced by a shareholding of more than one half of the voting rights.

Subsidiaries are consolidated from the date on which effective control is transferred to the Bank and are no longer consolidated from the date that control ceases.

Business acquisitions in which control is acquired are recorded using the purchase method. This involves recognizing the identifiable assets (including intangible assets not previously recognized) and liabilities (including contingent liabilities and excluding future restructurations) of the acquired entity at fair value.

Any excess of acquisition cost over the fair value of the identifiable net assets, including intangible assets acquired; is recorded as goodwill, see paragraph (m). If the acquisition cost is less than the fair value of the net identifiable assets, the difference is recorded directly in the consolidated income statement in the acquisition year.

Consolidated financial statements include the financial statements of entities described on note 1. All inter-company transactions, balances and unrealized surpluses and deficits between companies of the BCP Group have been eliminated in the consolidation process. The minority interest resulting from the consolidation process is not significant and, for such reason, is not presented as a separate caption in the consolidated financial statements.

The accounting records of the Bank’s Subsidiaries comply with the information requirements established by the legal regulators of the countries where they are located. The Bank and its

Subsidiaries consolidated financial statements, which are included in annual reports and other public financial information, are presented in accordance with SBS regulations.

The accounting records of the subsidiaries and branches established abroad are maintained in the local currency of each country. For consolidation purposes, their balances were converted into nuevos soles, the reporting currency, using the exchange rate prevailing as of the date of each balance sheet and all conversion differences were recorded in the consolidated income statement caption "Gain (loss) from exchange difference".

(c) Financial instruments -

Financial instruments are classified as assets, liabilities or equity according to the substance of the contractual agreement that originated them. Interests, dividends, gains and losses generated by financial instruments classified as assets or liabilities are recorded as income or expense. Financial instruments are offset when the Bank and its Subsidiaries have a legal enforceable right to offset them and Management has the intention to settle them on a net basis or to realize the asset and settle the liability simultaneously.

Financial assets and liabilities stated in the consolidated balance sheet correspond to cash and due from banks, interbank funds, investments (at fair value through profit or loss, available-for-sale and in associates), financial instruments at fair value, loans, accounts receivable (presented in the caption "Other assets, net") and liabilities in general, except for the liability for deferred income tax and worker's profit sharing. In addition, all indirect loans are considered to be financial instruments. The specific accounting policies on recognition and measurement of these items are disclosed in the accounting policies described in this note.

(d) Recognition of revenues and expenses -

Financial revenues and expenses for interests are recognized on an accrual basis over the related contract period for the transaction and the interest rates determined based on negotiations with clients, except for interest generated from past due, refinanced, restructured or under legal collection loans, and loans classified in the categories of doubtful and loss, which interest is recognized as revenue on a cash basis. When Management determines that the debtor's financial condition has improved and the loan is reclassified as current and/or in the categories of normal, with potential problems or substandard, interest is again recorded on an accrual basis.

Interest revenues include income on fixed income securities and trading securities, as well as discount and premium recognition on financial instruments.

Dividends are recognized as income when they are declared.

Commissions on financial services are recognized as income when collected, except for commissions related to the renewal of credit cards, which are recorded on an accrual basis during the term or renewal of the contract.

Other revenues and expenses are recorded on an accrued basis.

(e) Loans and allowance for loan losses -

Direct loans are recorded when disbursement of funds to the client is made. Operations with credit cards are recorded as loans for the amount consumed and/or withdrawn. Indirect loans (contingent) are recorded when documents supporting such facilities are issued. Loans with changes in their payment schedules due to difficulties in the debtors' compliance with original payment terms are considered refinanced or restructured.

Leasing operations are registered as financial leases, recording as loans the principal of the installments pending collection.

Financial revenues are based on a pattern that reflects a constant interest rate over the loan.

As of December 31,2009, the allowance for loan losses was determined following guidelines established by SBS Resolutions N°808-2003, N°11356-2008 (concerning the application of the pro-cyclic rule) and N°6941-2008 "Regulation for Managing the Risk of Retailer Debtors with High Leverage Levels". As of December 31, 2010, as previously explained in paragraph (a)(ii), the allowance for loan losses was determined following the criteria of SBS Resolutions N°11356-2008 and N°6941-2008. In accordance with said criteria, Management periodically executes reviews and analysis of the loan portfolio, classifying it in one of the following categories: normal, with potential problems, substandard, doubtful or loss, depending on the non-payment risk grade of each debtor.

For non retail loans, the classification into one of each of the categories mentioned above considers, among others, the following factors: the payment history of the specific loan, the Bank's dealing history with the debtor's management, the debtor's: operating history, repayment capability and availability of funds, the status of any collateral or guarantee received, the analysis of the debtor's financial statements, the risk classification given by other financial institutions; plus other relevant factors. For retail loans, the classification is based, mainly, on how long payments are overdue.

As of December 31, 2010, the allowance for indirect loans, as mentioned in paragraph (a)(ii), is determined over the basis of a loan conversion factor. As of December 31, 2009, the allowance for indirect loans was determined over the basis of the total of such loans.

The calculation of the allowance for direct loans is made according to the classification assigned and using specific percentages, which vary depending on whether the loans are secured or not by self-liquidating preferred collaterals (mainly cash deposits and rights on credit certificates); highly liquid preferred collaterals (treasury bonds issued by the Peruvian Government, securities included in the Lima Stock Exchange Selective Index, among others) or preferred collaterals (primary pledge on financial instruments, machinery or property, agriculture or mining pledge, insurance on export credits, among others); considered at their net realizable value as determined by an independent appraiser. In case a loan has a substitute responsibility of an entity of the financial or insurance system (credits affected to substitution of counterparty), the calculation of the allowance is made considering the guarantor's classification.

When calculating the allowance for clients classified as doubtful or loss for more than 36 and 24 months, respectively, the value of any collateral is disregarded and the required allowance is calculated as if such loans were not secured by any collateral.

The allowance for direct loans is presented as an asset deduction, while the allowance for indirect loans is presented as a liability in the caption "Others liabilities, net", note 9(a).

In the case of debtors operating in countries where there is a higher risk of difficulties in servicing external debt, an assessment of the political and economic situation is made, and an additional country risk allowance is recorded.

As of December 31, 2010, the Bank and its Subsidiaries have recorded an allowance for loan losses that exceeds the minimum amount required by the SBS, with the aim of covering additional risks that are estimated in the loan portfolio for approximately S/81.2 million (S/41.8 million as of December 31, 2009). This allowance complies with SBS requirements. Additionally, as of December 31, 2010 and 2009, the Bank and its Subsidiaries maintain pro-cyclical allowances that amount to S/.210.0 and S/.164.1million, respectively, note 7(e).

(f) Foreign currency transactions -

Assets and liabilities denominated in foreign currency are recorded by applying to the foreign currency amount the exchange rate prevailing at the transaction date and are expressed in Peruvian currency at the end of each month using the exchange rates established by the SBS, as explained in note 4. Exchange gains or losses generated from the restatement of foreign currency transactions at the exchange rates prevailing as of the dates of the consolidated balance sheets are recorded in the consolidated income statement.

(g) Derivative financial instruments -

Derivate financial instruments are recorded in accordance with accounting criteria established by the SBS Resolution N° 1737-2006 "Regulation for Trading and Accounting of Derivatives for Financial Entities" and amendment, as explained below:

Trading -

Derivate financial instruments are initially recognized in the consolidated balance sheet at cost, and thereafter, they are recognized at fair value. Fair values are obtained based on exchange rates and interest rates prevailing in the market. Gains and losses arising from changes in fair values are recorded in the consolidated income statement.

In the case of foreign currency forwards, interest rate and currency swaps and options, they are recorded at their estimated fair value, with an asset or liability being recognized in the consolidated balance sheet, as applicable, and the corresponding gain or loss being recognized in the consolidated income statement. In addition, forwards, swaps and options are recorded as off-balance sheet accounts at their notional amount, note 18(a).

Hedging -

A derivative financial instrument that seeks to achieve a financial hedge for a given risk is designated as for hedge purposes if, at its negotiation, it is foreseen that changes in fair value or cash flows are expected to be highly effective in offsetting the fair value or cash flow changes of the hedged item attributable to the hedged risk at inception, which must be documented when the financial derivative is negotiated and during the period that the hedge relation exists. A hedge is considered 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 are expected to offset in a range of 80 to 125 percent.

If the SBS considers the documentation to be unsatisfactory or finds weaknesses in the methodologies applied, it may require the immediate termination of the hedge relationship and the recording of the derivative financial instrument as trading.

For cash flow hedges, the effective portion of gain or loss over the hedge instrument is recognized directly in equity, in the caption "Unrealized gains (losses)". The ineffective portion of gain or loss of the hedged instrument is recognized in the consolidated income statement. When the cash flow hedge affects the consolidated income statement, the gain or loss in the hedge instrument is recorded in the corresponding caption of the consolidated income statement.

For fair value hedges, changes in fair value of the derivative are recognized in the consolidated income statement. Changes in fair value of the hedged item attributed to the hedged risk are recorded as part of the balance of the hedged item and recognized in the consolidated income statement.

If the hedge instrument expires, sold, terminated or exercised, or when the hedge does not fulfill the hedging accounting criteria, the hedge relationship is prospectively terminated and; the balances recorded in the consolidated balance sheet are transferred to the consolidated income statement in the term in which the hedged item is kept.

As of December 31, 2010 and 2009, following the SBS permission, the derivative financial instruments maintained by the Bank and its Subsidiaries have been designated as hedging operations considering the functional currency of Credicorp, U.S. dollar, see note 9(c).

Embedded derivatives -
Certain derivatives embedded in other financial instruments (host contract) are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not carried at fair value through profit or loss. These embedded derivatives are separated of the host instrument and recognized at fair value in the consolidated income statement unless the Bank and its Subsidiaries choose to designate the hybrid contracts (host and embedded derivative) at fair value through profit and loss.

As of December 31, 2010 and 2009, in accordance with SBS Resolution N°1737-2006, the Bank has Indexed Certificates to Credicorp stock price that will be settled in cash, which are hybrid instruments with embedded derivatives that are not closely related to the risk of the host contract. In this regard, the Bank has decided to classify these instruments at inception at fair value through profit and loss. Therefore, the separation of the embedded derivative is not required, note 9(b).

(h) Investments at fair value through profit or loss, available-for-sale and held-to-maturity -
SBS Resolution N° 10639-2008 "Regulations for the classification and valuation of investments" came in force on March 1, 2009; therefore, at that date and following SBS guidelines, the Bank and its Subsidiaries recorded the accumulated unrealized gain or loss from the fair value valuation of available-for-sale investments in the consolidated equity caption "Unrealized gains (losses). Therefore, as of December 31, 2010 and 2009, the initial recognition and the subsequent measurement of investments at fair value through profit or loss, available-for-sale and held to maturity, are carried out following SBS Resolution N° 10639-2008 and amendment. The guidelines for valuation of investments, according to their classification are as follows:

- Investments at fair value through profit or loss – Initial recognition is at fair value, without considering the transaction costs. Subsequent measurement of these investments is at fair value and any profit or loss arising from changes in the initial cost and subsequent fair value is recognized directly in the income statement.

- Available-for-sale investments - Initial recognition is at fair value, including the transaction costs that are directly associated to their acquisition. Gains or losses originated by changes between the initial cost and fair value are recognized directly in equity, unless a permanent impairment in its value exists. When an instrument is realized or sold, the gains or losses previously recognized as part of equity are recognized as profit or loss.

  In the case of debt securities, before their subsequent measurement at fair value, the amortized cost should be updated applying the effective interest rate, and from the obtained amortized cost, unrealized gains or losses due to changes in fair value should be recognized.

- Held to maturity investments- Initial recognition is at fair value, including the transaction costs that are directly associated to their acquisition; subsequent measurement is at amortized cost, using the effective interest rate method.

Interests are recognized using the effective interest rate, which includes both interests receivables and premium or discount amortization.

The Bank and its Subsidiaries must evaluate, at each consolidated balance sheet date, if there is evidence of any instrument classified as available-for-sale or held to maturity that could present an impairment; which should be recognized as profit or loss, even though the investment has not been retired or sold.

SBS Resolution N°10639-2008, considers that if the SBS deems necessary to require the constitution of an additional provision for any class of investment, such provision must be determined by the SBS, based on each individual investment, and recorded in the consolidated income statement.

The difference between the proceeds received from the sale of the investments and their book value is recognized in the consolidated income statement.

(i) Investments in associates -

This category includes only equity securities acquired with the purpose of having equity participation and/or significant influence in other entities or institutions.

Investments in associates are initially recognized at their fair value including the transaction costs directly attributable to their acquisition; after their initial recognition, they are recorded using the equity participation method. In the case of investments quoted or listed on security exchanges, when their market value shows a decreasing trend due to non-temporary circumstances, the Bank and its Subsidiaries must record a provision for impairment; nevertheless, the SBS at its own criteria, can require the recognition of an additional provision for impairment.

(j) Property, furniture and equipment and depreciation -
Property, furniture and equipment are recorded at acquisition cost, less accumulated depreciation and accumulated amount of impairment, if applicable. Maintenance and repair costs are charged to the consolidated income statement and significant renewals and improvements are capitalized when: a) it is probable that future economic benefits will flow from the renewal or improvement; and b) their cost can be measured fairly. The cost and its corresponding accumulated depreciation and any impairment loss of an asset sold or retired are eliminated from the corresponding accounts and the related gain or loss is included in the consolidated income statement.

Work in progress and in transit units are accounted at their acquisition cost. These goods are not depreciated until they are received or finished and placed into service.

Land is not depreciated. Depreciation is computed on a straight-line basis over the following estimated useful lives:

| | Years |
|---|---|
| Buildings and other constructions | 33 |
| Installations | 10 |
| Furniture and fixtures | 10 |
| Computer hardware | 4 |
| Equipment and vehicles | 5 |

The residual value, the useful live assigned and the selected depreciation method is periodically reviewed to ensure that they are consistent with the economic benefit and useful live expectations of property, furniture and equipment items.

(k) Seized assets, assets received as payments and realizable assets -
Realizable assets include assets purchased specifically for granting them as part of financial leasing operations and are recorded initially at their acquisition cost; realizable assets not granted in leasing operations are recorded at cost or market value, the lower.

Received as payments and seized assets (which include assets from terminated leasing contracts) are initially recorded at the value assigned to them, through a legal proceeding, out-of-court settlement, market value or at the unpaid value of the debt, the lower. At the time of initial recognition, a provision equivalent to 20 percent of the above determined value must be recorded; for this purpose it is permitted to reclassify the allowance for loan losses that was originally provided for the related loan.

Thereafter, additional provisions should be recorded using the following guideline:

- Assets that are not real state – a uniform monthly provision in a term of twelve months, until providing for one hundred percent of the net seized or recovered value.

- Real estate - uniform monthly provisions over the net book value obtained at the twelfth month. In addition, SBS Resolution N°1535-2005 allows a term extension of six months, in such case, a uniform monthly provision must be made over the net book value obtained in the eighteenth month. On both situations, provisions must be made until providing for one hundred percent of the net book value in a term of three and a half years, starting the date monthly provisions began to be provided.

  The annual update of the seized assets' fair value, determined by an independent appraiser, involves, if necessary, the constitution of an impairment provision.

(l) Finite useful live intangible assets -
Finite useful live intangible assets, included in the caption "Other assets, net" of the consolidated balance sheets, comprise, principally, acquisitions and developments of software used by the Bank and its Subsidiaries in their operations and are registered at cost; it also includes brand rights of use, which are recorded considering the related contract; as well as finite useful live intangible assets identified in the acquisition of Edyficar, note 2, which were recognized on the consolidated balance sheets at their fair values determined at the acquisition date using the "Multi-period Excess Earning Method".

The estimated useful lives of the Bank and its Subsidiaries' intangibles are:

| | **Years** |
|---|---|
| Brand name | 5 |
| Client relationships | 5 |
| Software | 5 |
| Brand rights of use | 5 |
| Other | 5 |

The useful live and the amortization method are reviewed periodically to ensure that they are consistent with the anticipated pattern of economic benefits from finite useful live intangible assets.

(m) Indefinite useful live intangible assets - Goodwill -
As of December 31, 2010 and 2009, goodwill results from the difference between the estimated fair value of Edyficar net assets and the amount paid for such assets, see note 2. This goodwill is measured at its cost less any impairment loss, which is tested annually or more frequently when

any event or change in circumstances indicates that the fair value may be impaired, see following paragraph (q).

(n) Bonds and subordinated notes issued -
Includes the liabilities from the issuance of different types of bonds and subordinated notes, which are recorded at their nominal value, recognizing the accrued interest in the consolidated results of the year. Discounts granted or premiums generated in their placement are deferred in the "Other assets, net" and "Other liabilities, net" captions of the consolidated balance sheets, respectively, and are amortized during the term of each bond.

(o) Income tax and workers' profit sharing -
Income tax and worker's profit sharing are calculated on the basis of taxable income determined for tax purposes, which is determinate using principles that differ from accounting principles used by the Bank and its Subsidiaries.

Deferred income tax and workers' profit sharing reflect the effects of temporary differences between the carrying amounts of assets and liabilities for accounting purposes and the amounts determined for tax purposes. Deferred assets and liabilities are measured using the tax rates expected to be applied to taxable income in the years in which temporary differences are expected to be recovered or settled. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences which arise from the way in which the Bank and its Subsidiaries expect to recover or eliminate the carrying amount of its assets and liabilities at the consolidated balance sheets dates.

Deferred tax assets and liabilities are recognized without taking into consideration the time in which it is estimated that temporary differences will be written off. Deferred assets are recognized when sufficient future tax benefits are probable to exist for applying the deferred assets. As at the date of the consolidated balance sheets, Management evaluates the non-recognized deferred assets and the balance of the recognized assets, recording deferred assets not previously recognized to the extent that probable future tax benefits will allow their recovery, or reducing the deferred assets to the extent that it is not likely that sufficient future tax benefits will be available to use part or all of the deferred assets recognized in the accounting records.

In accordance with the accounting standard, the Bank and its Subsidiaries determines its deferred tax and workers' profit sharing considering the tax rate applicable to its non-distributed earnings; any additional tax on dividends distribution is recorded on the date a liability is recognized.

(p) Share-based payment transactions -
The Bank and its Subsidiaries have a share-based payment plan which, until 2008, consisted of rights/options granted in the form of stock appreciation rights (SARs) over a number of Credicorp shares to certain executives who had at least one year of service. According to the

conditions of the plan, a fixed settlement price of the rights/options was established at the grant date, allowing the executive to obtain as benefit the difference between the market price at the moment in which the rights/options are exercised and the settlement price agreed, note 16. The related expense is recorded considering the accrued services at the date of the consolidated balance sheets, multiplied by the difference between the estimated market price of the rights/options at the date of the consolidated balance sheet and the agreed settlement price. The market price of the rights/options is estimated using the binomial model, following IFRS 2 – Share-based payments.

When the price or the terms of the plan are modified, the effect of the modifications is recognized as gain or loss in the consolidated income statement.

Since April 2009, the Bank and its Subsidiaries implemented a new share-based payment plan, replacing the plan explained in previous paragraphs, which consists in granting a number of Credicorp shares. In connection to this plan, the Bank and its Subsidiaries acquired Credicorp shares, which are legally granted to the executives, such shares accrue in a period of 3 years, 33 percent each year, starting on the grant date (April of each year). Following SBS Official Letter N°9771-2009, dated March 24, 2009, the Bank and its Subsidiaries record as a personnel expense the acquisition cost of the shares legally granted to the executives.

(q) Impairment -

When changes or certain events indicate that the value of an asset may not be recovered, the Bank and its Subsidiaries review the value of property, furniture and equipment, goodwill and intangible assets (including brand name and client relationships) in order to verify if there is no permanent impairment in their values. When the book value of the asset exceeds its recoverable value, a loss for impairment is recognized in the consolidated income statements for each caption mentioned above. The recoverable value is the highest between the net sale price and its value in use. The net sale price is the amount that can be obtained from the sale of an asset in a free market, while the value in use is the present value of the estimated future cash flows provided by the continuous use of an asset and its disposal at the end of its useful live. The recoverable amounts are estimated for each asset or, if not possible, for each cash generating unit.

(r) Fiduciary activities -

Assets and cash flows from fiduciary operations in which there is a commitment to return such assets and cash flows to a client and in which the Bank and its Subsidiaries participate as a fiduciary, have been excluded from these consolidated financial statements, because the Bank and its Subsidiaries are not owners of such assets and cash flows and they do not assume the risk and rewards that arise from their ownership. The Bank and its Subsidiaries record these operations in the caption "Off-balance sheet accounts", note 18, of the consolidated balance sheets and the commissions received for these activities are included in the caption "Other income", note 23, of the consolidated income statement.

(s) Provisions -

Provisions are only recognized when the Bank and its Subsidiaries have a present (implicit or legal) obligation as a result of past events, it is probable that an outflow of resources will be required to settle such obligation, and the amount has been reliably estimated. Provisions are reviewed in each period and are adjusted to reflect their best estimate as of the consolidated balance sheet date. When the effect of the time value of money is significant, the amount recorded as a provision is same as the present value of future payments required to settle the obligation.

(t) Contingencies -

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

Contingent assets are not recognized in the consolidated financial statements; however, they are disclosed when their contingency degree is probable.

(u) Earnings per share -

Basic and diluted earnings per share are calculated by dividing the net income by the weighted average number of shares outstanding at the consolidated balance sheets dates. Shares that are issued due to the capitalization of retained earnings are deemed to be stock splits; thus, for the computation of the weighted average number of shares; such shares are considered as if they had always been issued.

As of December 31, 2010, 2009 and 2008, the Bank and its subsidiaries do not have financial instruments with dilutive effects; therefore, basic and diluted earnings per share are the same.

(v) Repurchase agreements -

Following SBS regulations, investments sold subject to repurchase agreements ("Repos") are presented in the consolidated financial statements as pledged assets when the transfer is made with an agreement to repurchase the collateral and legal ownership of the investments has not been transferred; the liability with the counterparty is included in the caption "Due to banks, correspondents and other entities" or "Deposits and obligations", as appropriate, in the consolidated balance sheets. The difference between the sale and the repurchase price is treated as an interest accrued during the term of the agreement, using the effective interest rate method.

(w) Cash and cash equivalents -

Cash and cash equivalents presented in the consolidated statements of cash flows correspond to "Cash and due from banks" of the consolidated balance sheets, which includes deposits with less than a three-month maturity as of the acquisition date, BCRP time deposits funds deposited in the Peruvian Central Bank and overnight deposits.

(x) Reclassifications –

The comparative amounts have been reclassified, if necessary, to make them comparable with current year presentation. In Management's opinion, those reclassifications are not significant to the consolidated financial statements as of December 31, 2010 and 2009.

(y) New accounting rules -

(y.1) International financial reporting standards -

As of the date of these consolidated financial statements, CNC has approved the application of IFRS 1 through 8, IAS 1 through 41, SIC 7 through 32 and IFRIC 1 through 14. Likewise, the CNC, through Resolution N°044-2010-EF-94 issued in August 23, 2010, approved the application, beginning on January 1, 2011, of the 2009 version of IAS, IFRS, IFRIC and SIC and modifications issued before May 2010 of IAS, IFRS and IFRIC and applicable since January 1, 2009, except for the following rules:

- IFRS 9 "Financial instruments", modifies the measurement and classification of financial assets established on IAS 39 "Financial instruments: Measurement and Valuation", internationally mandatory for periods beginning on or after January 1, 2013.

- IFRIC 18 "Transfer of client assets", internationally mandatory for periods beginning on or after July 1, 2009.

However, because all the mentioned standards only are only complementary to the SBS accounting standards, they did not have or will not have any significant effect in the preparation of the accompanying consolidated financial statements, unless the SBS adopts them in the future through the modification of the Accounting Manual for Financial Entities or the issuance of specific standards. The Bank and its Subsidiaries have not estimated the effect, in its consolidated financial statements, of the adoption of the mentioned standards, if adopted by the SBS.

In connection with IFRS 7 "Financial instruments: disclosures" and IFRS 8 "Operating segments", the SBS issued Resolution N°914-2010 extending its effective date without specifying a definite date.

Finally, the following IFRS and IFRIC have been internationally issued as of December 31, 2010; but are not yet approved by the CNC or the SBS; for this reason, they are not applicable to the Bank and its Subsidiaries' operations and; therefore, Management has not estimated their effects, if any, in the consolidated financial statements or in its operations.

- IAS 24 "Disclosures on related parties" (Revised), in force for periods beginning on or after January 1, 2011.

- IFRIC 14 "IAS 19 The limit on a defined benefit asset minimum funding requirements and their interaction" (Modified) in force for periods beginning on or after January 1, 2011.

(y.2) Regulations issued by SBS

On its November 2010 session, the International Financial Reporting Interpretations Committee (IFRIC), hereinafter the "Committee", agreed that workers' profit sharing must be recorded following IAS19 "Employees' benefits" and not IAS 12 "Income tax". Consequently, an entity must only recognize a liability when the employee has rendered a service; therefore, the deferred workers' profit sharing should not be calculated by temporary differences; given that these differences would be attributable to future services that must not be considered as obligations or rights under IAS 19. In Peru the standard practice was to calculate and record workers' profit sharing on the financial statements. In January 21, 2011, the SBS issued the Multiple Official Letter N°4049-2011, which establishes the accounting treatment of workers' profit sharing; the SBS new accounting treatment agrees to the standard established by the Committee. The new accounting treatment is mandatory starting January 2011.

4. **Foreign currency transactions and exposure to exchange risk**

(a) Transactions in foreign currency are completed using exchange rates prevailing in the market.

As of December 31, 2010, the weighted average market exchange rate published by the SBS for transactions in US Dollars was S/.2.808 for buying and S/.2.809 or selling (S/.2.888 and S/.2.891 as of December 31, 2009, respectively). As of December 31, 2010, the exchange rate established by the SBS to record assets and liabilities in foreign currencies was S/.2.809 for each US Dollar and S/.0.404 for each Boliviano (S/.2.890 and S/.0.415, as of December 31, 2009, respectively). A detail of the Bank and its Subsidiaries' foreign currency assets and liabilities is shown below:

| | 2010 | | 2009 | |
|---|---|---|---|---|
| | **U.S. Dollars** US$(000) | **Other Currencies** US$(000) | **U.S. Dollars** US$(000) | **Other Currencies** US$(000) |
| **Assets** | | | | |
| Cash and due from banks and interbank funds | 3,531,876 | 240,648 | 2,995,252 | 240,523 |
| Trading and available-for-sale investments, net | 702,512 | 376,008 | 742,309 | 737,906 |
| Loans, net | 8,354,019 | 342,523 | 6,644,316 | 190,641 |
| Other assets | 263,849 | 12,721 | 278,250 | 5,073 |
| | 12,852,256 | 971,900 | 10,660,127 | 1,174,143 |
| **Liabilities** | | | | |
| Deposits and obligations | (8,341,031) | (630,868) | (8,445,288) | (536,179) |
| Due to banks, correspondents and other entities, and interbank funds | (3,284,302) | (124,618) | (1,037,142) | (113,066) |
| Bonds and subordinated notes issued | (1,417,072) | - | (659,808) | - |
| Other liabilities | (284,514) | (64,631) | (326,595) | (32,278) |
| | (13,326,919) | (820,117) | (10,468,833) | (681,523) |
| Net forward operations – net short (long) note 18(a) | 956,279 | (4,853) | 265,112 | (66,475) |
| Net currency swap position, note 18(a) | (222,854) | - | (142,015) | (41,583) |
| Net cross currency and interest rate swap position, note 18(a) | (252,912) | 123,862 | 77,620 | (206,817) |
| Options (b) | 25,561 | - | (3,711) | - |
| **Net asset position** | 31,411 | 270,792 | 388,300 | 177,745 |

(b) As of December 31, 2010, the options, according to their deltas, amounts to approximately US$25.6 million, equivalent to S/.71.9 million (US$3.7 million, equivalent to S/.10.7 million as of December 31, 2009).

(c) As of December 31, 2010, the Bank and its Subsidiaries have contingent operations (indirect loans) in foreign currency for approximately US$2,232.1 million, equivalent to approximately S/.6,270.0 million (approximately US$1,939.8 million, equivalent to approximately S/.5,605.9 million, as of December 31, 2009), note 18.

In prior years, the devaluation (revaluation) of the Nuevo Sol with respect to the US Dollar and inflation, in accordance with the National Wholesale Price Index published by the Instituto Nacional de Estadística e Informática (National Institute of Statistics and Informatics), are as follows:

| Year | Devaluation (revaluation) % | Inflation % |
|---|---|---|
| 2006 | (6.8) | 1.1 |
| 2007 | (6.3) | 3.9 |
| 2008 | 4.8 | 6.7 |
| 2009 | (8.0) | 0.3 |
| 2010 | (2.8) | 2.1 |

## 5. Cash and due from banks

As of December 31, 2010, cash and due from banks includes approximately US$2,302.1 million and S/.2,754.6 million (US$2,248.5 million and S/.1,048.6 million as of December 31, 2009) of mandatory reserve that the Bank and its Subsidiaries must maintain for their obligations with the public. These reserves are deposited in the vaults of the Bank and its Subsidiaries and in the Central Reserve Bank of Peru - BCRP, and are within the limits established by prevailing legislation.

As of December 31, 2010, mandatory reserve deposited in BCRP do not earn interest, except for any excess (in foreign and local currency) of the minimum mandatory reserve, (as of December 31, 2009, only excesses in foreign currency earned interest). As of December 31, 2010, the excess in foreign currency amounts to approximately US$1,953,9 million, equivalent to approximately US$5,448.6 million, and earns interest in U.S. Dollars at an average rate of 0.16 percent, while the excess in nuevos soles amounts to approximately S/.660.6 million and earns interests at an average rate of 1.2 percent (US$1,790.8 million, equivalent to approximately S/.5,175.4 million, at an average rate of 0.14 percent as of December 31, 2009).

Deposits in local and foreign banks correspond principally to balances in nuevos soles and U.S. Dollars. All deposits are unrestricted and earn interests at market rates. As of December 31, 2010 and 2009, the Bank and its Subsidiaries do not have significant deposits in any specific financial institution.

In October 2010, the BCRP implemented new financial instruments in order to increase its effectiveness in monetary control. Therefore, since that date, the BCRP certificates of deposit (CDBCRP, for its Spanish acronym) were replaced by fixed term deposits (DPBCRP, for its Spanish acronym) that can only be accessed by bank entities established in Peru.

The CDBCRP are presented in the caption "Investments at fair value through profit or loss and available-for-sale, net" (note 6), of the consolidated balance sheets until their maturity date, while the DPBCRP are presented as of December 31, 2010 in this caption of the consolidated balance sheets. As of December 31, 2010, the DPBCRP amounts to S/.10,252.3 million and earn interest at an average rate of 3.06 percent.

6. **Investments at fair value through profit or loss and available-for-sale investments, net**

(a) This item is made up as follows:

| | 2010 | | |
|---|---|---|---|
| | | Unrealized gross amount | |
| | Amortized cost S/.(000) | Gains S/.(000) | Losses S/.(000) |
| **Investments at fair value through profit or loss (trading) -** | | | |
| Peruvian sovereign bonds (b) | - | - | - |
| Peruvian treasury bonds (b) | - | - | - |
| Corporate and leasing bonds (c) | - | - | - |
| Mutual funds participations | - | - | - |
| Listed equity securities (BVL) | | | |
| BCRP certificates of deposits (d) | - | - | - |
| | - | - | - |
| **Investments available-for-sale** | | | |
| BCRP certificates of deposit (d) | 1,021,995 | 58 | - |
| Corporate and leasing bonds (c) | 992,744 | 20,657 | (1,611) |
| Listed equity securities – Banco de Crédito e Inversiones de Chile (e) | 122,630 | 596,860 | - |
| Treasury bonds of foreign governments (f) | 306,684 | 1,135 | (79) |
| Peruvian sovereign bonds (b) | 255,777 | 5,510 | (524) |
| Treasury notes from the Central Bank of Bolivia (g) | 243,056 | 17 | (20) |
| Participation in Bolivia's RAL fund (h) | 225,267 | - | - |
| Bonds of financial entities | 114,420 | 5,379 | (239) |
| Peruvian treasury bonds (b) | 109,710 | 5,104 | (332) |
| Mutual funds participations | 109,400 | 273 | - |
| Listed equity securities (BVL) | 177 | 24,179 | - |
| Securitization instruments | 19,243 | 310 | (268) |
| Trading certificates of deposit | 12,960 | - | - |
| Non-listed equity securities | 3,203 | 78 | (594) |
| | 3,537,266 | 659,560 | (3,667) |
| **Balance of fair value through profit or loss (trading) and available-for-sale investments, net** | | | |
| Accrued interest | | | |
| **Total** | | | |

(b) Sovereign bonds are issued in nuevos soles by the Peruvian Government. As of December 31, 2010, these bonds accrued interest at annual rates that range between 0.46 and 6.88 percent (between 1.06 and 5.89 percent as of December 31, 2009), and have maturities between February 2011 and February 2042 (between March 2010 and August 2020 as of December 31, 2009).

As of December 31, 2010, Peruvian Treasury bonds correspond to global bonds issued in U.S Dollars (as of December 31, 2009, such bonds were issued in U.S. Dollars and Euros). These bonds accrued interest at annual rates that range between 1.42 and 5.93 percent (between 4.08 and 8.38 percent as of December 31, 2009), with maturities between February 2012 and November 2033 (between October 2014 and December 2015 as of December 31, 2009).

In April 2010, the Bank participated in an exchange program offered by the Peruvian Government by which the Bank exchanged 7.500% Euro denominated Treasury Bonds (Global Bonds) due 2014 ("2014 Bonds") for cash and new bonds (8.375% US$-Denominated Global Bonds due 2033, "2033 Bonds"). The Bank received €90.4 million in cash (equivalent to S/.348.0 million) and US$323.1 million (equivalent to S/.915.9 million) in 2033 Bonds. As of the date of the exchange, the Bank had unrealized gains amounting to S/.90.5 million for those instruments, which was recorded as realized gains in the caption "Net gain on securities", note 22, of the consolidated income statement.

In addition, at the date of the exchange, the Bank terminated the cross currency swaps that were part of its fair value hedging strategy related to the 2014 Bonds for an amount of S/.920.0 million, see note 9(c). The termination of the CCS resulted in a loss amounting to approximately S/.44.6 million, which was recorded in the caption "Financial expenses – Result from hedging derivative instruments" of the consolidated income statement, see note 19.

(c) Corporate and leasing bonds have been issued, mainly, by Peruvian entities; and accrue interests at annual rates that range between 1.33 and 6.66 percent for bonds issued in nuevos soles (between 0.67 and 6.46 percent as of December 31, 2009) and between 0.73 and 7.76 percent for bonds issued in U.S. Dollars (between 0.44 and 8.54 percent as of December 31, 2009). These bonds have maturities between January 2011 and May 2030 as of December 31, 2010 (between January 2010 and May 2030 as of December 31, 2009).

(d) BCRP certificates of deposit are issued at discount, acquired in public auctions and negotiated in the Peruvian secondary market. As of December 31, 2010, the balance of BCRP certificates of deposit is comprised by S/137.2 million of certificates settled in U.S. Dollars, and S/.884.8 million of certificates settled in nuevos soles; their annual effective interest rates range between 3.03 and 3.09 percent for certificates settled in U.S. Dollars, and between 3.01 and 3.45 percent for certificates settled in nuevos soles and their maturities are between January and June 2011.

As of December 31, 2009, the balance comprised S/.4,475.8 million of certificates settled in nuevos soles; their annual effective interest rates ranged between 1.13 y 1.39 percent and their maturities were between January and July 2010.

During 2010, at their maturity date, BCRP certificates of deposit in nuevos soles were replaced by BCRP fixed term deposits (DPBCRP), see note 5.

(e) As of December 31, 2010 and 2009, corresponds to 3,628,986 and 3,405,714 shares in Banco de Crédito e Inversiones BCI Chile, which represents a 3.52 percent and 3.40 percent of participation in that entity, respectively.

(f) As of December 31, 2010, treasury bonds of foreign governments include US$97.2 million, equivalent to S/.273.0 million, issued by the Colombian Government US$3.0 million, equivalent to S/.8.5 million, issued by the Brazilian Government and US$9.3 million, equivalent to S/.26.2 million, issued by the Chilean Government (as of December 31, 2009, include mainly US$74.1 million, equivalent to S/.214.1 million and S/.185.8 million, issued by the Colombian Government in U.S. Dollars and Pesos Colombianos, respectively; and US$17.8 million, equivalent to S/.51.4 million, issued by the Brazilian Government). These bonds have maturity between January 2012 and November 2015 (between March 2010 and January 2012 as of December 31, 2009) and their annual effective interest rates range between 1.12 and 2.23 percent (between 0.78 and 5.44 percent as of December 31, 2009).

(g) As of December 31, 2010, the treasury notes from the Central Bank of Bolivia are issued at discount in Bolivianos and in Unidades de Fomento de Vivienda (UFV). At that date, it includes Bolivianos 568.4 million, equivalent to S/.229.4 million, and UFV 4.3 million, equivalent to S/.13.7 million (approximately Bolivianos 755.6 million, equivalent to S/.313.3 millions and UFV 2.0 million, equivalent to S/.10.1 million, as of December 31, 2009). These instruments have maturities between January 2011 and December 2011 (between January 2010 and December 2010, as of December 31, 2009) and their annual effective rates range between 0.11 and 0.81 percent in Bolivianos and 0.001 percent in UFV (between 1.5 and 11.77 percent in Bolivianos and 0.001 percent in UFV as of December 31, 2009).

As of December 31, 2009, the Bank and its Subsidiaries had repurchase agreement operations with their clients; these operations were in Bolivianos for an amount equivalent to S/.101.2 million. The repurchase agreement operations accrued interest at effective market rates in Bolivia and matured on February 2010, see note 10(b).

(h) The participation quotas in the fund "Requirement of Cash Assets" (RAL for its Spanish acronym), are issued in Bolivianos and U.S. Dollars and amounts to an equivalent of S/.72.2 million and S/.153.1 million, respectively. They comprise investments made by Banco de Crédito de Bolivia in the Central Bank of Bolivia as collateral for the deposits maintained with the public. RAL Fund has restrictions for its use and it is required for all banks operating in Bolivia. As of

December 31, 2010 and 2009, it accrues interest at annual rates of 4.5 in Bolivianos and 10.25 percent in US$ Dollars.

(i) As of December 31, 2010 and 2009, the Bank maintained interest rate swaps (IRS), which, as permitted by the SBS, note 3(g), have been designated as fair value hedges of certain bonds with fixed rate in U.S. Dollars, issued by the Peruvian Government, corporate companies and international financial entities, for an notional amount of S/.153.3 million (S/.159.1 million, as of December 31, 2009), note 9(c); through the IRS, these bonds were economically converted to variable interest rate. IRS have maturities between July 2015 and June 2019.

Likewise, in addition to the CCS explained in paragraph (b), as of December 31, 2009, the Bank maintained forward exchange contracts, which, as permitted by the SBS, note 3(g), were designated as cash flow hedges, for a notional amount of S/.205.7 million, related with Colombian Government bonds denominated in Pesos, which matured on March 1, 2010; see note 9(c).

(j) As of December 31, 2010, the Bank entered into Repo transactions over corporate and government bonds for approximately US$250.0 million (equivalent to S/702.3 million), with maturity in June 2012; the related liability is presented in the consolidated balance sheet caption "Deposits and obligations", see note 10(b).

(k) As of December 31, 2010 and 2009, Management estimated the fair value of its trading and available-for-sale investments using market price quotations available in the market or, if the price was not available, by discounting the expected future cash flows at an interest rate that reflects the risk classification of the financial instrument.

Management has determined that the unrealized losses as of December 31, 2010 and 2009, are of temporary nature. The Bank and its Subsidiaries have decided and have the ability to maintain these investments until the recovery of their fair value, which can occur at their maturity.

(l) As of December 31, 2010 and 2009, trading and available-for-sale investments classified by their maturity date are as follows:

| | **2010**<br>S/.(000) | **2009**<br>S/.(000) |
|---|---|---|
| Up to 3 months | 1,153,806 | 3,803,987 |
| From 3 months to 1 year | 757,063 | 2,434,773 |
| From 1 to 3 years | 572,223 | 538,255 |
| From 3 to 5 years | 550,617 | 1,316,926 |
| More than 5 years | 728,614 | 462,510 |
| Without maturity (shares) | 750,181 | 343,300 |

| | | |
|---|---|---|
| **Total** | 4,512,504 | 8,899,751 |

## 7. Loans, net

(a) This item is made up as follows:

| | 2010<br>S/.(000) | 2009<br>S/.(000) |
|---|---|---|
| **Direct loans** | | |
| Commercial and micro-business loans | 16,757,509 | 13,124,287 |
| Leasing receivables | 6,639,934 | 5,793,505 |
| Mortgage loans | 5,788,359 | 4,975,889 |
| Credit cards | 3,668,225 | 3,105,468 |
| Consumer loans | 2,804,235 | 2,460,823 |
| Foreign trade loans | 2,090,286 | 2,266,683 |
| Discounted notes | 1,341,885 | 1,008,973 |
| Factoring receivables | 766,646 | 472,351 |
| Advances and overdrafts | 299,899 | 135,822 |
| Refinanced and restructured loans | 215,469 | 171,837 |
| Past due and under legal collection loans | 587,471 | 531,147 |
| | 40,959,918 | 34,046,785 |
| **Add (less)** | | |
| Accrued interest from performing loans | 269,719 | 229,105 |
| Deferred interest on discounted notes and leasing receivables | (962,666) | (816,204) |
| Allowance for loan losses (f) | (1,181,389) | (1,033,148) |
| **Total direct loans** | 39,085,582 | 32,426,538 |
| **Indirect loans (d) and note 18(a)** | 8,988,204 | 7,249,668 |

(b) As of December 31, 2010, 51 percent of the non-retail direct and indirect loan portfolio corresponded to 382 clients. Likewise, as of December 31, 2009, 51 percent of the commercial direct and indirect loan portfolio corresponded to approximately 475 clients.

(c) As of December 31, 2010 and 2009, the distribution of the loan portfolio by economic sector is as follows:

| | 2010 | | 2009 | |
|---|---|---|---|---|
| | S/.(000) | % | S/.(000) | % |
| Manufacturing | 8,355,086 | 20.4 | 7,278,960 | 21.4 |
| Mortgage loans | 5,782,055 | 14.1 | 5,064,608 | 14.9 |
| Commerce | 5,425,417 | 13.3 | 3,729,648 | 11.0 |
| Consumer loans | 4,908,475 | 12.0 | 4,251,349 | 12.5 |
| Electricity, gas and water | 2,723,148 | 6.6 | 2,260,815 | 6.6 |
| Micro-business loans | 2,678,085 | 6.5 | 2,115,471 | 6.2 |
| Mining | 2,503,769 | 6.1 | 1,979,189 | 5.8 |
| Communications, storage and transportation | 2,009,510 | 4.9 | 1,599,449 | 4.7 |
| Leaseholds and real estate activities | 1,997,476 | 4.9 | 1,405,467 | 4.1 |
| Community services | 1,186,470 | 2.9 | 981,065 | 2.9 |
| Financial services | 881,425 | 2.2 | 851,768 | 2.5 |
| Agriculture | 748,751 | 1.8 | 711,938 | 2.1 |
| Education, health and other services | 496,878 | 1.2 | 451,106 | 1.3 |
| Construction | 365,106 | 0.9 | 498,171 | 1.5 |
| Fishing | 321,756 | 0.8 | 341,325 | 1.0 |
| Other | 576,511 | 1.4 | 526,456 | 1.5 |
| **Total** | 40,959,918 | 100.0 | 34,046,785 | 100.0 |

(d) According to SBS regulations, as of December 31, 2010 and 2009, the Bank and its Subsidiaries' loan portfolio cre

| Risk category | 2010 | | | | |
|---|---|---|---|---|---|
| | Direct loans | | Indirect loans | | |
| | S/.(000) | % | S/.(000) | % | S/.(000 |
| Normal | 38,963,469 | 95.1 | 8,835,259 | 98.3 | 47,798,72 |
| Potential problems | 882,265 | 2.2 | 139,038 | 1.5 | 1,021,30 |
| Substandard | 352,181 | 0.9 | 4,379 | 0.1 | 356,56 |
| Doubtful | 340,859 | 0.8 | 6,932 | 0.1 | 347,79 |
| Loss | 421,144 | 1.0 | 2,596 | 0.0 | 423,74 |
| | 40,959,918 | 100.0 | 8,988,204 | 100.0 | 49,948,12 |

(e) As of December 31, 2010 and 2009, financial entities in Peru must constitute their allowance for loan losses based on the aforementioned credit risk classification (paragraph d) and using the percentages indicated on SBS Resolutions N°11356-2008 and N°6941-2008, respectively, as follows:

(i) Loans classified as "Normal", as of December 31, 2010:

| | 2010 | |
|---|---|---|
| **Loans types** | **Fixed-rate** | **Pro-cyclical component (*)** |
| | % | % |
| Corporate | 0.70 | 0.40 |
| Large-business | 0.70 | 0.45 |
| Medium-business | 1.00 | 0.30 |
| Small-business | 1.00 | 0.50 |
| Micro-business | 1.00 | 0.50 |
| Mortgage | 0.70 | 0.40 |
| Revolving consumer loan | 1.00 | 1.50 |
| Non-revolving consumer loan | 1.00 | 1.00 |

(ii) Loans classified as "Normal", as of December 31, 2009:

| | 2009 | |
|---|---|---|
| **Loan types** | **Fixed-rate** | **Pro-cyclical component (*)** |
| | % | % |
| Commercial | 0.70 | 0.45 |
| Micro-business | 1.00 | 0.50 |
| Mortgage | 0.70 | 0.40 |
| Consumer | 1.00 | 0.30-1.50 |

(*) In case the loan has highly liquid preferred guarantees (LWHLPG), the pro-cyclical component will be 0%, 0.25% or 0.30%, depending on the loan type.

Through Official Letter SBS N°B-2193-2010, dated September 28, 2010, the SBS informed to the financial entities the reactivation of pro-cyclical component rates for the allowance on direct and indirect loans of borrowers classified as "Normal", because the macroeconomic indicators that activate the rule, were met on that month.

Pro-cyclical component was also required by the SBS for the period between December 1, 2008 and August 30, 2009.

(iii) For loans classified as "Potential problems", "Substandard", "Doubtful" and "Loss"; depending upon if the loans are: Loans Without Guarantees (LWG), Loans With Preferred Guarantees (LWPG) or Loans With Readily Preferred Guarantees (LWRPG) or Loans with Highly Liquid Preferred Guarantees (LWHLPG), as of December 31, 2010 and 2009, the following percentages were used:

| Risk category | LWG<br>% | LWPG<br>% | LWRPG<br>% | LWHLPG<br>% |
|---|---|---|---|---|
| Potential problems | 5.00 | 2.50 | 1.25 | 1.00 |
| Substandard | 25.00 | 12.50 | 6.25 | 1.00 |
| Doubtful | 60.00 | 30.00 | 15.00 | 1.00 |
| Loss | 100.00 | 60.00 | 30.00 | 1.00 |

For loans subject to substitution of credit counterparty, note 3(e), the allowance requirement depends on the classification of the respective counterparty, for the amount covered, regardless of the debtor credit risk classification, using the percentages indicated above.

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

| | 2010<br>S/.(000) | 2009<br>S/.(000) |
|---|---|---|
| **Balance as of January 1** | 1,095,841 | 813,978 |
| Net provision, note 20 | 594,831 | 526,587 |
| Acquisition of Edyficar, note 2 | - | 56,153 |
| Loan portfolio written-off | (404,396) | (266,613) |
| Translation result and other | (12,487) | (34,264) |
| **Balance as of December 31(*)** | 1,273,789 | 1,095,841 |

(*) As of December 31, the movement of the allowance for loan losses includes direct and indirect loans allowance for approximately S/.1,181.4 and S/.92.4 million, respectively (approximately S/.1,033.1 and S/.62.7 million, respectively, as of December 31, 2009). The allowance for indirect loan losses is presented in the "Other liabilities, net" caption of the consolidated balance sheets, note 9(a).

In Management's opinion, the allowance for loan losses recorded as of December 31, 2010 and 2009, has been established in accordance with SBS regulations in force as of those dates, note 3(e).

(g) A portion of the loan portfolio is secured by guarantees received from clients, which are principally conformed by mortgages, stand-by letters, financial instruments, and industrial and commercial pledges.

(h) Interests accrued on the loan portfolio are determined considering the current interest rates prevailing in the markets where the Bank and its Subsidiaries operate.

(i) As of December 31, 2010 and 2009, the gross direct loan portfolio has the following maturity schedule:

| | **2010**<br>S/.(000) | **2009**<br>S/.(000) |
|---|---|---|
| Outstanding loans - | | |
| Up to 1 month | 4,629,689 | 4,715,298 |
| From 1 to 3 months | 5,315,220 | 5,358,774 |
| From 3 months to 1 year | 8,447,129 | 8,035,935 |
| From 1 to 3 years | 8,550,592 | 5,968,839 |
| From 3 to 5 years | 5,101,372 | 3,531,343 |
| More than 5 years | 8,328,445 | 5,905,449 |
| | | |
| Past due loans - | | |
| Up to 4 months | 192,698 | 204,041 |
| More than 4 months | 178,069 | 171,469 |
| Loans under legal collection | 216,704 | 155,637 |
| **Total** | 40,959,918 | 34,046,785 |

8. **Property, furniture and equipment, net**

(a) The movement of property, furniture and equipment and accumulated depreciation for the years ended December 3

| | Land S/.(000) | Buildings and other constructions S/.(000) | Installations S/.(000) | Furniture and fixtures S/.(000) |
|---|---|---|---|---|
| **Cost -** | | | | |
| **Balance as of January 1** | 76,175 | 651,120 | 409,808 | 238,208 |
| Additions | 6,624 | 1,338 | 4,784 | 21,231 |
| Acquisition of Edyficar, note 2 | - | - | - | - |
| Sales | - | - | (137) | (1,488) |
| Transfers | 57 | 569 | 60,589 | 4,391 |
| Write-downs and other | - | - | (2,981) | (1,279) |
| **Balance as of December 31** | 82,856 | 653,027 | 472,063 | 261,063 |
| **Accumulated depreciation -** | | | | |
| **Balance as of January 1** | - | 344,783 | 236,738 | 177,711 |
| Depreciation of the year | - | 20,486 | 32,614 | 10,013 |
| Acquisition of Edyficar, note 2 | - | - | - | - |
| Sales | - | - | (71) | (1,487) |
| Write-downs and transfers | - | - | (1,983) | (1,138) |
| **Balance as of December 31** | - | 365,269 | 267,298 | 185,099 |
| **Net book value** | 82,856 | 287,758 | 204,765 | 75,964 |

(b) Banks in Peru are not allowed to pledge their fixed assets.

(c) As of December 31, 2010 and 2009, the Bank and its Subsidiaries maintain fully depreciated assets which are still i respectively.

(d) The Bank and its Subsidiaries maintain insurance over their main assets, according to policies established by Manag

(d) Management periodically reviews the fixed assets' residual value, their useful live and the selected depreciation me expectations. In Management's opinion, there is no evidence of impairment of property, furniture and equipment a

## 9. Other assets and other liabilities

(a) These items are made up as follows:

| | 2010<br>S/.(000) | 2009<br>S/.(000) |
|---|---|---|
| **Other assets, net** | | |
| Financial instruments at fair value - | | |
| Indexed certificates (b) | 382,101 | 313,218 |
| Derivatives receivable (c) | 241,395 | 281,086 |
| | 623,496 | 594,304 |
| Other, net- | | |
| Value added tax credit | 521,396 | 440,760 |
| Finite live intangible assets, net (d) | 417,247 | 319,583 |
| Deferred income tax and workers' profit sharing, note 13(a) | 311,896 | 264,622 |
| Accounts receivable | 205,606 | 124,353 |
| Goodwill, note 2 | 144,841 | 144,841 |
| Deferred expenses | 97,015 | 76,312 |
| Income tax prepayments, net | 44,417 | 143,144 |
| Realizable, received in payment and seized assets, net (e) | 36,632 | 50,170 |
| Operations in process (f) | 34,055 | 24,811 |
| Other | 14,950 | 13,896 |
| | 1,828,055 | 1,602,492 |
| **Total** | 2,451,551 | 2,196,796 |
| **Other liabilities, net** | | |
| Payroll taxes, salaries and other personnel expenses payable | 496,693 | 392,588 |
| Accounts payable | 406,710 | 345,828 |
| Deferred income tax and workers' profit sharing, note 13(a) | 309,415 | 108,704 |
| Derivatives payable (c) | 203,711 | 300,706 |
| Provision for sundry risks (g) | 113,730 | 124,031 |
| Allowance for indirect loan losses, note 7(f) | 92,400 | 62,696 |
| Operations in process (f) | 57,871 | 43,356 |
| Taxes | 23,479 | 882 |
| Deposit Insurance Fund | 14,698 | 13,661 |
| Minority interest | 11,091 | 12,631 |
| Other | 2,429 | 2,261 |
| **Total** | 1,732,227 | 1,407,344 |

(b) In connection with the liabilities that result from Credicorp's stock appreciation rights (SARs), note 16, the Bank signed several contracts with Citigroup Global Markets Holdings Inc., Citigroup Capital Limited, Citigroup Capital Market Inc (hereinafter "Citigroup") , and Credit Agricole Corporate and Investment Bank (hereinafter "Caylon").

These contracts consist of the purchase of certificates indexed to the performance of Credicorp Ltd. (BAP) shares, in the form of "warrants" issued by Citigroup and Calyon, with the same number of Credicorp Ltd. shares. These certificates will be settled exclusively in cash with maturity until 2014 and have the possibility of being settled totally or partially at any moment before their maturity.

According to the SBS Resolution N°1737-2006, note 3(g), the indexed certificates maintain an incorporated derivative, whose risks are not closely related to the host's contract risk. Management agreed to record from the beginning, these hybrid instruments at fair value through profit or loss; therefore, the split of the incorporated derivative instrument is not required.

As of December 31, 2010 and 2009, the Bank and its Subsidiaries have acquired 1,123,846 and 1,389,846 certificates, respectively, at a total cost of US$69.1 million and US$82.9 million, respectively (US$61.4 and US$59.6 per certificate on average, respectively). At those dates, the estimated market value amounted to US$136.0 million and US$108.4 million, respectively (US$121.0 and US$78.0 per certificate on average, as of December 31, 2010 and 2009, respectively). According to SBS standards, the difference between cost and estimated market value is recorded in the consolidated statement of income. As of December 31, 2010 and 2009, gains arising from the valuation of indexed certificates maintained by the Bank and its Subsidiaries amounted to approximately S/.116.5 million and S/.64.6 million, respectively, and have been recorded in the consolidated income statement caption "Other non financial income", note 23.

Likewise, during 2010 and 2009, the Bank and its Subsidiaries settled 320,000 and 1,750,677 certificates, respectively. At the time of their settlement, the gain registered in the caption "Other non-financial income" of the consolidated income statements, resulting from its measurement, amounted to S/.40.1 million and S/.33.6 million, respectively, note 23; on the other hand, during 2010 and 2009 the Bank and its Subsidiaries acquired 54,000 and 780,000 new certificates, respectively.

(c) The risk in derivatives contracts bears from the possibility that the counterparty does not fulfill the terms and conditions agreed, and that the reference rates, in which the transaction was made, changes.

The table below presents the fair value of the derivative financial instruments, recorded as an asset or a liability, together with their notional amounts. The gross notional amount is the amount of a derivative's underlying asset and is the basis upon which changes in fair value of derivatives are measured, note 18(a).

| | | 2010 | | | |
|---|---|---|---|---|---|
| | **Note** | **Assets**<br>S/.(000) | **Liabilities**<br>S/.(000) | **Notional amount**<br>S/.(000) | **Hedge instruments** |
| **Derivatives held for trading (i) -** | | | | | |
| Forward exchange contracts | | 48,878 | 29,889 | 7,382,600 | - |
| Interest rate swaps | | 86,513 | 90,776 | 1,997,481 | - |
| Currency swaps | | 48,690 | 35,202 | 1,300,860 | - |
| Options | | 1,542 | 867 | 291,057 | - |
| **Derivatives held as hedges -** | | | | | |
| **Cash flow hedge (ii) -** | | | | | |
| Interest rate swaps | 10(d) | - | 17,799 | 801,814 | Related parties |
| Interest rate swaps | 11(c) | - | 6,066 | 383,896 | Due to banks |
| Cross currency swap | 11(d) | 33,264 | - | 347,927 | Due to banks |
| Cross currency swaps | 12(a)(i) | 1,113 | 141 | 44,066 | Bonds issued |
| Cross currency swap and interest rate swaps | 12(a)(i) | 21,395 | 14,125 | 318,435 | Bond issued |
| **Fair value hedge -** | | | | | |
| Interest rate swaps | 6(i) | - | 8,846 | 153,259 | Available-for-sale investments |
| | | 241,395 | 203,711 | 13,021,395 | |

| | Note | 2009 Assets S/.(000) | 2009 Liabilities S/.(000) | 2009 Notional amount S/.(000) | 2009 Hedge instruments |
|---|---|---|---|---|---|
| **Derivatives held for trading (i) -** | | | | | |
| Forward exchange contracts | | 113,619 | 55,073 | 7,556,097 | - |
| Interest rate swaps | | 84,508 | 91,346 | 1,825,341 | - |
| Currency swaps | | 41,168 | 34,751 | 1,258,648 | - |
| Options | | 572 | 465 | 70,441 | - |
| **Derivatives held as hedges -** | | | | | |
| **Cash flow hedge (ii) -** | | | | | |
| Forward exchange contracts | 6(i) | - | 39,108 | 205,709 | Investments available-for-sale |
| Interest rate swaps | 10(d) | 4,929 | 4,665 | 913,301 | Deposits |
| Interest rate swaps | 11(c) | - | 32,932 | 1,184,900 | Due to banks |
| Cross currency swaps | 11(d) | 5,020 | - | 322,685 | Due to banks |
| Cross currency swaps | 12(a)(i) | 68 | 306 | 45,763 | Bonds issued |
| Cross currency swaps and interest rate swaps | 12(a)(i) | 22,429 | 8,251 | 327,617 | Bonds issued |
| **Fair value hedge -** | | | | | |
| Cross currency swaps | 6(b) | 7,121 | 33,657 | 919,960 | Investments available-for-sale |
| Interest rate swaps | 6(i) | 1,652 | 152 | 159,087 | Investments available-for-sale |
| | | 281,086 | 300,706 | 14,789,549 | |

(i) Derivatives held for trading are mainly settled with the purpose of satisfying customers' needs. The Bank and its Subsidiaries may also take positions with the expectation of profiting from favorable movements in prices, rates or indexes. Also included under this caption are any derivatives which do not meet SBS hedging requirements.

As of December 31, 2010, forward exchange contracts have maturities between January 2011 and December 2012 (between January 2010 and October 2011 as of December 31, 2009).

As of December 31, 2010, interest rate swaps and currency swaps have maturities until August 2022 and September 2022, respectively (until February 2019 and April 2019 as of December 31, 2009, respectively).

As of December 31, 2010, the exchange options have maturities between January 2011 and May 2012 (between January 2010 and October 2010 as of December 31, 2009).

(ii) The Bank and its Subsidiaries are exposed to movements in future interest cash flows on non-trading assets and liabilities which bear interest at variable rates. The Bank and its Subsidiaries use derivate financial instruments as cash flow hedges of said risks. As of December 31, 2010, a summary indicating the periods when the hedged cash flows are expected to occur and when they are expected to affect the consolidated income statement, net from income tax and workers' profit sharing is as follows:

| | **Up to 1 year** S/.(000) | **From 1 to 3 years** S/.(000) | **From 3 to 5 years** S/.(000) | **Over 5 years** S/.(000) |
|---|---|---|---|---|
| Cash outflows (liabilities) | (840,403) | (649,613) | (738,816) | (14,811) |
| **Consolidated income statement** | (3,456) | (2,156) | (11,860) | 28 |

As of December 31, 2010, the net unrealized gain from the cash flow hedges is included in the caption "Unrealized gains (losses)" of the consolidated statements of changes in shareholders' equity and results from the current hedges (unrealized loss for approximately S/.17.4 million) and from the unwind made in 2009 (unrealized gain for approximately S/.33.0 million), which is being realized in the term of the underlying financial instrument, see note 12(a)(v). Likewise, the transfer of the net unrealized gain on cash flow hedges to the consolidated income statement is presented in note 14(d).

(d) The movement of intangible assets for the years ended December 31, 2010 and 2009 is as follows:

| Description | Brand name S/.(000) | Rights of use (ii) S/.(000) | Client relationship S/.(000) |
|---|---|---|---|
| **Cost -** | | | |
| **Balance as of January 1** | 37,504 | - | 18,735 |
| Additions (i) | - | 55,740 | - |
| Acquisition of Edyficar, note 2 | - | - | - |
| Write-downs and other | - | - | - |
| Transfers | - | - | - |
| **Balance as of December 31** | 37,504 | 55,740 | 18,735 |
| **Accumulated amortization -** | | | |
| **Balance as of January 1** | 1,250 | - | 645 |
| Amortization of the year | 7,501 | - | 3,727 |
| Acquisition of Edyficar, note 2 | - | - | - |
| Write-downs and other | - | - | - |
| **Balance as of December 31** | 8,751 | - | 4,372 |
| **Net book value** | 28,753 | 55,740 | 14,363 |

(i) During the years ended December 31, 2010 and 2009, the Bank and its Subsidiaries have capitalized disbursements rela

(ii) Corresponds to brand rights of use for the launch of new financial products.

(iii) As of December 31, 2010 and 2009, the Bank and its Subsidiaries have fully amortized intangible assets that are still in

(e) As of December 31, 2010 and 2009, the balance includes S/.25.4 million and S/.39.6 million, respectively, corresponding to assets acquired with the specific purpose of granting leasing loans.

During 2010 and 2009, sales of realizable, received in payment and seized assets amounted to approximately S/.23.5 million and S/.24.9 million, respectively; net income amounted to approximately S/.16.4 million and S/.17.3 million, respectively, which is presented in the caption "Other non-financial income" of the consolidated statements of income, note 23.

According to Management's opinion, the allowance of realizable assets, received in paid and seized assets recorded as of December 31, 2010 and 2009, agrees with the SBS regulations, in force on those dates.

(f) Operations in process include deposits received, loans disbursed and/or collected, funds transferred and other similar types of transactions, which are made at the end of the month and not reclassified to their final consolidated balance sheets accounts until the first days of the following month. These transactions do not affect the Bank and its Subsidiaries' consolidated net income.

(g) As of December 31, 2010 and 2009, the provision for sundry risks comprises the allowance related to the estimated losses due to legal procedures against the Bank and its Subsidiaries, estimated losses due to operational risk and other similar obligations that were recorded based on Management and its internal legal advisors' best estimates.

## 10. Deposits and obligations

(a) This item is made up as follows:

| | 2010<br>S/.(000) | 2009<br>S/.(000) |
|---|---|---|
| **Non-interest bearing deposits and obligations -** | | |
| In Peru | 13,194,511 | 11,105,864 |
| In other countries | 1,605,697 | 1,726,262 |
| | 14,800,208 | 12,832,126 |
| **Interest bearing deposits and obligations -** | | |
| In Peru | 30,224,334 | 22,008,146 |
| In other countries | 2,759,622 | 6,786,831 |
| | 32,983,956 | 28,794,977 |
| | 47,784,164 | 41,627,103 |
| Interest payable for deposits and obligations | 116,607 | 157,712 |
| **Total** | 47,900,771 | 41,784,815 |

The Bank and its Subsidiaries have established a policy to pay interests on demand deposits and savings accounts according to a sliding interest rate scale, based on the average balance maintained in those accounts. Additionally, according to such policy, it was established that accounts having balances lower than a determined amount for each type of account, do not bear interest.

Interest rates applied to the different deposits and obligations accounts are determined by the Bank and its Subsidiaries considering current interest rates in the markets where they develop their operations.

(b) As of December 31, 2010 and 2009, the balance of deposits and obligations by product is as follows:

| | 2010<br>S/.(000) | 2009<br>S/.(000) |
|---|---|---|
| Time deposits (d) and (e) | 15,987,843 | 15,121,721 |
| Demand deposits | 15,021,693 | 12,730,974 |
| Saving deposits | 11,924,035 | 10,230,460 |
| Severance indemnity deposits | 3,688,561 | 3,090,182 |
| Bank's negotiable certificates | 459,782 | 352,616 |
| Client - Repurchase agreements, note 6(g) and (j) | 702,250 | 101,150 |
| **Total** | 47,784,164 | 41,627,103 |

(c) As of December 31, 2010 and 2009, approximately S/.13,836.7 million and S/.12,423.9 million, respectively of the deposits and obligations balances, are covered by the "Fondo de Seguro de Depósitos" (Deposit Insurance Fund). As of December 31, 2010 and 2009, the "Fondo de Seguro de Depósitos" covered up to S/.85,793.0 million and S/.82,073.0 million, respectively.

(d) On January 1, 2010, due to certain changes in the Peruvian Tax Law, time deposits maintained as of December 31, 2009 in BCP Panama branch by CCR Inc. and Atlantic Security Bank (ASB) (both subsidiaries of Credicorp Ltd.) for approximately US$1,078.2 million (equivalent to S/.3,116.0 million) and US$351.1 million (equivalent to S/.1,014.8 million), respectively, were settled and replaced by loans between CCR Inc. and ASB, and the Bank's Panamanian Brach for the same amounts, terms and conditions as the settled time deposits, see note 11(d).

Until December 31, 2009, the Bank hedged part of the cash flow of said time deposits yielding variable interest rate, through interest rate swaps (IRS) for a notional amount of S/.913.3 million. As of December 31, 2010, and after the transaction previously mentioned, such interest rate swaps were maintained by the Bank in order to hedge the cash flow of the new loans for a notional amount of S/.801.8 million , see note 9(c); through IRS, these loans were economically converted to fixed rate. IRS have maturities until March 2016.

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

| | 2010<br>S/.(000) | 2009<br>S/.(000) |
|---|---|---|
| Up to 3 months | 13,911,869 | 8,886,052 |
| From 3 months to 1 year | 1,415,589 | 2,535,341 |
| From 1 to 3 years | 545,050 | 358,509 |
| From 3 to 5 year | 115,335 | 176,281 |
| More than 5 years | - | 3,165,538 |
| **Total** | 15,987,843 | 15,121,721 |

As of December 31, 2009, the amounts over 5 years correspond mainly to time deposits received from subsidiaries of Credicorp Ltd., see paragraph (d) above and note 17(a).

## 11. Due to banks, correspondents and other entities

(a) This item is made up as follows:

| | 2010<br>S/.(000) | 2009<br>S/.(000) |
|---|---|---|
| **By type -** | | |
| Promotional credit lines (b) – COFIDE | 410,070 | 235,161 |
| Due to banks and correspondents with foreign financial institutions (c) | 5,385,951 | 3,035,672 |
| Due to related parties (d) | 4,021,283 | 322,685 |
| | 9,817,304 | 3,593,518 |
| Interest payable | 49,638 | 16,709 |
| **Total** | 9,866,942 | 3,610,227 |
| **By term -** | | |
| Short-term debt | 4,432,800 | 2,392,518 |
| Long-term debt | 5,384,504 | 1,201,000 |
| **Total** | 9,817,304 | 3,593,518 |

(b) Promotional credit lines represent loans received mainly from Corporación Financiera de Desarrollo (COFIDE) to promote the development of Peru. As of December 31, 2010, their annual interest rates ranged between 6.00 and 7.75 percent (between 6.25 and 7.75 percent as of December 31, 2009). As of December 31, 2010 and 2009, these credit lines are secured by a loan portfolio amounting to US$146.0 million and US$81.4 million, equivalent approximately to S/.410.1 million and S/.235.2 million, respectively. These loans include covenants specifying the use of the funds, financial conditions that the Bank and its Subsidiaries must maintain and other administrative matters. In Management's opinion, such covenants are being fulfilled by the Bank and its Subsidiaries as of December 31, 2010 and 2009.

(c) As of December 31, 2010, due to banks and correspondents with foreign financial institutions comprise mainly loans to finance foreign trade operation and for working capital, granted by 55 foreign entities (46 as of December 31, 2009); of which 10 represent approximately 36.4 percent of the balance (7 represent approximately 49.1 percent of the balance as of December 31, 2009).

As of December 31, 2010, the balance includes a syndicated loan from several foreign financial entities amounting to US$350.0 million (equivalent to S/.983.2 million), with maturity on October 2013 and interest payments every semester, at a fixed rate of 2.25 percent for the first coupon, and Libor 6M+1.75% for the following coupons.

Likewise, as of December 31, 2010 and 2009, the balance included a syndicated loan obtained from several foreign financial entities, amounting to US$136.7 million (equivalent to S/.383.9 million) and to US$410.0 million (equivalent to S/.1,184.9 million), respectively, with maturity on March 2011 and capital and interest payments every semester at Libor + 0.75 percent for 2010 and Libor + 0.85 percent for 2011. The syndicated loan, subject to interest rate risk, has been hedged using interest rate swaps (IRS) for a notional amount equal to the principal and with the same maturities, see note 9(c); through IRS, such loan was economically converted to fixed rate. IRS have maturities on March 2011.

Some of the loan agreements include standard covenants concerning the fulfillment of financial ratios, the use of funds and other administrative matters. In Management's opinion, these covenants do not limit the Bank and its Subsidiaries operations and are complied following international banking practices.

As of December 31, 2010, due to bank and correspondents with foreign financial entities accrued annual interests at rates that ranged between 0.74 and 9.25 percent (between 0.73 and 12.00 percent as of December 31, 2009).

(d) As of December 31, 2010, due to related parties include loans maintained with CCR Inc. and ASB, amounting to US$953.1 million (equivalent to S/.2,677.3 million) and US$354.6 (equivalent to S/.996.1 million), respectively, see also note 10(d).

In addition, as of December 31 2010 and 2009, the balance includes a payment note in favour of a foreign related party, amounting to 2.7 million Unidades de Fomento Chilenas – UF (equivalent to S/.347.9 million and S/.322.7 million, respectively), with maturity on 2014 and a fixed annual interest rate of 3.5 percent, see note 17(a). This note, subject to exchange rate risk, has been hedged, as permitted by the SBS, note 3(g), through cross currency swaps (CCS) for the same notional amounts, principal and maturities, see note 9(c); through CCS, this liability was economically converted to U.S. Dollars. CCS have maturity on October 2014.

(e) As of December 31, 2010 and 2009, the balance of this caption, classified by maturity, is as follows:

| | 2010<br>S/.(000) | 2009<br>S/.(000) |
|---|---|---|
| Up to 3 months | 2,559,631 | 1,710,733 |
| From 3 months to 1 year | 1,873,169 | 681,785 |
| From 1 to 3 years | 2,057,289 | 607,255 |
| From 3 to 5 years | 1,178,783 | 411,988 |
| More than 5 years | 2,148,432 | 181,757 |
| **Total** | 9,817,304 | 3,593,518 |

## 12. Bonds and notes issued

(a) This item is made up as follows:

| | Weighted average annual interest rate | | |
|---|---|---|---|
| | 2010 % | 2009 % | Maturity |
| **Local issuances-** | | | |
| Corporate bonds (i) | 6.76 | 6.74 | Between March 2011 and J |
| Subordinated bonds (i) | 7.33 | 7.35 | Between October 2012 and |
| Leasing bonds (i),(ii) | 6.81 | 7.11 | Between February 2011 ar |
| Trading certificates of deposit – Edyficar | 4.23 | 5.96 | November 2011 |
| Mortgage bonds (ii) | 7.62 | 7.67 | Between May 2011 and Apr |
| Mortgage certificates | | | January 2011 |
| **International issuances, through BCP Panama branch -** | | | |
| Senior bonds (i),(iii) | 5.38 | - | September 2020 |
| Junior subordinated notes (iv) | 9.75 | 9.75 | November 2069 |
| Subordinated notes (v) | 7.17 | 7.17 | October 2022 |
| Subordinated negotiable certificates of deposit (vi) | 6.95 | 6.95 | November 2021 |
| **Total** | | | |
| Interest payable | | | |
| **Total** | | | |

International issuances are listed in Luxembourg Stock Exchange. Likewise, local and international issuances maint
opinion, the Bank and its Subsidiaries have fulfilled as of the date of the consolidated balance sheets.

(i) During 2010, the Bank and its Subsidiaries redeemed bonds for S/.259.5 million (S/.193.4 million during 2009). The detail of issuances made during 2010 and 2009 is the following:

| Issuances 2010 | Issued amount S/.(000) | Book value S/.(000) | Currency | Maturity |
|---|---|---|---|---|
| **Corporate Bonds -** | | | | |
| Senior bonds | 2,247,200 | 2,247,200 | US$ | 2020 |
| **Trading certificates of deposit - Edyficar -** | | | | |
| Third Issuance - first program | 50,000 | 47,969 | S/. | 2011 |
| **Issuances 2009** | | | | |
| **Junior subordinated notes-** | 722,500 | 722,500 | US$ | 2069 |
| **Corporate Bonds -** | | | | |
| Fourth Issuance Series A, B, C and D | 183,414 | 183,414 | S/. | 2014 |
| Fifth Issuance Series A | 50,000 | 50,000 | S/. | 2013 |
| | 233,414 | 233,414 | | |
| **Subordinated bonds -** | | | | |
| Fourth Issuance Series A, B, C and D | 328,946 | 328,946 | US$ | 2016 |

As of December 31, 2010, the Bank, as permitted by the SBS, has hedged corporate and leasing bonds issued in nuevos soles with fixed rate for a notional amount of S/.318.4 million and S/.44.1 million, respectively (S/.327.6 million and S/.45.8 million, respectively, as of December 31, 2009), subject to exchange rate and variable interest rate risk. Corporate bonds have been hedged through CCS and IRS, and leasing bonds through CCS; said bonds were economically converted to U.S. Dollars with fixed rate, see note 9(c). CCS and IRS have maturities between April 2011 and March 2015.

(ii) Leasing and mortgage bonds are collateralized by the same assets financed by the Bank.

(iii) Senior bonds have maturities on September 2020 and earn interest with a fixed rate of 5.38 percent, with semiannual payments. The principal payment will take place at the maturity date or when the Bank redeems the bonds.

(iv) On November 2019, the fixed interest rate will turn into a variable interest rate, established as Libor 3 months plus 816.7 basis points, with quarterly payments. At that date and in any interest payment date, the Bank can redeem all of the notes without penalties. Interest payments are non-cumulative if an interest payment is not made in full, due to the Bank's right to cancel interest payments, a mandatory prohibition established by the SBS, or if the SBS determines that the Bank is in non-compliance with applicable minimum regulatory capital. In any of those mentioned cases, the Bank or any of its Subsidiaries cannot declare, pay or distribute dividends for the period in which interest payments are not made. The principal payment will take place at the maturity date or when the Bank redeems the bonds.

This debt, considering SBS regulations, qualifies as Tier 1 in computing regulatory capital and has no collaterals.

(v) On October 2017, the interest rate will turn into variable interest rate, established as the average of, at least, three valuations of the internal rate of return of sovereign bonds issued by the Peruvian Government (with maturity in 2037) plus 150 basis points, with semiannual payments. At that date or at any interest payment date, the Bank can redeem all the debt, without penalties. The principal payment will take place at the maturity date or when the Bank redeems the bonds. This debt, subject to interest and exchange rate risk, as permitted by the SBS, was hedged through a CCS and IRS, which were prospectively interrupted on October 2009 through their unwind.

As of December 31, 2010, the cumulative unrealized gain from the fair value of the CCS and IRS amounting to S/.14.4 million and S/.18.6 million, respectively, previously recognized in the consolidated statement of changes in shareholders' equity, is being recorded in the consolidated income statement during the remaining term of the underlying liability.

(vi) On November 2016, the interest rate will turn into variable interest rate, established as Libor plus 2.79 percent, with quarterly payments. Starting on that date and any other date after the interest payments date, the Bank can redeem all the debt without penalties. The principal payment will take place at the maturity date or when the Bank redeems the bonds.

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

| | 2010<br>S/.(000) | 2009<br>S/.(000) |
|---|---|---|
| Up to 3 months | 104,289 | 75,419 |
| From 3 months to 1 year | 396,215 | 235,651 |
| From 1 to 3 years | 297,503 | 581,782 |
| From 3 to 5 years | 294,625 | 449,577 |
| More than 5 years | 4,380,887 | 2,190,582 |
| **Total** | 5,473,519 | 3,533,011 |

## 13. Deferred income tax and workers´profit sharing

(a) These items are made up as follows:

| | 2010<br>S/.(000) | 2009<br>S/.(000) |
|---|---|---|
| **Deferred assets -** | | |
| Allowance for loan losses | 161,828 | 129,664 |
| Share-based compensation rights provision, note 16 | 67,111 | 54,061 |
| Provision for sundry expenses | 31,276 | 17,214 |
| Unrealized loss on hedge derivatives valuation | 15,436 | 15,487 |
| Provision for sundry risks | 13,778 | 12,660 |
| Allowance for seized assets | 7,869 | 7,591 |
| Past due interests | 2,447 | 2,570 |
| Unrealized loss on available-for-sale investments valuation | 604 | 423 |
| Impairment of investments | 228 | 4,075 |
| Other | 11,319 | 20,877 |
| **Total deferred assets, note 9(a)** | 311,896 | 264,622 |
| **Deferred liabilities -** | | |
| Unrealized gain on available-for-sale investments valuation | (206,730) | (43,795) |
| Indexed certificates valuation | (63,023) | (24,703) |
| Acquired intangibles - Edyficar | (14,444) | (18,840) |
| Unrealized gain on hedge derivatives valuation | (6,649) | (11,318) |
| Leasing operations, net | (5,293) | (4,147) |
| Building depreciation | (4,139) | - |
| Exchange difference | (3,985) | (5,234) |
| Other | (5,152) | (667) |
| **Total deferred liabilities, note 9(a)** | (309,415) | (108,704) |
| **Net balance** | 2,481 | 155,918 |

As of December 31, 2010, the Bank and its Subsidiaries have recorded a deferred income tax liability as part of the caption "Unrealized gains (losses)" for S/.197.3 million, related to the unrealized gains and losses of available-for-sale investments and cash flow hedges (S/.39.2 million, as of December 31, 2009).

(b) Amounts presented in the consolidated balance sheets as of December 31, 2010 and 2009, and in the consolidated income statements for the years then ended, are shown below:

| **Consolidated balance sheets** | **Deferred assets** | | **Deferred liabilities** | |
|---|---|---|---|---|
| | **2010** S/.(000) | **2009** S/.(000) | **2010** S/.(000) | **2009** S/.(000) |
| Income tax | 266,715 | 225,126 | (293,698) | (92,480) |
| Workers' profit sharing | 45,181 | 39,496 | (15,717) | (16,224) |
| | 311,896 | 264,622 | (309,415) | (108,704) |

| **Consolidated income statements** | **Workers' profit sharing** | | **Income tax** | |
|---|---|---|---|---|
| | **2010** S/.(000) | **2009** S/.(000) | **2010** S/.(000) | **2009** S/.(000) |
| Current | 72,417 | 48,312 | 443,697 | 335,301 |
| Deferred | (2,488) | 953 | (3,971) | (6,159) |
| | 69,929 | 49,265 | 447,668 | 329,142 |

As mentioned in note 3(y), (y.2), since January 1, 2011, the accounting recognition of the deferred workers' profit sharing has been modified; according to the SBS regulations, since that date, the Bank and its Subsidiaries will no longer recognize the deferred workers profit sharing and must reverse the net cumulative balance at the date charging the consolidated statement of changes in shareholders' equity. In Management's opinion said reversion is not material considering the consolidated financial statements as a whole.

(c) Reconciliation of the effective tax rate to the statutory tax rate for the years 2010 and 2009 is as follows:

| | 2010<br>% | 2009<br>% |
|---|---|---|
| **Income before income taxes** | 100.00 | 100.00 |
| Theoretical expense | 30.00 | 30.00 |
| **Effect on taxable income** | | |
| Non-taxable financial revenue | (10.82) | (16.76) |
| **Effect of non-deductible expenses** | | |
| Non-deductible financial expenses | 2.55 | 5.92 |
| Other non-deductible expenses | 5.29 | 7.09 |
| **Income tax, current and deferred** | 27.02 | 26.25 |

## 14. Equity

(a) Capital stock -

As of December 31, 2010, 2009 and 2008, the Bank's capital stock comprises 2,557.7 million, 2,228.3 million and 1,508.3 million of fully subscribed and paid common shares, respectively, each, with a nominal value of one Peruvian Nuevo Sol.

The General Shareholders Meetings held on March 26, 2010, March 31, 2009 and March 28, 2008, approved the capitalization of retained income for an amount of S/.329.5 million, S/.720.0 million, and S/.221.8 million, respectively.

(b) Legal reserve -

Pursuant to legislation in force, the Bank must reach a legal reserve of at least 35 percent of its paid-in capital. This reserve is to be funded through an annual appropriation of at least 10 percent of its net income. As of December 31, 2010, the Bank has covered such legal request.

The Bank' subsidiaries established in Peru and Bolivia must also record legal reserves in their individual financial statements, which percentages varies depending on applicable laws and economic activity. As of December 31, 2010, 2009 and 2008, the subsidiaries' reported legal reserves amounted to approximately S/.117.3, S/.108.8 million and S/.96.0 million, respectively.

(c) Special reserve -

The special reserve has been funded through the appropriation of accumulated results and is considered to be unrestricted.

The General Shareholders Meetings held on March 26, 2010, March 31, 2009 and March 28, 2008, approved an increase of the special reserve for approximately S/.0.1, S/.0.7 and S/.290.5 million, respectively.

The General Shareholders Meeting held on March 26, 2010, approved the transfer of S/.348.7 million from the special reserve to the legal reserve.

(d) Unrealized gains (losses) -
The caption "Unrealized gains (losses)" includes the net unrealized gain (loss) from available-for-sale investments and from derivatives instruments used as cash flow hedge. The movement of the unrealized gain (loss) during 2010 and 2009, presented net of income tax and workers' profit sharing, is as follows:

| | Unrealized gain (loss) of: | | |
|---|---|---|---|
| | **Available-for-sale investments** S/.(000) | **Derivative instruments used as cash flow hedge** S/.(000) | **Total** S/.(000) |
| **Balances as of January 1, 2009** | - | (71,286) | (71,286) |
| Net unrealized gain on available-for-sale investments resulting from the initial adoption of accounting policy, note 3(h) | 164,571 | - | 164,571 |
| Net unrealized gain on available-for-sale investments | 437,845 | - | 437,845 |
| Transfer of realized gain from investments available-for-sale to the income statement, net of realized loss | (285,226) | - | (285,226) |
| Net unrealized gain on cash flow hedge | - | 89,416 | 89,416 |
| Transfer of realized loss from cash flow hedge to the income statement, net of realized gain | - | 12,110 | 12,110 |
| **Balances as of December 31, 2009** | 317,190 | 30,240 | 347,430 |
| Net unrealized gain from available-for-sale investments | 254,256 | - | 254,256 |
| Transfer of realized gain from investments available-for-sale, net of realized loss | (144,229) | - | (144,229) |
| Net unrealized loss on cash flow hedge | - | (35,661) | (35,661) |
| Transfer of realized loss on cash flow hedge to the income statement, net of realized gain | - | 21,020 | 21,020 |
| **Balances as of December 31, 2010** | 427,217 | 15,599 | 442,816 |

(e) Dividend distribution -

The General Shareholders Meetings held on March 26, 2010, March 31, 2009 and March 28, 2008, agreed to distribute dividends for approximately S/.595.0, S/.613.9, and S/.371.2 million, respectively.

Under current legislation, there is no restriction for overseas remittance of dividends or repatriation of foreign investment. Individual persons and corporations not domiciled in Peru must pay an additional tax of 4.1 percent on dividends received, which must be retained and paid by the entity that distributes the dividends.

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

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 will be gradually implemented until July 2011, considering the percentages and deadlines established by Legislative Decree N° 1028. As of December 31, 2010 and 2009, the minimum requirement is 9.8 and 9.5 percent, respectively. Legislative Decree N°1028 also distinguishes, starting 2009, between basic and supplementary equity, depending on the definitions and limits there established. In Management´s opinion, these modifications are being considered in their plans and will not have significant impact in the Bank and its Subsidiaries operations.

In application of Legislative Decree N°1028 as of December 31, 2010 and 2009, the Bank maintains the following amounts related to weighted assets and contingent credits by total risk and regulatory capital (basic and supplementary), in millions of nuevos soles:

| | 2010 | 2009 |
|---|---|---|
| Total risk weighted assets and credits | 42,965.70 | 37,592.50 |
| Regulatory capital | 5,517.27 | 5,457.10 |
| Regulatory capital – basic | 4,379.07 | 4,190.30 |
| Regulatory capital – supplementary | 1,138.20 | 1,266.80 |
| Global Regulatory capital ratio | 12.84% | 14.52% |

On the other hand, during 2009 the SBS issued Resolutions N°2115-2009, N°6328-2009 and N°14354-2009, Regulations for the Requirement of Regulatory Capital by Operational Risk, Market Risk and Credit Risk Regulations, respectively, and amendments which are in force since July 2009, except for the Regulation related to Credit Risk, which had an implementation period until June 30, 2010. As of December 31, 2010 and 2009, the Bank and its Subsidiaries have fulfilled the requirements of those resolutions.

**15. Tax situation**

(a) The Bank and its Subsidiaries are subject to corporate taxation on income of the country where they are established. As of December 31, 2010 and 2009, the statutory income tax was 30 and 25 percent on taxable income for the subsidiaries established in Peru and Bolivia, respectively.

(b) The exemption over capital gains arising from the disposal of securities through the Lima Stock Exchange, as well as interests and other gains deriving from debt instruments issued by the Peruvian Government was extended until December 31, 2009.

Since January 1, 2010, only interest and capital gains resulting from bonds issued by the Republic of Peru, (i) under Presidential Decree N°007-2002-EF, (ii) under Market Makers Program or its replacing mechanism, or (iii) in the international market since 2002, and from BCRP certificates of deposit used for monetary regulation purposes are exempted from the income tax. Likewise, only interest and capital gains resulting from bonds issued before March 11, 2007 are also exempted.

In addition, the exemption over gains from deposits in the Peruvian Banking System has been repealed when the beneficiary is a legal entity. On the other hand, as from January 1, 2010, capital gains resulting from the disposal of securities through the Lima Stock Exchange will be taxed. The Income Tax Law specified that the tax basis of securities acquired before January 1, 2010 would be the higher of the market price at the end of the fiscal period 2009 or the acquisition cost. To this respect, this rule is applicable to legal entities when securities are sold through or outside a centralized negotiation market.

Likewise, in order to determine the capital gain derived from the disposal of shares acquired under different modalities and in several opportunities, the tax basis will be the weighted average cost. The weighted average cost will be the division between the taxable costs by the number of shares and the total acquired shares.

Since 2011, with Income Tax modification, introduced by Law N°29645, interests and other income generated by foreign loans granted to the National Public Sector, must also be included as an item unaffected by the income tax.

On the other hand, according to modification in Law N°29645, the rates applied to retentions on entities not domiciled in Peru have also been modified.

Therefore, since year 2011, the retentions on interests to individual persons not domiciled must be applied with a rate of 4.99 percent. Such rate will also apply to interests paid to legal entities not domiciled, as a result of the utilization in the country of the foreign credits. In this case, the 1 percent rate will continue to apply on interests of contracts settled until year 2010.

Also, the 4.99 percent rate must be applied on interests from bonds and other debt instruments, deposits or impositions according to the Banking Law, as well as on capital increases of such deposits or impositions, report transactions, repurchase agreements and stock loans, as well as other interests from companies' loan transactions.

However, Law N°29546, issued on June 29, 2010, approved the extension until December 31, 2012 of the exoneration of the value added tax over the interests generated by the securities issued through public offer by legal entities constituted or established in the country, as long as the issuance is on grounds of the Securities Market Law, approved by Legislative Decree N°861, or by Investment Fund Law, approved by Legislative Decree N°862.

(c) For income tax and value added tax purposes, the transfer prices agreed in transactions between related parties and with entities located in tax havens, require the presentation of supporting documentation and information on the valuation methods and criteria applied for the agreed price. Based on the analysis of the Bank and its Subsidiaries operations, Management and its internal legal advisors consider that no significant contingencies will result for the Bank and its Subsidiaries as a consequence of the application of such provisions for fiscal year 2010 and 2009.

(d) The Peruvian and Bolivian Tax Authority is entitled to review and, if applicable, amend the annual income tax returns of the Bank and its Subsidiaries up to four years after their submission.

The 2008 and 2009 income tax returns of the Bank are pending to be reviewed by the Tax Authority.

Up to the date of this report, the Tax Authority is conducting the review of the 2007 income tax return.

Likewise, the tax returns of income tax from the years 2006 to 2009 from Banco de Credito de Bolivia are pending review by the Bolivian Tax Authority.

For the Subsidiaries, except for the year 2006 for Credibolsa, which has already been reviewed with no observations and Credifondo, which has an amount of S/.0.5 million pending to be refunded for year 2007; up to the date of this report, years 2006 to 2009 are still pending to be reviewed by the Tax Authority.

Since tax regulations are subject to interpretation by the Tax Authority it is not possible to determine up to date whether the reviews will generate additional liabilities for the Bank and its Subsidiaries. Therefore, any unpaid tax, penalties or interests that might result from said reviews will be expensed in the year in which they are determined. Nevertheless, Management of the Bank and its Subsidiaries and their legal advisors consider that any additional tax assessments would not have a significant impact on the consolidated financial statements for fiscal year 2010 and 2009.

As indicated in note 17(b), the Bank has pending legal claims with the Tax Authority, related to income tax reviews corresponding to fiscal years 1999, 2004, 2005 and 2006.

**16. Share-based compensation plan**

As indicated in note 3(p), until 2008, the Bank and its Subsidiaries granted rights in the form of options over Credicorp's (the Bank's majority shareholder) stock appreciation (SARs) to certain executives who had at least one year serving the Group. 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 2014.

At the end of the period indicated before and until the expiration date of the SARs, all of the unexercised SARs may be exercised at any time. During the years ended December 31, 2010 and 2009, 294,450 and 460,193 SARs were exercised under this plan for an approximate amount of US$24.0 and US$16.1 million (equivalent to S/.67.4 and S/.46.5 million), respectively, plus the income tax on behalf of the executives, which is assumed by the Bank and its Subsidiaries, equivalent to 30 percent of the amount paid.

As of December 31, 2010 and 2009, the number of SARs issued and not exercised and their prices are as follows:

| Year of issuance | Number of outstanding SARs issued as of December 31, 2010 | Number of vested SARs as of December 31 | | Exercise price | |
|---|---|---|---|---|---|
| | | 2010 | 2009 | 2010 US$ | 2009 (*) US$ |
| 2002 | - | - | 52,500 | 5.28 | 5.98 |
| 2003 | 36,500 | 36,500 | 96,900 | 6.47 | 7.17 |
| 2004 | 87,500 | 87,500 | 117,500 | 9.29 | 9.99 |
| 2005 | 103,750 | 103,750 | 148,750 | 14.30 | 15.00 |
| 2006 | 163,300 | 163,300 | 204,250 | 23.62 | 24.32 |
| 2007 | 153,795 | 153,795 | 184,776 | 23.62 | 24.32 |
| 2008 | 185,874 | 171,817 | 146,834 | 23.62 | 24.32 |
| | 730,719 | 716,662 | 951,510 | | |

(*) On April 2009, an exchange of options/rights granted in 2007 and 2008 was executed, which consisted on the modification of the exercise price, the exercise term and the number of options awarded each year; this exchange did not resulted in an increase of the liability recorded by the Bank and its Subsidiaries. Since that date, the Bank and its Subsidiaries have not issued new options/rights, but a new share-based compensation plan was implemented, see details below.

Management has estimated the SARs' fair value as of December 31, 2010 and 2009, using the binomial option pricing model, with assumptions obtained from the relevant available market information. The key assumptions used are as follows:

| Key assumptions | 2010 | 2009 |
|---|---|---|
| Expected volatility | 37.91% | 37.48% |
| Risk free interest rate | 3.52% | 4.16% |
| Expected lifetime | 2.71 years | 3.82 years |
| Quoted price of Credicorp shares at year-end | US$118.91 | US$77.02 |

The movement of the SARs for the years ended December 31, 2010 and 2009 is as follows:

| | 2010 | | | 2009 | | |
|---|---|---|---|---|---|---|
| | Outstanding SARs | Vested SARs | | Outstanding SARs | Vested SARs | |
| | Number | Number | Amount | Number | Number | Amount |
| | | | S/.(000) | | | S/.(000) |
| **Balances as of January 1** | 1,041,802 | 951,510 | 161,376 | 1,987,225 | 1,482,460 | 127,559 |
| Modification | - | - | - | (371,355) | (371,355) | - |
| Granted and vested | - | 71,200 | 18,919 | - | 300,598 | 45,782 |
| Exercised | (294,450) | (294,450) | (67,427) | (460,193) | (460,193) | (46,479) |
| Write-downs | (3,048) | - | - | (113,875) | - | - |
| Transfers to related parties | (13,585) | (11,598) | (2,660) | - | - | - |
| Increase in the option fair value | - | - | 90,124 | - | - | 34,514 |
| **Balance as of December 31** | 730,719 | 716,662 | 200,332 | 1,041,802 | 951,510 | 161,376 |

The liabilities recorded for this plan, including the income tax assumed by the Bank and its Subsidiaries, is included in "Payroll taxes, salaries and other personnel expenses payable"; in the caption "Other liabilities, net" of the consolidated balance sheets; and the expenses in the caption "Salaries and employees' benefits" of the consolidated income statement.

The Bank has signed several contracts with Citigroup and Calyon by which it has acquired certificates linked to the yield of Credicorp's shares, note 9(b).

As of December 31, 2010 and 2009, the expense resulting from the implementation of this plan amounts to S/.111.9 million and S/.125.5 million, respectively, which has been recorded in the caption "Salaries and employees' benefits" of the consolidated income statements.

As indicated in note 3(p), since April 2009, the Bank and its Subsidiaries implemented a new share-based payment plan which consists in granting a number of Credicorp's shares to certain executives. The granted shares will accrue in 3 years, 33.33 percent annually, from the grant date (April of each year). In connection with the execution of the plan (on March 2010 and April 2009), the Bank and its Subsidiaries acquired 134,338 and 180,445 of Credicorp's shares for approximately US$11.9 and US$8.7 million, respectively (equivalent to S/.33.4 and S/.26.1 million) which were given to the beneficiaries; however, such shares are maintained as restricted investments until their final vesting in the caption "Off-balance sheet accounts" of the consolidated balance sheets. Following SBS Official Letter N°9771-2009, dated March 24, 2009, the Bank and its Subsidiaries have recorded as expense the total outflow related with the shares acquisition in the caption "Salaries and employee benefits" of the consolidated income statement.

**17. Commitments and contingencies**

(a) Commitments -

- During the years 2005, 2006, 2007 and 2008; the Bank's Panamanian Branch entered into several agreements with a foreign related party, CCR Inc., by which it guarantees the collection of future inflows from electronic messages sent through the Society for Worldwide Interbank Financial Telecommunications ("SWIFT") to the Bank 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. For these transactions the related party obtained several loans, which are secured by the above mentioned future inflows; the amounts of the loans received are the following:

| Year of issuance | Loan amount US$(million) | Maturity |
|---|---|---|
| 2005 | 43.1 | 2012 |
| 2006 | 31.9 | 2016 |
| 2007 (*) | - | 2017 |
| 2007 (*) | - | 2014 |
| 2008 | 256.0 | 2015 |
| 2010 | 98.5 | 2012 |
| 2010 | 59.2 | 2016 |
| 2010 (*) | 338.8 | 2017 |
| 2010 (*) | 135.8 | 2014 |

(*) Issuances of 2007 were redeemed in June 2010; in such date and through the same transaction, CCR Inc. made new issuances for the same notional amounts and maturities and similar terms.

As of December 31, 2010 and 2009, the funds obtained by CCR Inc. were maintained in the Bank, see note 10(d) and 11(d).

- On November 2009, a contract with a foreign related party was entered into, by which it is guaranteed, through a promissory note signed by the Bank, the payment of principal to the holders of bonds issued in Unidades de Fomento Chilenas – UF through the Santiago de Chile Stock Exchange, by the foreign related party. The bonds issued, named "Bonos Desmaterializados al Portador - Serie A", amounted to 2.7 million Unidades de Fomento Chilenas – UF, equivalent to S/.347.9 and S/.322.7 million as of December 31, 2010 and 2009, respectively, with maturity on October 2014, see note 11(d).

The loans obtained and the bonds issued by the related parties include covenants which, in Management's opinion, have been fulfilled as of December 31, 2010 and 2009.

(b) Contingencies -

As of December 31, 2010 and 2009, the Bank has received assessments from the Tax Authority as a result of:

- Review of 1999 income tax return: The Tax Authority determined a lower income tax credit balance for approximately S/.5.9 million and fines for approximately S/.13.6 million, as of December 31, 2008.

  The Bank filed the corresponding claim, which was resolved in 2008 by the Tax Authority, which ordered a re-examination of the disputed issues.

  Resulting of the re-examination, the Tax Authority determined a credit balance amounting to S/.44.5 million.

  As a consequence of the new credit balance of the 1999 income tax, the Bank recalculated the income tax corresponding to 2001, determining a credit balance amounting to S/.8.8 million.

  In this regard, in August 2009, the Bank requested the refunding of this amount. Such refund was denied on January 2010. On February 2010, the Bank began a complaint procedure to the Tax Authority, which was resolved on December 2010, partially approving the Bank's request and establishing a refund amount of S/.7.3 million plus interests.

- Reviews of 2004 and 2005 income tax returns: The Tax Authority determined a higher income tax of both periods for approximately S/.6.1 million and fines for S/.3.4 million, plus interests.

The Bank filed the corresponding claims and paid the amount demanded under protest. Such claims were denied on May 2009. On June 2009, the Bank appealed the resolutions before the Tax Court. Up to the date of this report, the appeals are still pending of resolution.

- Review of 2006 income tax return: a credit balance of approximately S/.45.9 million, and a fine of S/.1.3 million plus interests was determined.

  On August 2010, the Bank presented its corresponding claim and paid the amount demanded under protest. The complaint procedure was resolved in part on January 2011. On February 2011, the Bank appealed the resolution before the Tax Court.

Management and its internal legal advisors consider that as the claim procedures related to the 2001 income tax return and the complaints before stated were favorably resolved, the credits required by the Bank as of December 31, 2010 and 2009 will be recovered.

In addition, the Bank and its Subsidiaries have several pending legal claims, related to their normal course of business. According to Management and its internal legal advisors no additional liabilities will result from these legal claims; therefore, Management has not considered necessary to record an additional allowance for these contingencies, note 9 (g).

## 18. Off-balance sheet accounts

(a) This item is made up as follows:

| | 2010<br>S/.(000) | 2009<br>S/.(000) |
|---|---|---|
| **Contingent operations (indirect loans) (b) -** | | |
| Guarantees and stand-by letters of credit | 7,619,963 | 5,757,166 |
| Import and export letters of credit (c) | 1,170,681 | 1,213,840 |
| Due from bank acceptances (c) | 197,560 | 278,662 |
| | 8,988,204 | 7,249,668 |
| **Derivative instruments -** | | |
| **Derivatives held for trading -** | | |
| Foreign currency forward contracts on Nuevo Sol, see note 4: | | |
| Foreign currency purchases | 4,878,440 | 3,642,861 |
| Foreign currency sales | 2,205,883 | 3,068,800 |
| Foreign currency forward contracts on currencies, other than Nuevo Sol | 298,277 | 844,436 |
| Interest rate swap contracts | 1,997,481 | 1,825,341 |
| Currency swap contracts, see note 4: | | |
| Foreign currency delivery/ Nuevo Sol reception | 963,428 | 894,624 |
| Nuevo Sol delivery/ Foreign currency reception | 337,432 | 364,024 |
| Foreign currency options | 291,057 | 70,441 |
| **Derivatives held as hedge -** | | |
| Interest rate swap contracts | 1,338,969 | 2,257,288 |
| Cross currency swap contracts on Nuevo Sol, see note 4: | | |
| Foreign currency delivery/ Nuevo Sol reception | 44,066 | 45,763 |
| Cross currency and interest rate swap contracts in respect with Nuevo Sol, see note 4 | 318,435 | 327,617 |
| Cross currency swap contracts on currencies other than Nuevo Sol | 347,927 | 1,242,645 |
| Foreign currency forward contracts on currencies other than Nuevo Sol | - | 205,709 |
| | 13,021,395 | 14,789,549 |
| Responsibilities under credit line agreements (d) | 6,833,306 | 4,501,677 |
| Other contingent operations | 12,339 | 12,859 |
| **Total contingent operations** | 28,855,244 | 26,553,753 |

| | 2010<br>S/.(000) | 2009<br>S/.(000) |
|---|---|---|
| Securities in custody | 121,318,300 | 85,951,119 |
| Guarantees received (e) | 60,472,173 | 56,053,247 |
| Debt instruments under collection | 7,208,230 | 6,618,321 |
| Written-off loans | 3,693,939 | 3,269,835 |
| Securities granted as guarantees | 3,628,507 | 2,476,346 |
| Advised letters of credit | 2,511,661 | 1,729,484 |
| Trust and debt trust commissions (f) | 1,511,832 | 1,310,244 |
| Insurance coverage | 994,011 | 1,022,674 |
| Other | 41,293,151 | 31,303,259 |
| **Total other off-balance sheet accounts** | 242,271,804 | 189,734,529 |
| **Total** | 271,127,048 | 216,288,282 |

(b) In the normal course of its business, the Bank and its Subsidiaries perform contingent operations. These operations expose them to credit risk in addition to the amounts recognized in the consolidated balance sheets. The Bank's exposure to losses under commitments to extend credit, provide export and import letters of credit and guarantees (indirect loans) is represented by the contractual amounts specified in the related contracts.

The Bank and its Subsidiaries apply the same credit policies in making commitments and conditional obligations as they do for on-balance sheet instruments, including the requirement to obtain collateral to support off-balance sheet financial instruments when it is necessary deemed. Collateral held varies, but it may include deposits held in financial institutions, securities or other assets.

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

(c) Export and import letters of credit are mainly issued as credit enhancements for overseas trade transactions. The related credit risk is reduced by the participation of third parties.

Due from bank on acceptances represent collection rights for the Bank and it's Subsidiaries that arise at the time of negotiation of the letters of credit; a collection right from the local importer (in the case of imports) or a collection right from the correspondent bank (in the case of exports).

(d) Responsibilities under credit lines agreements do not correspond to commitments to grant credits; and include credit lines and other consumer loans that are cancelable upon notification to the client.

(e) The balance of the caption "Guarantees received" is stated at the amounts of the guarantee agreed as of the date of the loan contract. This balance does not necessarily represent the market value of guarantees received by the Bank and its Subsidiaries.

(f) The Bank and its Subsidiaries provide custody, trust, corporate administration, investment management (asset management) and consulting services to third parties and, mutual funds and asset securitization's management, which imply that the Bank and its Subsidiaries are involved in decisions over consignation (distribution), and the purchase and sale of these products. Assets kept as trust are not included in the accompanying consolidated financial statements.

## 19. Financial income and expenses

These items are made up as follows:

| | 2010 S/.(000) | 2009 S/.(000) |
|---|---|---|
| **Financial income** | | |
| Interest from loan portfolio | 3,390,227 | 3,143,174 |
| Interest from trading and available-for-sale investments, net | 259,614 | 377,335 |
| Interest from cash and due from banks and inter-bank funds | 89,810 | 41,801 |
| Commissions on loan portfolio and other transactions | 49,207 | 21,955 |
| Net fluctuation from derivative financial instruments position – forwards | (10,973) | 124,693 |
| Other | 12,452 | 7,216 |
| | 3,790,337 | 3,716,174 |
| **Financial expenses** | | |
| Interest on deposits and obligations | (338,089) | (550,187) |
| Interest on due to banks and correspondents, note 11(d) | (351,944) | (125,245) |
| Interest on bonds and subordinated notes issued | (293,729) | (204,191) |
| Deposit Insurance Fund fee | (57,329) | (57,636) |
| Interest and commissions on deposits from local financial entities and international organizations, note 10(d) | (548) | (262,710) |
| Net result from hedging derivatives instruments | (102,089) | (26,768) |
| Net fluctuation from derivative financial instruments position – swaps | 39,665 | (19,525) |
| Other | (38,273) | (10,850) |
| | (1,142,336) | (1,257,112) |
| **Gross financial margin** | 2,648,001 | 2,459,062 |

## 20. Provision for loan losses, net

This item is made up as follows:

| | 2010<br>S/.(000) | 2009<br>S/.(000) |
|---|---|---|
| **Provision (recovery) for:** | | |
| Loan losses, note 7(f) | 594,831 | 526,587 |
| Country risk | 5,702 | (8,695) |
| **Total** | 600,533 | 517,892 |

## 21. Banking services commissions, net

This item is made up as follows:

| | 2010<br>S/.(000) | 2009<br>S/.(000) |
|---|---|---|
| **Banking services commissions** | | |
| Transfer and collection services | 392,754 | 339,210 |
| Maintenance of accounts | 180,607 | 170,441 |
| Credit and debit card services | 149,565 | 125,246 |
| Commissions from parties affiliated to the credit/debit card network | 130,159 | 107,150 |
| Commissions for contingent operations (indirect loans) | 115,311 | 90,014 |
| Trust services (asset management) | 93,893 | 61,776 |
| Fees for consulting and technical studies | 65,163 | 50,800 |
| Commissions for special services - credipago | 61,484 | 52,688 |
| Insurance commissions | 32,837 | 19,828 |
| Fees related to leasing transactions | 31,598 | 24,283 |
| Withholding and collection services | 31,133 | 30,725 |
| Brokerage services | 19,531 | 17,477 |
| Checks issuances | 9,875 | 10,251 |
| Other | 101,842 | 107,649 |
| | 1,415,752 | 1,207,538 |

| | 2010<br>S/.(000) | 2009<br>S/.(000) |
|---|---|---|
| **Expenses related to banking services commissions** | | |
| Credit and debit card services | (51,175) | (61,128) |
| Expenses related with assets under leasing contracts | (32,165) | (25,135) |
| Credit/debit card network | (8,502) | (7,262) |
| Check issuances | (7,575) | (7,243) |
| Other | (18,003) | (18,203) |
| | (117,420) | (118,971) |
| **Balance, net** | 1,298,332 | 1,088,567 |

## 22. Net gain on securities

This item is made up as follows:

| | 2010<br>S/.(000) | 2009<br>S/.(000) |
|---|---|---|
| Net gain from purchase and sale of securities | 153,698 | 231,447 |
| Net gain from valuation of investments at fair value through profit or loss (trading) | 18,189 | 15,856 |
| Participation in income of investments in associates | 3,080 | 7,960 |
| Impairment of available-for-sale investments | (69) | (78) |
| Other, net | (22) | (221) |
| **Total** | 174,876 | 254,964 |

## 23. Other non-financial income and other operating expenses

These items are made up as follows:

| | 2010<br>S/.(000) | 2009<br>S/.(000) |
|---|---|---|
| **Other non-financial income** | | |
| Gain from indexed certificates, nota 9(b) | 156,625 | 98,244 |
| Recoveries of loans previously written-off | 94,614 | 57,667 |
| Income from Visa Inc. restructuration (a) | - | 46,696 |
| Net gain from sales of seized assets, note 9(e) | 16,396 | 17,257 |
| Collection of interest previously and allowances written-off | 7,984 | 7,444 |
| Other | 43,642 | 44,806 |
| **Total** | 319,261 | 272,114 |
| **Other operating expenses** | | |
| Provision for sundry risks | (17,091) | (22,229) |
| Provision for uncollectable receivables | (12,585) | (9,324) |
| Provision for legal claims | (11,209) | (13,917) |
| Maintenance of seized assets | (1,154) | (1,415) |
| Other | (28,132) | (24,980) |
| **Total** | (70,171) | (71,865) |

(a) On February 2009, the Bank sold the balance it had of Visa Inc. shares that were received in 2007 as consequence of the restructuring of Visa Inc.

## 24. Salaries and employees´ benefits

This item is made up as follows:

| | 2010<br>S/.(000) | 2009<br>S/.(000) |
|---|---|---|
| Salaries | 565,064 | 534,177 |
| Vacations, medical assistance and others | 212,841 | 175,117 |
| Share-based payment plans | 192,260 | 158,447 |
| Employees bonds | 107,155 | 79,732 |
| Legal gratifications | 96,974 | 88,384 |
| Social security | 71,565 | 64,727 |
| Severance indemnities | 53,271 | 47,485 |
| **Total** | 1,299,130 | 1,148,069 |
| **Number of employees** | 16,148 | 15,501 |

**25. Earnings per share**

As of December 31, 2010, 2009 and 2008, the weighted average of outstanding shares was calculated as follows:

| | Outstanding shares (in thousands) | Shares for the calculation (in thousands) | Effective days before year end | Weighted outstanding average of shares (in thousands) |
|---|---|---|---|---|
| **2008** | | | | |
| Balances as of January 1, 2008 | 1,286,528 | 2,228,288 | 365 | 2,228,288 |
| Capitalization of income in 2008 | 221,760 | - | 365 | - |
| Capitalization of income in 2010 | - | 329,450 | 365 | 329,450 |
| **Balances as of December 31, 2008** | 1,508,288 | 2,557,738 | | 2,557,738 |
| **2009** | | | | |
| Balances as of January 1, 2009 | 1,508,288 | 2,557,738 | 365 | 2,557,738 |
| Capitalization of income in 2009 | 720,000 | - | | - |
| **Balances as of December 31, 2009** | 2,228,288 | 2,557,738 | | 2,557,738 |
| **2010** | | | | |
| Balances as of January 1, 2010 | 2,228,288 | 2,557,738 | 365 | 2,557,738 |
| Capitalization of income in 2010 | 329,450 | - | | - |
| **Balances as of December 31, 2010** | 2,557,738 | 2,557,738 | | 2,557,738 |

**26. Risk Assessment**

The Bank and its Subsidiaries' activities are mainly related to the use of financial instruments including derivatives. The Bank and its Subsidiaries accept deposits from their customers at both fixed and floating rates and with different terms, with the intention of obtaining profit from interest margins by investing those funds in high-quality assets.

The Bank and its Subsidiaries seek to increase these margins by consolidating its short-term funds and lending at longer periods at higher rates, while maintaining sufficient liquidity to comply with any withdrawals that may be made.

The Bank and its Subsidiaries seek to raise its interest margins by obtaining above average margins, net of provisions, through lending to commercial and retail borrowers with a range of credit standings. The exposure not only includes loans and non-contingent advances but also any other indirect loans, such as credit letters and stand-by letters of credit.

The Bank and its Subsidiaries also trade financial instruments in the stock and over-the-counter markets, including derivative financial instruments, for benefiting from the short term movements in market values of financial instruments, and the fluctuations of exchange and interest rates. Management establishes limits to the Group's exposure to market positions for daily and overnight operations. The exposure to exchange and interest rates related to these operations is normally offset and controlled through the fluctuations in the net cash amounts required to settle market positions.

**Market risks -**

The Bank and its Subsidiaries are exposed to market risk, 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, exchange rates and equity prices.

The Bank and its Subsidiaries separate 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 exchange ratios (ALM Book).

Trading portfolios includes those liquid positions arising from market-making transactions where the Bank and its Subsidiaries act as principal with clients or with the market. Non-trading portfolios include: (a) relatively illiquid positions, mainly banking assets and liabilities (deposits and loans) and; (b) non-trading investments (available-for-sale).

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

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

Management of the risks associated with long-term and structural positions is called Asset and Liability Management (ALM). Non-trading portfolios are exposed to different sensitivities that can generate a deterioration in the value of the assets compared to its liabilities and hence to a reduction of its net worth. The sensitivities to which the portfolio is exposed are of interest rate and exchange rate type, and management of re-pricing gaps.

**Liquidity risk -**

The Bank and its Subsidiaries are exposed to daily calls on its available cash resources from overnight deposits, current account, maturing deposits, loans drawdown, guarantees and other. The Bank and its Subsidiaries do not maintain cash resources to meet all of these needs, because experience shows that a minimum level of reinvestment of maturity funds can be predicted with high level of certainty. The Bank and its Subsidiaries' Management sets limits on the minimum proportion of funds available to meet such calls and the minimum level of interbank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demands.

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the Bank and its Subsidiaries Management. It is unusual for banks to be completely matched, as transacted business if 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 Group's liquidity and its exposure to changes in interest and exchange rates.

Liquidity requirements to support calls under guarantees and standby letters of credit are considerably lower than the committed amount, because the Bank and its Subsidiaries do not expect the third party do not comply with their agreement. The total outstanding contractual amount of commitments to extend credit not necessarily represents future cash requirements, as many of these commitments will expire without being funded.

The notes to the consolidated financial statements include an analysis of the Bank and its Subsidiaries' main assets and liabilities by maturity, based on contractual maturity dates.

**Cash flow and fair value risks due to changes in interest rates -**

The Bank and its Subsidiaries are exposed to the effect of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interests margins may increase as a result of such changes, but may reduce or create losses in case of unexpected movements. Management of the Bank and its Subsidiaries sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored periodically.

The Bank and its Subsidiaries also negotiate financial instruments in the stock and over-the-counter markets, including financial derivatives instruments, aimed at taking advantage of short term movements in the market and to hedge the risk of fluctuations in exchange and interest rates.

Loans, investments, customer deposits and other financing instruments are subject to risk derived from interest rate fluctuations. The relevant contract maturity characteristics and interest rates of such financial instruments are disclosed in notes 6, 7(h) and (i), 10(a) and (d), 11 and 12. The Bank and its Subsidiaries use derivative financial instruments to hedge the risk of fluctuations in interest rates.

**Currency risk -**

The Bank and its Subsidiaries are exposed to effects of fluctuations in the prevailing 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.

Most assets and liabilities are maintained in nuevos soles and U.S. Dollars. Foreign currency transactions are made at the free market exchange rates of the countries where the Bank and its Subsidiaries are established. As of December 31, 2010 and 2009, the Bank and its Subsidiaries' assets and liabilities by currencies are shown in note 4. Likewise, as indicated in note 9(c), the Bank and its Subsidiaries have used derivative financial instruments to partially hedge this risk, considering Credicorp Ltd. functional currency.

**Credit risk -**

The Bank and its Subsidiaries are exposed to credit risk, which is the risk that the counterparty is unable to pay amounts in full when due. The Bank and its Subsidiaries provide impairment provisions for losses that have been incurred at the consolidated balance sheet date. Significant changes in the economy or in a particular industry segment, that represents a concentration in the Bank and its Subsidiaries' portfolio, could result in losses that are different from those provided for at the consolidated balance sheet date. Therefore, Management manages its exposure to credit risk carefully.

The Bank and its Subsidiaries structure the levels of credit risk that they undertake by placing limits on the amount of risk accepted in relation to one borrower or one group of borrowers, and to geographical and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review. Limits in the level of credit risk by product, industry sector and by country are approved by the Board of Directors.

Exposure to credit risk is managed through regular analyses of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits when appropriate. Exposure to credit risk is also managed, in part, by obtaining corporate and personal guarantees, but there is a significant portion of personal loans (consumer loans) where such guarantees cannot be obtained.

As of December 2010 and 2009, Management of the Bank and its Subsidiaries have estimated that their maximum exposure to credit risk is represented by the book value of the financial assets that presents credit risk, which comprise, mainly, deposits in banks, trading securities, investments available-for-sale, investments at fair value through profit or loss, financial instruments at fair value, loans and indirect loans, without considering the fair value of the guarantees and collaterals received. The exposure to each borrower, including banks, is further restructured by sub-limits covering on and off balance sheet exposures, and daily delivery risk limits to trading items such as forward foreign exchange contracts. Real exposures compared against established limits are monitored daily.

**27. Fair value**

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

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 estimated 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:

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

- Available for sale and fair value through profit or loss investments are recorded at their estimated fair value; in consequence, their book and fair values are the same.

- Loans fair value is similar to its book value because loans are mainly short-termed, granted at variable interest rates; and are presented net of their respective allowance for loan losses. The net amounts are considered by Management as the approximate recoverable amounts at the dates of the consolidated financial statements.

- Management considers that the book values of investments in associates approximates to their fair value, because most of them are not listed securities and are recorded at their equity value.

- Financial instruments at fair value and derivative financial instruments, included in the caption "Other assets, net" and "Other liabilities, net" are recorded at their estimated fair value.

- The fair value of deposits and obligations is similar to its book value due, mainly, to their current maturities and interest rates, which are comparable to other similar liabilities in the market at the dates of the consolidated balance sheets.

- Due to banks and correspondents generate interest contracted at variable interest rates and/or preferred rates similar to the ones prevailing in the market. As a result, it is considered that their book value does not differ significantly from their fair values.

- Bonds and subordinated notes accrue interest at fixed or variable rates. Their fair value has been estimated using discounted cash flows at rates prevailing in the market for liabilities with similar characteristics; the estimated fair value approximates the book value as of the consolidated balance sheets dates.

- As disclosed in note 18, the Bank and its Subsidiaries have several commitments to extend loans, open documentary credits and outstanding guarantees and it has received guarantees as endorsement of the granted loans. Based on the level of fees currently charged for granting such commitments and open documentary credits; taking into account maturity and interest rates, together with the present creditworthiness of the counterparties, the Bank and its Subsidiaries have estimated that the difference between the book value and the fair value is not significant.

Following the considerations detailed above, as of December 31, 2010 and 2009, Management considers that the estimated fair values of the Bank and its Subsidiaries financial instruments do not differ significantly from their book value.

## 28. Financial information by geographical area

As of December 31, 2010 and 2009, segment information by geographical area is as follows (amounts expressed in millio

| | 2010 | | | | |
|---|---|---|---|---|---|
| | Total income (*) | Gross financial margin | Depreciation and amortization | Property, furniture and equipment, net | Total ass |
| Peru | 5,056 | 2,492 | 207 | 953 | 54,664 |
| Panama | 510 | 47 | - | - | 11,607 |
| Bolivia | 235 | 94 | 12 | 43 | 3,146 |
| United States of America | 26 | 15 | - | 1 | 1,543 |
| | 5,827 | 2,648 | 219 | 997 | 70,960 |

(*) Includes the total financial and non-financial income.

**29. Transactions with related parties**

(a) During the years 2010 and 2009, the Bank and its Subsidiaries have acquired bonds, granted loans, supplied and received several services, correspondent relationships and other operations with Credicorp' subsidiaries, which balances are shown below:

| | 2010<br>S/.(000) | 2009<br>S/.(000) |
|---|---|---|
| **Assets -** | | |
| Cash and due from banks | 15,176 | 7,727 |
| Loans, net | 155,631 | 366,552 |
| Other assets | 48,987 | 6,133 |
| **Liabilities -** | | |
| Deposits and obligations, note 10(d) | 325,711 | 4,618,081 |
| Due to banks, correspondents and other entities, note 10(d) | 4,049,286 | 324,177 |
| Bonds and subordinated notes issued | 170,741 | 157,113 |
| Other liabilities | 12,035 | 4,036 |
| Contingent operations | 82,497 | 57,954 |
| Other off-balance sheet accounts | 1,151,448 | 1,760,206 |
| **Income -** | | |
| Financial income | 10,634 | 11,121 |
| Financial expenses | 242,110 | 260,464 |
| Other income | 102,031 | 59,020 |
| Other expenses | 46,991 | 41,662 |

Loans and other contingent credits (indirect loans) with related entities, not Credicorp's subsidiaries, are as follows:

| | 2010<br>S/.(000) | 2009<br>S/.(000) |
|---|---|---|
| Direct loans | 745,974 | 618,986 |
| Indirect loans | 75,827 | 58,153 |
| Derivatives, market value | 3,751 | 817 |
| Deposits | 286,460 | 237,126 |

Likewise, as of December 31, 2010 and 2009, the Bank and its Subsidiaries hold debt or equity instruments, presented as securities available-for-sale and investments at fair value through profit or loss investments, issued by related entities for an amount of S/.9.3 and S/.10.3 million, respectively.

The Bank has contracted insurance coverage with El Pacífico-Peruano Suiza Compañia de Seguros y Reaseguros (PPS), a Credicorp subsidiary, the related premiums amounted to S/.81.0 million in 2010 (S/.91.6 million in 2009); the accrued part is recorded in the caption "Administrative expenses" of the consolidated statements of income.

The Bank receives fees from Pacífico Vida S.A, a Credicorp subsidiary, for selling life insurance through its offices to customers who have saving accounts; fees received amounted to approximately S/.7.1 and S/.6.4 million in 2010 and 2009, respectively.

According to Peruvian legislation, loans to related parties cannot be granted on terms more favorable than those that would have been offered to the general public. Management considers that the Group has complied with all legal requirements for transactions with related parties. Loans granted to related parties are secured by guarantees and collaterals. Loans granted to related parties as of December 31, 2010, have maturities between January 2011 and November 2018 and accrue interest at interest rates that ranges between 1.7 and 11.9 percent (maturities between January 2010 and November 2018 and interest rates between 1.47 and 9.75 percent, as of December 31, 2009). As of December 31, 2010, the Bank and its Subsidiaries have an allowance for loans granted to related parties of US$0.1 million (equivalent to S/.0.2 million). The specific allowance requirement was established based on an individual assessment of the related parties´ financial positions and the market where they operate.

(b) As of December 31, 2010 and 2009, the Group has participations quotas in several mutual funds managed by one of its Subsidiaries, the detail is the following:

| | 2010<br>S/.(000) | 2009<br>S/.(000) |
|---|---|---|
| **Trading and available-for-sale investments -** | | |
| - Mutual funds - Credifondo U.S. Dollars | 108,763 | 98,449 |
| - Mutual funds - Credifondo nuevos soles | 14,774 | 93,932 |
| **Total** | 123,537 | 192,381 |

(c) Loans to employees and their families -
The Bank and its Subsidiaries grant loans to their employees and families in terms that depend on the different types of loans granted to third parties. Loans granted to employees and their families are mainly mortgage loans and are included under the caption "Loans, net" of the consolidated balance sheets. Generally, interest rates applied are lower than market interests rates; however, others terms are similar to those prevailing in the market. As of December 31, 2010 and 2009, the balance of loans and other facilities granted to employees, family members, directors and key executives of the Bank and its Subsidiaries amounted to S/.393.2 and S/.384.2 million, respectively.

(d) The Bank's key executive's compensation for the years 2010 and 2009, considering all payments made, is as follows:

| | 2010<br>S/.(000) | 2009<br>S/.(000) |
|---|---|---|
| Share based compensation plans, note 16 | 53,516 | 16,221 |
| Salaries | 14,796 | 12,842 |
| Directors compensation | 4,446 | 4,641 |
| Other | 16,055 | 4,866 |
| **Total** | 88,813 | 38,570 |

## 30. Explanation added for translation into English

The accompanying translated consolidated financial statements were originally issued in Spanish and are presented on the basis of accounting principles generally accepted in Peru for financial entities, as described in note 3. Certain accounting practices applied by the Bank and its Subsidiaries that conform to generally accepted accounting principles in Peru for financial entities may not conform in a significant manner with generally accepted accounting principles applied in other countries. In the event of a discrepancy, the Spanish language version prevails.

## Banco de Crédito del Perú and Subsidiaries

# Consolidated balance sheets

As of June 30, 2011 (unaudited) and December 31, 2010 (audited)

| | Note | As of June 30, 2011 S/.(000) | As of December 31, 2010 S/.(000) |
|---|---|---|---|
| **Assets** | | | |
| Cash and due from banks: | 4 | | |
| Cash and clearing | | 2,627,910 | 2,164,682 |
| Deposits in Peruvian Central Bank | | 10,463,012 | 17,719,107 |
| Deposits in local and foreign banks | | 1,470,875 | 3,783,874 |
| Accrued interest | | 4,790 | 19,679 |
| | | 14,566,587 | 23,687,342 |
| Interbank funds | | 18,760 | 165,733 |
| Investments at fair value through profit or loss and available-for-sale investments, net | 5 | 11,001,358 | 4,536,565 |
| Loans, net | 6 | 42,474,636 | 39,085,582 |
| Investments in associates | | 34,389 | 35,849 |
| Property, furniture and equipment, net | | 1,048,139 | 997,157 |
| Other assets, net: | | | |
| Financial instruments at fair value | 7 | 382,500 | 623,496 |
| Other, net | 7 | 1,999,981 | 1,838,001 |
| **Total assets** | | 71,526,350 | 70,969,725 |
| **Off-balance sheet accounts -** | 14 | | |
| Contingent operations | | 34,241,604 | 28,855,244 |
| Other | | 258,135,336 | 242,271,804 |
| **Total** | | 292,376,940 | 271,127,048 |

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

## Banco de Crédito del Perú and Subsidiaries

# Consolidated balance sheets

As of June 30, 2011 (unaudited) and December 31, 2010 (audited)

| | Note | As of June 30, 2011 S/.(000) | As of December 31, 2010 S/.(000) |
|---|---|---|---|
| **Liabilities and shareholders' equity** | | | |
| Deposits and obligations | 8 | 47,859,850 | 47,900,771 |
| Interbank funds | | 511,410 | 374,319 |
| Due to banks, correspondents and other entities | 9 | 8,840,602 | 9,866,942 |
| Bonds and subordinated notes issued | 10 | 7,240,184 | 5,546,470 |
| Other liabilities, net | 7 | 1,448,232 | 1,742,173 |
| **Total liabilities** | | 65,900,278 | 65,430,675 |
| **Shareholders' equity** | 12 | | |
| Capital stock | | 2,557,738 | 2,557,738 |
| Legal reserve | | 895,208 | 895,208 |
| Special reserve | | 1,108,814 | 433,947 |
| Unrealized gains | | 377,514 | 442,816 |
| Retained earnings | | 686,798 | 1,209,341 |
| **Total shareholders' equity** | | 5,626,072 | 5,539,050 |
| **Total liabilities and shareholders' equity** | | 71,526,350 | 70,969,725 |
| **Off-balance sheet accounts -** | 14 | | |
| Contingent operations | | 34,241,604 | 28,855,244 |
| Other | | 258,135,336 | 242,271,804 |
| **Total** | | 292,376,940 | 271,127,048 |

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

## Banco de Crédito del Perú and Subsidiaries

# Consolidated income statements (unaudited)

For the six-month periods ended June 30, 2011 and 2010

| | Note | For the six-month periods ended June 30 | |
|---|---|---|---|
| | | 2011 | 2010 |
| | | S/.(000) | S/.(000) |
| **Financial income and expenses** | | | |
| Financial income | 15 | 2,247,013 | 1,800,596 |
| Financial expenses | 15 | (693,817) | (547,746) |
| **Gross financial margin** | | 1,553,196 | 1,252,850 |
| Allowance for loan losses, net | 6(c) | (326,827) | (281,234) |
| | | 1,226,369 | 971,616 |
| Loss for exchange difference | | (21,491) | (33,264) |
| **Net financial margin** | | 1,204,878 | 938,352 |
| **Non-financial income** | | | |
| Banking services commissions, net | | 706,910 | 629,203 |
| Net (loss) gain on securities | | (7,070) | 107,140 |
| Net gain on foreign exchange transactions | | 185,262 | 149,382 |
| Other non-financial income | 16 | 86,056 | 149,567 |
| | | 971,158 | 1,035,292 |
| **Operating expenses** | | | |
| Salaries and employees' benefits | | (604,529) | (650,036) |
| General and administrative | | (379,021) | (340,877) |
| Depreciation and amortization | | (117,134) | (107,530) |
| Provision for seized assets | | (3,085) | (2,316) |
| Taxes and contributions | | (44,614) | (38,952) |
| Other operating expenses | 16 | (99,715) | (32,421) |
| | | (1,248,098) | (1,172,132) |
| **Income before income tax** | | 927,938 | 801,512 |
| Income tax | 11 | (241,140) | (219,173) |
| **Net income** | | 686,798 | 582,339 |
| **Basic and diluted earnings per share (in Nuevos Soles)** | | 0.2685 | 0.2277 |
| **Weighted average number of outstanding shares, adjusted by stock splits (in thousands)** | | 2,557,738 | 2,557,738 |

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

## Banco de Crédito del Perú and Subsidiaries

# Consolidated statements of changes in shareholders' equity (unaudited)

For the six-month periods ended June 30, 2011 and 2010

| | Number of outstanding shares (in thousands) | Capital stock S/.(000) | Legal reserve S/.(000) | Spec reser S/.(00 |
|---|---|---|---|---|
| **Balances as of January 1, 2010** | 2,228,288 | 2,228,288 | 546,519 | 782,5 |
| Capitalization of income, Note 12(a) | 329,450 | 329,450 | - | |
| Transfer to legal reserve, Note 12(c) | - | - | 348,689 | (348,6 |
| Transfer to special reserve, Note 12 (c) | - | - | - | |
| Cash dividends, Note 12(e) | - | - | - | |
| Net unrealized gain on available-for-sale investments, Note 12(d) | - | - | - | |
| Net transfer of realized gain on available-for-sale investments to consolidated income statement, Note 12(d) | - | - | - | |
| Net unrealized loss on cash flow hedges, net of the net transfer of realized loss to consolidated income statements Note 12(d) | - | - | - | |
| Net income | - | - | - | |
| **Balances as of June 30, 2010** | 2,557,738 | 2,557,738 | 895,208 | 433,9 |
| **Balances as of January 1, 2011** | 2,557,738 | 2,557,738 | 895,208 | 433,9 |
| Transfer to special reserve, Note 12(c) | - | - | - | 674,8 |
| Cash dividends, Note 12(e) | - | - | - | |
| Adjustment of deferred workers' profit sharing, Note 2(b) | - | - | - | |
| Net unrealized loss on available-for-sale investments, Note 12(d) | - | - | - | |
| Net transfer of realized loss on available-for-sale investments to consolidated income statement, Note 12(d) | - | - | - | |
| Net unrealized loss on cash flow hedges, net of the net transfer of realized gain to consolidated income statements Note 12(d) | - | - | - | |
| Net income | - | - | - | |
| **Balances as of June 30, 2011** | 2,557,738 | 2,557,738 | 895,208 | 1,108,8 |

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

## Banco de Crédito del Perú and Subsidiaries

# Consolidated statements of cash flows (unaudited)

For the six-month periods ended June 30, 2011 and 2010

| | For the six-month periods ended June 30 | |
|---|---|---|
| | 2011 | 2010 |
| | S/.(000) | S/.(000) |
| **Cash flows from operating activities** | | |
| Net income | 686,798 | 582,339 |
| **Adjustments to reconcile net income to net cash provided by operating activities:** | | |
| Allowance for loan losses, net of recoveries | 326,827 | 281,234 |
| Depreciation and amortization | 117,134 | 107,530 |
| Deferred income tax | (19,600) | 6,147 |
| Provision for seized assets | 3,085 | 2,316 |
| Net loss from sale of securities | 7,070 | (107,140) |
| Net gain from sale of seized assets | (5,617) | (11,306) |
| Loss (gain) from valuation of indexed certificates | 74,679 | (61,388) |
| Loss (gain) from share-based compensation plan | (31,764) | 30,828 |
| Other provisions | 10,709 | 19,105 |
| **Changes in asset and liability accounts:** | | |
| Other assets | 159,417 | 173,492 |
| Other liabilities | (190,841) | (90,952) |
| **Net cash provided by operating activities** | 1,137,897 | 932,205 |

## Consolidated statements of cash flows (unaudited) (continued)

| | For the six-month periods ended June 30 | |
|---|---|---|
| | 2011 | 2010 |
| | S/.(000) | S/.(000) |
| **Cash flows from investing activities** | | |
| Sales of property, furniture and equipment | 1,028 | 383 |
| Sales of seized assets | 4,720 | 12,127 |
| Purchase of intangible assets | (36,007) | (32,326) |
| Purchase of property, furniture and equipment | (123,455) | (89,992) |
| **Net cash used in investing activities** | (153,714) | (109,808) |
| **Cash flows from financing activities** | | |
| Net increase of deposits and obligations | (40,921) | 2,122,527 |
| Net (purchase) sale of securities | (6,632,370) | (1,644,220) |
| Net increase of loan portfolio | (3,722,007) | (2,381,720) |
| Net (decrease) increase of due to banks, correspondents and other entities, and interbank funds | (889,249) | 812,091 |
| Net increase (decrease) of bonds and subordinated notes issued | 1,693,714 | (154,312) |
| Cash dividends | (514,105) | (594,953) |
| **Net cash used in financing activities** | (10,104,938) | (1,840,587) |
| **Net decrease in cash and cash equivalents** | (9,120,755) | (1,018,190) |
| Cash and cash equivalents at the beginning of year | 23,687,342 | 10,575,047 |
| **Cash and cash equivalents at the end of period** | 14,566,587 | 9,556,857 |
| **Supplementary cash flows information** | | |
| Cash paid during the period for: | | |
| Interest | 673,023 | 599,505 |
| Income taxes | 226,736 | 191,059 |
| **Transactions that did not represent cash flows** | | |
| Related parties liabilities | - | 4,130,812 |

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

## 1. Main Subsidiaries

The accompanying consolidated financial statements includes the financial statements of Banco de Crédito del Perú (herei
holding incorporated in Bermuda in 1995, which as of June 30,2011 and December 31, 2010 holds directly and indirectly
information of the Bank and of its Subsidiaries, which are included in the consolidated financial statements as of June 30,
(unaudited), before eliminations for consolidation purposes, are as follows:

| Entity | Activity and country | Percentage of participation June 30, 2011 and December 31, 2010 | June 201 S/.(0 |
|---|---|---|---|
| Banco de Crédito del Perú | Banking, Peru | - | 68,31 |
| Banco de Crédito de Bolivia and Subsidiaries (*) | Banking, Bolivia | 95.92 | 3,08 |
| Empresa Financiera Edyficar S.A. | Micro-credit, Peru | 99.79 | 1,31 |
| Inversiones BCP S.A. | Holding, Chile | 99.99 | 67 |
| Solución Empresa Administradora Hipotecaria S.A. | Mortgage loans, Peru | 100.00 | 22 |
| Credifondo S.A.F. - Sociedad Administradora de Fondos – SAF | Mutual funds management, Peru | 100.00 | 10 |
| Credibolsa - Sociedad Agente de Bolsa S.A. | Brokerage, Peru | 100.00 | 8 |
| Inmobiliaria BCP S.A. | Real estate, Peru | 100.00 | |
| Creditítulos Sociedad Titulizadora S.A. | Assets securitization management, Peru | 100.00 | 1 |

(*) As of June 30, 2011 and December 31, 2010, Credicorp holds an additional 4.08% of the capital stock of Banco de Crédito de Bol

The interim consolidated financial statements as of June 30, 2011 and the consolidated financial statements as of Decem
on March 31, 2011, respectively.

2. **Significant accounting policies**

(a) In the preparation and presentation of the accompanying interim consolidated financial statements, the Bank's Management has complied with the regulations established by the Superintendencia de Banca, Seguros y AFP (hereinafter "SBS" for its Spanish acronym) in force in Peru, which are consistent with the regulations used in the preparation of the consolidated financial statements as of December 31, 2010, except for a new accounting rule, in force as of June 30, 2011, as described in paragraph (b) below.

(b) New accounting rule
On its November 2010 session, the International Financial Reporting Interpretations Committee (IFRIC), hereinafter the "Committee", agreed that workers' profit sharing must be recorded following IAS19 "Employees' benefits" and not IAS 12 "Income tax". Consequently, an entity must only recognize a liability when the employee has rendered a service; therefore, the deferred workers' profit sharing should not be calculated by temporary differences; given that these differences would be attributable to future services that must not be considered as obligations or rights under IAS 19. In Peru, the standard practice was to calculate and record a deferred workers' profit sharing on the financial statements. In January 21, 2011, the SBS issued Multiple Official Letter N°4049-2011, adopting the IFRIC´s interpretation starting January 2011.

The adoption of the new accounting treatment resulted in the elimination of the deferred asset and liability from workers' profit sharing and a recalculation of the deferred income tax asset and liability balance using an income tax rate of 30 percent. The net effect of the elimination and recalculation amounted to S/.20.4 million, which is presented in the caption "Retained earnings" of the consolidated statements of changes in shareholders' equity.

Following SBS Multiple Official Letter, S/.34.0 million was reclassified from the caption "Workers' profit sharing" to the caption "Salaries and employees' benefits" in the consolidated income statements for the six-month period ended June 30, 2010.

(c) Bank's Management has used certain estimates and assumptions for the preparation of the interim consolidated financial statements, such as the computation of the allowance for loan losses, the valuation of investments, the estimated useful life and recoverable amount of property, furniture and equipment and intangible assets, the provision for seized assets, the valuation of the brand name, goodwill and client relationship, and the valuation of derivative financial instruments; therefore, the final results could differ from the amounts recorded by the Bank and its Subsidiaries.

Accounting practices applied by the Bank that conform to generally accepted accounting principles in Peru for financial entities, may differ in certain significant respects to generally accepted accounting principles in other countries.

(d) The comparative amounts have been reclassified, if necessary, to make them comparable with current year presentation. In Management's opinion, those reclassifications are not significant to the consolidated financial statements as of June 30, 2011 and December 31, 2010.

3. **Foreign currency transactions and exposure to exchange risk**

(a) Transactions in foreign currency are recorded using exchange rates prevailing in the market.

As of June 30, 2011, the weighted average market exchange rate published by the SBS for transactions in U.S. Dollars was S/.2.748 for buying and S/.2.750 for selling (S/.2.808 and S/.2.809, respectively, as of December 31, 2010). As of June 30, 2011, the exchange rate established by the SBS to record assets and liabilities in foreign currencies was S/.2.749 for each U.S. Dollar and S/.0.395 for each Boliviano (S/.2.809 and S/.0.404, as of December 31, 2010, respectively). A detail of the Bank and its Subsidiaries' foreign currency assets and liabilities expressed in thousands of U.S. Dollars is shown below:

| | As of June 30, 2011 | | As of December 31, 2010 | |
|---|---|---|---|---|
| | **U.S. Dollars** US$(000) | **Other currencies** US$(000) | **U.S. Dollars** US$(000) | **Other currencies** US$(000) |
| **Assets** | | | | |
| Cash and due from banks and interbank funds | 4,030,913 | 104,505 | 3,531,876 | 240,648 |
| Investment at fair value through profit or loss and available-for-sale investments, net | 1,290,159 | 420,569 | 702,512 | 376,008 |
| Loans, net | 9,061,252 | 423,391 | 8,354,019 | 342,523 |
| Other assets | 400,695 | 6,555 | 263,849 | 12,721 |
| | 14,783,019 | 955,020 | 12,852,256 | 971,900 |
| **Liabilities** | | | | |
| Deposits and obligations | (8,976,595) | (618,587) | (8,341,031) | (630,868) |
| Due to banks, correspondents and other entities and interbank funds | (2,795,407) | (126,255) | (3,284,302) | (124,618) |
| Bonds and subordinated notes issued | (2,127,481) | - | (1,417,072) | - |
| Other liabilities | (221,931) | (63,253) | (284,514) | (64,631) |
| | (14,121,414) | (808,095) | (13,326,919) | (820,117) |
| Net forward operations – net short (long) position, Note 14(a) | 476,562 | 7,572 | 956,279 | (4,853) |
| Net currency swap position, Note 14(a) | (279,995) | - | (222,854) | - |
| Net cross currency and interest rates swap position, Note 14(a) | (208,773) | 126,547 | (252,912) | 123,862 |
| Foreign currency options, net | 13,987 | - | 25,561 | - |
| **Net asset position** | 663,386 | 281,044 | 31,411 | 270,792 |

(b) As of June 30, 2011, the Bank and its Subsidiaries have contingent operations (indirect loans) in foreign currency for approximately US$2,502.6 million, equivalent to approximately S/.6,879.6 million (approximately US$2,232.1 million, equivalent to approximately S/.6,270.0 million, as of December 31, 2010), see Note 14.

## 4. Cash and due from banks

As of June 30, 2011, cash and due from banks includes approximately US$3,556.2 million and S/.2,766.8 million (US$2,302.1 million and S/.2,754.6 million, as of December 31, 2010) of mandatory reserve that the Bank and its Subsidiaries must maintain for their obligations with the public. These reserves are deposited in the vaults of the Bank and its Subsidiaries and in the Central Reserve Bank of Peru - BCRP, and are within the limits established by prevailing legislation.

Mandatory reserves deposited in BCRP do not earn interest, except for any excess of the minimum mandatory reserve. As of June 30, 2011, the excess in foreign currency amounts to approximately US$2,601.0 million, equivalent to approximately S/.7,150.1 million, which earns interest at an average rate of 0.11 percent (US$1,953.9 million, equivalent to approximately S/.5,488.6 million, at an average rate of 0.16 percent, as of December 31, 2010); the excess in Nuevos Soles amounts to approximately S/.829.6 million and earns interest at an average rate of 2.45 percent (S/.660.6 million, at an average rate of 1.2 percent, as of December 31, 2010).

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 June 30, 2011 and December 31, 2010, the Bank and its Subsidiaries do not have significant deposits in any specific financial institution.

As explained in more detail in Note 5 to the consolidated financial statement as of December 31, 2010, the Bank and its Subsidiaries had BCRP fixed term deposits (DPBCRP, for its Spanish acronym) amounting to S/.10,252.3 million, which were included in the consolidated balance sheet caption "Cash and due from banks"; as of June 30, 2011, these instruments were settled and replaced mainly by BCRP certificates of deposit, which are included in the consolidated balance sheet caption "Investments at fair value through profit or loss and available for sale investments, net", see Note 5(b).

5. **Investments at fair value through profit or loss and available-for-sale investments, net**

(a) This item is made up as follows:

| | As of June 30, 2011 | | |
|---|---|---|---|
| | | Unrealized gross amou | |
| | Amortized Cost S/.(000) | Gains S/.(000) | L S/ |
| **Investments at fair value through profit or loss (trading) -** | - | - | |
| **Investments available-for-sale -** | | | |
| BCRP certificates of deposit (b) | 6,876,450 | 862 | |
| Corporate and leasing bonds (c) | 980,689 | 12,483 | |
| Listed equity security – Banco de Crédito e Inversiones de Chile (d) | 134,220 | 537,266 | |
| Peruvian sovereign bonds (e) | 463,568 | 3,946 | |
| Treasury notes from the Central Bank of Bolivia (f) | 400,622 | 169 | |
| Treasury bonds of foreign governments | 373,665 | 5,336 | |
| Securitization instruments | 300,160 | 521 | |
| Peruvian treasury bonds (e) | 240,359 | 1,815 | |
| Participation in Bolivia RAL's fund | 145,373 | - | |
| Bonds of financial entities | 72,087 | 4,820 | |
| Mutual funds participation | 47,864 | 451 | |
| Listed equity securities (BVL) | 174 | 28,082 | |
| Trading certificates of deposit | 15,969 | - | |
| Non-listed equity securities | 3,143 | 78 | |
| | 10,054,343 | 595,829 | (1 |
| **Balance of investments at fair value through profit or loss and available-for-sale investments, net** | | | |
| Accrued interest | | | |
| **Total** | | | |

(b) BCRP certificates of deposit are issued at discount, acquired in public auctions and negotiated in the Peruvian secondary market. As of June 30, 2011, the balance of BCRP certificates of deposit comprised S/.1,238.6 million of certificates settled in U.S. Dollars and S/.5,638.7 million of certificates settled in Nuevos Soles; their annual effective interest rates are between 4.24 and 4.25 for certificates settled in U.S. Dollars and between 4.24 and 4.83 percent for certificates settled in Nuevos Soles (S/.137.2 million of certificates settled in U.S. Dollars, and S/.884.8 million of certificates settled in Nuevos Soles; between 3.03 and 3.09 percent settled in U.S. Dollars and between 3.01 and 3.45 percent settled in Nuevos Soles as of December 31, 2010).

As of June 30, 2011, certificates settled in U.S. Dollars and certificates settled in Nuevos Soles have maturities between July and August 2011 (between January and February 2011, as of December 31, 2010) and between July 2011 and March 2012, respectively (between January and June 2011, as of December 31, 2010).

(c) Corporate and leasing bonds have been issued, mainly, by Peruvian entities; and accrue interests at annual rates that range between 2.49 and 7.54 percent for bonds issued in Nuevos Soles (between 1.33 and 6.66 percent as of December 31, 2010) and between 0.67 and 7.65 percent for bonds issued in U.S. Dollars (between 0.73 and 7.76 percent as of December 31, 2010). These bonds have maturities between July 2011 and May 2030 as of June 30, 2011 (between January 2011 and May 2030 as of December 31, 2010).

(d) As of June 30, 2011 and December 31, 2010, corresponds to 3,708,813 and 3,628,986 shares in Banco de Crédito e Inversiones BCI Chile, which represents a 3.60 and 3.52 percent of participation in that entity, respectively. At those dates, the estimated fair value corresponds to the price quotation on the Santiago (Chile) stock market.

(e) Sovereign bonds are issued in Nuevos Soles. As of June 30, 2011, these bonds accrued interest at annual rates that range between 2.46 and 7.37 percent (between 0.46 and 6.88 percent as of December 31, 2010), and have maturities between January 2012 and February 2042 (between February 2011 and February 2042 as of December 31, 2010).

Peruvian Treasury bonds correspond to global bonds issued in U.S. Dollars. As of June 30, 2011, these bonds accrued interest at annual rates that ranged between 0.89 and 5.91 percent (between 1.42 and 5.93 percent as of December 31, 2010), with maturities between February 2012 and March 2037 (between February 2012 and November 2033 as of December 31, 2010).

As explained in more detail in Note 6(d) to the consolidated financial statement as of December 31, 2010, in April 2010, the Bank participated in an exchange program offered by the Peruvian Government by which the Bank exchanged 7.500% Euro denominated Treasury Bonds for cash and new bonds. At the exchange date, the Bank maintained an unrealized gain amounting to S/.90.5 million for those instruments, which was recorded as realized gains in the caption "Net (loss) gain on securities" of the consolidated income statement. In addition, at the exchange date, the Bank terminated the related cross currency swaps - CCS that were part of its fair value hedge strategy, generating a loss amounting to approximately S/.44.6 million, which is presented in the caption "Net result from hedging derivative instruments" of the consolidated income statement, see Note 15.

(f) The treasury notes from the Central Bank of Bolivia are issued at discount in Bolivianos and in Unidades de Fomento de Vivienda (UFV). As of June 30, 2011, it includes Bolivianos 998.2 million, equivalent to S/.399.5 million, and UFV 1.3 million, equivalent to S/.0.9 million (approximately Bolivianos 567.3 million, equivalent to S/.229.4 millions and UFV 21.7 million, equivalent to S/.13.7 million, as of December 31, 2010). These instruments have maturities between July 2011 and June 2012 (between January and December 2011 as of December 31, 2010) and their annual interest rates range between 0.28 and 2.00 percent in Bolivianos and 0.001 percent in UFV (between 0.11 and 0.81 percent in Bolivianos and 0.001 percent in UFV, as of December 31, 2010).

(g) As of June 30, 2011, the Bank and its Subsidiaries entered into Repo transactions over BCRP certificates of deposit, corporate bonds, treasury bonds of foreign governments, treasury notes from the Central Bank of Bolivia and trading certificates of deposit for an estimated fair value equivalent to S/.1,392.9 million; such Repo transactions have maturities between July 2011 and June 2012 (Repo transactions over corporate bonds, treasury bonds of foreign governments, treasury notes from the Central Bank of Bolivia and trading certificates of deposit for an estimated fair value of S/.784.7 million and maturities between February 2010 and June 2012 as of December 31, 2010); the related liability is presented in the consolidated balance sheet captions "Deposits and obligations", see Note 8(a) and "Due to banks, correspondents and other entities", see Note 9(a).

(h) As of June 30, 2011 and December 31, 2010, Management estimated the fair value of its investments at fair value through profit or loss and available-for-sale investments using market price quotations available in the market or, if a price was not available, discounting the expected future cash flows at an interest rate that reflects the risk classification of the financial instrument.

Management has determined that the unrealized losses as of June 30, 2011 and December 31, 2010, are of temporary nature. The Bank and its Subsidiaries have decided and have the ability to maintain these investments until the recovery of their fair value, which can occur at their maturity.

## 6. Loans, net

(a) This item is made up as follows:

| | As of June 30, 2011 S/.(000) | As of December 31, 2010 S/.(000) |
|---|---|---|
| **Direct loans** | | |
| Commercial and micro-business loans | 17,660,989 | 16,757,509 |
| Leasing receivables | 7,225,013 | 6,639,934 |
| Mortgage loans | 6,632,238 | 5,788,359 |
| Credit cards | 4,179,573 | 3,668,225 |
| Consumer loans | 3,080,722 | 2,804,235 |
| Foreign trade loans | 2,746,500 | 2,090,286 |
| Discounted notes | 1,327,772 | 1,341,885 |
| Factoring receivables | 575,979 | 766,646 |
| Advances and overdrafts | 259,116 | 299,899 |
| Refinanced and restructured loans | 222,911 | 215,469 |
| Past due and under legal collection loans | 669,039 | 587,471 |
| | 44,579,852 | 40,959,918 |
| **Add (less)** | | |
| Accrued interest from performing loans | 289,300 | 269,719 |
| Deferred interest on discounted notes and leasing receivables | (1,084,092) | (962,666) |
| Allowance for loan losses (b) | (1,310,424) | (1,181,389) |
| **Total direct loans** | 42,474,636 | 39,085,582 |
| **Indirect loans, Note 14(a)** | 9,633,507 | 8,988,204 |

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

| | 2011 S/.(000) | 2010 S/.(000) |
|---|---|---|
| **Balance as of January 1** | 1,273,789 | 1,095,841 |
| Net provision recognized as period expense (*) (c) | 336,682 | 282,501 |
| Loan portfolio written-off | (191,243) | (180,362) |
| Translation result and other | (12,700) | (12,261) |
| **Balance as of June 30 (**)** | 1,406,528 | 1,185,719 |
| **Balance as of December 31, 2010 (**)** | | 1,273,789 |

(*) As explained in more detail in Notes 3(e) and 7(e) to the consolidated financial statement as of December 31, 2010, the allowance for loan losses as of December 31, 2010 and June 30, 2011, was determined following the criteria of SBS Resolutions N°11356-2008 and N°6941-2008. The allowance for loan losses as of June 30, 2010 was determined following guidelines established by SBS Resolution N°808-2003.

(**) As of June 30, 2011, the movement of the allowance for loan losses includes direct and indirect loan allowances for approximately S/.1,310.4 million and S/.96.1 million, respectively (approximately S/.1,181.4 million and S/.92.4 million, respectively, as of December 31, 2010). The allowance for indirect loans losses is presented in the "Other liabilities, net" caption of the consolidated balance sheets, Note 7(a).

In Management's opinion, the allowance for loan losses recorded as of June 30, 2011 and December 31, 2010, has been established in accordance with SBS regulations in force as of those dates.

(c) The allowance for loan losses recorded in the consolidated income statements is made up as follows:

| | Six-month period ended June 30, 2011 S/(000) | Six-month period ended June 30, 2010 S/(000) |
|---|---|---|
| **Allowance (recovery) for:** | | |
| Loan losses (b) | 336,682 | 282,501 |
| Country risk | (9,855) | (1,267) |
| | 326,827 | 281,234 |

(d) A portion of the loan portfolio is secured by guarantees received from clients, which are principally conformed by mortgages, stand-by letters, financial instruments, and industrial and commercial pledges.

(e) Interests accrued on the loan portfolio are determined considering current interest rates prevailing in the markets where the Bank and its Subsidiaries operate.

## 7. Other assets and other liabilities

(a) These items are made up as follows:

| | As of June 30, 2011 S/.(000) | As of December 31, 2010 S/.(000) |
|---|---|---|
| **Other assets, net** | | |
| Financial instruments at fair value | | |
| Indexed certificates (b) | 104,918 | 382,101 |
| Derivatives receivable (c) | 277,582 | 241,395 |
| | 382,500 | 623,496 |
| Other, net - | | |
| Value added tax credit | 568,886 | 521,396 |
| Finite live intangible assets, net | 405,003 | 417,247 |
| Accounts receivable, net | 383,874 | 205,606 |
| Deferred income tax | 265,265 | 291,978 |
| Goodwill | 144,841 | 144,841 |
| Deferred expenses | 95,372 | 97,015 |
| Realizable, received in payment and seized assets, net | 58,379 | 36,632 |
| Operations in process (d) | 41,553 | 34,055 |
| Income tax prepayments, net | 22,447 | 44,417 |
| Deferred workers' profit sharing, Note 2(b) | - | 29,864 |
| Other | 14,361 | 14,950 |
| | 1,999,981 | 1,838,001 |
| **Total** | 2,382,481 | 2,461,497 |

| | As of June 30, 2011 S/.(000) | As of December 31, 2010 S/.(000) |
|---|---|---|
| **Other liabilities, net** | | |
| Accounts payable | 420,052 | 406,710 |
| Deferred income tax | 230,380 | 309,866 |
| Salaries and other personnel expenses payable | 218,958 | 296,361 |
| Derivatives payable (c) | 223,972 | 203,711 |
| Provision for sundry risks (f) | 110,480 | 113,730 |
| Allowance for indirect loan losses, Note 6(b) | 96,104 | 92,400 |
| Operations in process (d) | 63,025 | 57,871 |
| Stock appreciation rights (e) | 42,398 | 200,332 |
| Deposit Insurance Fund | 16,202 | 14,698 |
| Taxes | 14,305 | 23,479 |
| Minority interest | 11,028 | 11,091 |
| Deferred workers' profit sharing, Note 2(b) | - | 9,495 |
| Other | 1,328 | 2,429 |
| **Total** | 1,448,232 | 1,742,173 |

(b) In connection with the liabilities that result from Credicorp's stock appreciation rights (SARs), the Bank signed several contracts with Citigroup Global Markets Holdings Inc., Citigroup Capital Limited, Citigroup Capital Market Inc (hereinafter "Citigroup") , and Credit Agricole Corporate and Investment Bank (hereinafter "Caylon").

These contracts consist of the purchase of certificates indexed to the performance of Credicorp Ltd. (BAP) shares in the form of "warrants" issued by Citigroup and Calyon, with the same number of Credicorp Ltd. shares. These certificates will be settled exclusively in cash with maturity until 2014 and have the possibility of being settled totally or partially at any moment before their maturity.

According to SBS Resolution 1737-2006, disclosed in Note 3(g) to the consolidated financial statements as of December 31, 2010, the indexed certificates maintain an embedded derivative, whose risks are not closely related to the host´s contract risk. Management agreed to record since inception, these hybrid instruments at fair value through profit or loss; therefore, the split of the embedded derivative instrument is not required.

Following SBS standards, the difference between cost and estimated market value is recorded in the consolidated statement of income. As of June 30, 2011 and December 31, 2010, the Bank and its Subsidiaries maintained 424,914 and 1,123,846 certificates, respectively, at a total cost of US$26.8 million and US$69.1 million, respectively, (US$63.0 and US$61.4 per certificate on average, respectively). At those dates, the estimated market value amounted to US$38.2 million, equivalent to S/.104.9 million, and US$136.0 million, equivalent to S/.382.1 million, respectively (US$89.8 and US$121.0 per certificate on average, as of June 30, 2011 and December 31, 2010, respectively).

During the six-month period ended June 30, 2011 and 2010, the Bank and its Subsidiaries acquired 28,568 and 35,000, respectively and settled 727,500 and 175,000, respectively, indexed certificates. The net effect of settlement and valuation of indexed certificates, loss amounting to S/.74.7 million in 2011 and a gain amounting to S/.61.4 million in 2010, is presented in the consolidated income statement captions "Other operative expenses" and "Other non-financial income", respectively. See Note 16.

(c) The risk in derivatives contracts bears from the possibility that the counterparty does not fulfill the terms and conditions agreed and that the reference rates, in which the transaction was made, changes.

The table below presents the fair value of the derivative financial instruments, recorded as an asset or a liability, together with their notional amounts. The gross notional amount is the amount of a derivative's underlying asset and is the basis upon which changes in fair value are measured, Note 14(a).

| | As of June 30, 2011 | | | |
|---|---|---|---|---|
| | **Assets**<br>S/.(000) | **Liabilities**<br>S/.(000) | **Notional amount**<br>S/.(000) | **Hedged item** |
| **Derivatives held for trading (i) -** | | | | |
| Forward exchange contracts | 84,969 | 70,848 | 10,159,986 | - |
| Interest rate swaps | 78,494 | 79,839 | 1,993,617 | - |
| Currency swaps | 62,173 | 26,346 | 1,228,615 | - |
| Foreign currency options | 3,799 | 2,927 | 990,182 | - |
| **Derivatives held as hedges -** | | | | |
| **Cash flow hedge (ii) :** | | | | |
| Interest rate swaps | - | 17,698 | 695,374 | Due to related parties |
| Interest rate swaps (iii) | - | 6,330 | 893,425 | Due to banks |
| Cross currency swaps | 30,996 | - | 347,879 | Due to related parties |
| Cross currency swap and interest rate swaps | 17,151 | 11,290 | 226,038 | Bonds issued |
| **Fair value hedge :** | | | | |
| Interest rate swaps | - | 8,694 | 149,270 | Available-for-sale investments |
| | 277,582 | 223,972 | 16,684,386 | |

| | As of December 31, 2010 | | | |
|---|---|---|---|---|
| | Assets S/.(000) | Liabilities S/.(000) | Notional amount S/.(000) | Hedged item |
| **Derivatives held for trading (i) -** | | | | |
| Forward exchange contracts | 48,878 | 29,889 | 7,382,600 | - |
| Interest rate swaps | 86,513 | 90,776 | 1,997,481 | - |
| Currency swaps | 48,690 | 35,202 | 1,300,860 | - |
| Foreign currency options | 1,542 | 867 | 291,057 | - |
| **Derivatives held as hedges -** | | | | |
| **Cash flow hedge (ii) :** | | | | |
| Interest rate swaps | - | 17,799 | 801,814 | Due to related parties |
| Interest rate swaps | - | 6,066 | 383,896 | Due to banks |
| Cross currency swaps | 33,264 | - | 347,927 | Due to related parties |
| Cross currency swaps | 1,113 | 141 | 44,066 | Bonds issued |
| Cross currency swap and interest rate swaps | 21,395 | 14,125 | 318,435 | Bonds issued |
| **Fair value hedge :** | | | | |
| Interest rate swaps | - | 8,846 | 153,259 | Available-for-sale-investments |
| | 241,395 | 203,711 | 13,021,395 | |

(i) Derivatives held for trading are principally negotiated to satisfy client's needs. The Bank and its Subsidiaries may also take positions with the expectation of profiting from favorable movements in prices, rates or indexes. Also included under this caption are any derivatives which do not meet SBS hedging requirements.

As of June 30, 2011, forward exchange contracts have maturities between July 2011 and April 2013 (between January 2011 and December 2012 as of December 31, 2010).

As of June 30, 2011, interest rate swaps and currency swaps have maturities until December 2022 and September 2022, respectively (until August 2022 and September 2022 as of December 31, 2010, respectively).

As of June 30, 2011, the foreign currency options have maturities between July 2011 and July 2012 (between January 2011 and May 2012 as of December 31, 2010).

(ii) The Bank and its Subsidiaries are exposed to movements in future interest cash flows on non-trading assets and liabilities which bear interest at variable rates. The Bank and its Subsidiaries use derivate financial instruments as cash flow hedges of said risk.

As of June 30, 2011 and December 31, 2010, following SBS permission, derivative financial instruments maintained by the Bank and its Subsidiaries have been designated as hedging operations considering the functional currency of Credicorp, the U.S. dollar.

As of June 30, 2011, the net unrealized loss from the cash flow hedges is included in the caption "Unrealized gains (losses)" of the consolidated statements of changes in shareholders' equity and comprise the results from the current hedges (unrealized loss for approximately S/.33.1million) and from an unwind made in 2009 (unrealized gain for approximately S/.30.6 million), which is being realized in the term of the underlying financial instrument, 2037. Likewise, the transfer of the net unrealized gain on cash flow hedges to the consolidated income statement is presented in Note 12(d).

(iii) In March 2011, the Bank entered into two interest rate swaps (IRS) contracts for a notional amount of US$175.0 million (equivalent to 50 percent of a syndicated loan received in October 2010 for US$350.0 million) and US$150.0 million (100 percent of a syndicated loan received in March 2011 for US$150.0 million), which following SBS approval, were designed as cash flow hedges. Through the IRS, which matures between October 2013 and March 2014 these loans were economically converted to fixed interest rate.

(d) Operations in process include deposits received, loans disbursed and/or collected, funds transferred and other similar types of transactions, which are made at the end of the month and not reclassified to their final consolidated balance sheets accounts until the first days of the following month. These transactions do not affect the Bank and its Subsidiaries' consolidated net income.

(e) As indicated in Note 16 to the consolidated financial statement as of December 31, 2010, until April 2008, the Bank and its Subsidiaries granted rights in the form of options over Credicorp's stock appreciation (SARs) to certain executives who had at least one year serving the group. 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 2014.

During the six-month period ended June 30, 2011 and for the year ended December 31, 2010, 500,070 and 294,450 SARs were exercised under this plan for an approximate amount of US$41.4 million and US$24.0 million (equivalent to S/.113.81 million and S/.67.4 million), respectively, plus the income tax on behalf of the executives and employees that is assumed by the Bank and its Subsidiaries, equivalent to 30 percent of the amount paid.

As of June 30, 2011 and December 31, 2010, the number of SARs issued and not exercised and their exercise prices are as follows:

| Year of issuance | Number of outstanding SARs issued as of June 30, 2011 | Number of vested SARs as of | | Exercise price |
|---|---|---|---|---|
| | | June 30, 2011 | December 31, 2010 | US$ |
| 2003 | - | - | 36,500 | 5.57 |
| 2004 | 40,000 | 40,000 | 87,500 | 8.39 |
| 2005 | 40,000 | 40,000 | 103,750 | 13.40 |
| 2006 | 46,300 | 46,300 | 163,300 | 22.72 |
| 2007 | 44,529 | 44,529 | 153,795 | 22.72 |
| 2008 | 57,991 | 57,991 | 171,817 | 22.72 |
| | 228,820 | 228,820 | 716,662 | |

Management has estimated the SARs' fair value as of June 30, 2011 and December 31, 2010, using the binomial option pricing model, with assumptions obtained from the relevant available market information. The key assumptions used are as follows:

| Key assumptions | As of June 30, 2011 | As of December 31, 2010 |
|---|---|---|
| Expected volatility | 38.25% | 37.91% |
| Risk free interest rate | 3.08% | 3.52% |
| Expected lifetime | 2.23 years | 2.71 years |
| Quoted price of Credicorp shares | US$86.10 | US$118.91 |

The liability recorded for this plan, including the income tax assumed by the Bank and its Subsidiaries, is included as "Salaries and other personnel expenses payable" in the caption "Other liabilities, net", of the consolidate balance sheets, and the related gain or expense in the caption "Salaries and employees' benefits" of the consolidated income statements. For the six-month period ended June 30, 2011, the gain recorded for this plan amounted to S/.40.2 million (expense of S/.111.9 million as of December 31, 2010).

The Bank has entered into several contracts with Citigroup and Calyon by which it has acquired certificates linked to the yield of Credicorp's shares, see paragraph (b) above.

As indicated in Note 3(p) to the consolidated financial statements as of December 31, 2010, since April 2009, the Bank and its Subsidiaries implemented a new share based payment plan that consists in granting a number of Credicorp's shares to certain executives. The granted shares accrue in 3 years, 33.33 percent annually, from the grant date (April of each year).

In connection with the execution of the plan, in March 2011 and March 2010, the Bank and its Subsidiaries acquired 113,204 and 134,338 Credicorp's shares for approximately US$12.0 million and US$11.9 million, respectively, (equivalent to S/.33.6 million and S/.33.4 million) which were given to the beneficiaries; however, such shares are maintained as restricted investments until their final vesting in the caption "Off-balance sheet accounts" of the consolidated balance sheet. Following SBS Official Letter N°9771-2009, dated March 24, 2009, at the date of their acquisition the Bank and its Subsidiaries recorded as an expense for the total amount paid, which is included in the caption "Salaries and employees' benefits" of the consolidated income statement.

(f) As of June 30, 2011 and December 31, 2010, the provision for sundry risks comprises the allowance related to the estimated losses due to legal procedures against the Bank and its Subsidiaries, estimated losses due to operational risk and other similar obligations that were recorded based on Management and its internal legal advisors' best estimates.

## 8. Deposits and obligations

(a) This item is made up as follows:

| | As of June 30, 2011 S/.(000) | As of December 31, 2010 S/.(000) |
|---|---|---|
| Demand deposits | 16,829,967 | 15,021,693 |
| Time deposits | 12,797,421 | 15,987,843 |
| Saving deposits | 12,670,460 | 11,924,035 |
| Severance indemnities deposits | 4,114,685 | 3,688,561 |
| Repurchase agreements, Note 5(g) | 905,949 | 702,250 |
| Bank's negotiable certificates | 425,529 | 459,782 |
| | 47,744,011 | 47,784,164 |
| Interest payable | 115,839 | 116,607 |
| **Total** | 47,859,850 | 47,900,771 |

(b) The Bank and its Subsidiaries have established a policy to pay interests on demand deposits and savings deposits according to a sliding interest rate scale, based on the average balance maintained in those accounts. Additionally, according to such policy, it was established that accounts having balances lower than a determined amount for each type of account, do not bear interest.

Interest rates applied to the different deposits and obligations accounts are determined by the Bank and its Subsidiaries considering current interest rates in the markets where they develop their operations.

(c) As of June 30, 2011 and December 31, 2010, approximately S/.14,991.0 million and S/.13,836.7 million, respectively of the deposits and obligations balances, are covered by the "Fondo de Seguro de Depósitos" (Deposit Insurance Fund). At those dates, the "Fondo de Seguro de Depósitos" covered up to S/.89,477 and S/.85,793, respectively.

**9. Due to banks, correspondents and other entities**

(a) This item is made up as follows:

| | As of June 30, 2011 S/.(000) | As of December 31, 2010 S/.(000) |
|---|---|---|
| **By type -** | | |
| Due to banks and correspondents with financial institution (b) | 4,613,955 | 5,385,951 |
| Due to related parties (c) | 3,270,230 | 4,021,283 |
| Promotional credit lines | 542,731 | 410,070 |
| Due to BCRP, note 5(g) | 369,949 | - |
| | 8,796,865 | 9,817,304 |
| Interest payable | 43,737 | 49,638 |
| **Total** | 8,840,602 | 9,866,942 |
| **By term -** | | |
| Short-term debt | 3,214,748 | 4,432,800 |
| Long-term debt | 5,582,117 | 5,384,504 |
| **Total** | 8,796,865 | 9,817,304 |

(b) As of June 30, 2011, due to banks and correspondents with foreign financial institutions comprise mainly loans to finance foreign trade operations and for working capital, granted by 53 local and foreign entities (55 as of December 31, 2010); of which 6 represent approximately 53.3 percent of the balance (10 represent approximately 36.4 percent of the balance as of December 31, 2010).

As of June 30, 2011, due to bank and correspondents with financial entities accrued annual interest at rates that ranged between 0.25 and 10.5 percent (between 0.74 and 9.25 percent as of December 31, 2010).

Some of the loan agreements include standard covenants concerning the fulfillment of financial ratios, the use of funds and other administrative matters. In Management's opinion, these covenants do not limit the Bank and its Subsidiaries operations and are complied following international banking practices.

(c) As explained in more detail in Notes 10(d) and 11(d) to the consolidated financial statements as of December 31,2010; due to related parties include loans received from CCR Inc., Atlantic Security Bank (ASB) and BCP Emisiones Latam 1 S.A. (all subsidiaries of Credicorp Ltd.), amounting to US$856.4 million, equivalent to S/.2,354.3 million, US$206.6 million, equivalent to S/.568.0 million and 2.7 million Unidades de Fomento Chilenas - UF, equivalent to S/.347.9 million respectively, as of June 30, 2011 (US$953.1 million, equivalent to S/.2,677.3 million, US$354.6 million, equivalent to S/.996.1 million and 2.7 million Unidades de Fomento Chilenas-UF, equivalent to S/.347.9 million, respectively, as of December 31, 2010).

## 10. Bonds and subordinated notes issued

(a) This item is made up as follows:

| | As of June 30, 2011 S/.(000) | As of December 31, 2010 S/.(000) |
|---|---|---|
| **Local issuances-** | | |
| Corporate bonds (i) | 982,547 | 856,314 |
| Subordinated bonds | 404,163 | 429,698 |
| Leasing bonds | 148,579 | 378,889 |
| Trading certificates of deposit – Edyficar (i) | 47,969 | 47,969 |
| Mortgage bonds and certificates | 5,516 | 14,055 |
| | 1,588,774 | 1,726,925 |
| **International issuances, through BCP Panama branch-** | | |
| Senior bonds (i) | 4,094,411 | 2,247,200 |
| Junior subordinated notes | 673,364 | 702,250 |
| Subordinated notes | 457,440 | 460,064 |
| Subordinated negotiable certificate of deposit | 325,781 | 337,080 |
| | 5,550,996 | 3,746,594 |
| **Total** | 7,139,770 | 5,473,519 |
| Interest payable | 100,414 | 72,951 |
| **Total** | 7,240,184 | 5,546,470 |

International issuances are listed in the Luxembourg Stock Exchange. Also, local and international issuances include standard covenants concerning the fulfillment of financial ratios, the use of funds and other administrative matters. In Management's opinion, these covenants do not limit the Bank and its Subsidiaries operations and are complied following international banking practices.

As of June 30, 2011, their annual effective interest rates ranged between 3.75 and 9.75 percent (between 4.23 and 9.75 percent as of December 31, 2010) and have maturities between July 2011 and November 2069 (between January 2011 and November 2069 as of December 31, 2010, see more details in Note 12 to the consolidated financial statements as of December 31, 2010).

(i) During the six-month period ended June 30, 2011 and for the year ended December 31, 2010, the Bank and its Subsidiaries redeemed bonds for S/.376.6 million and S/.259.5 million, respectively. New issuances made during the six-month period ended June 30, 2011 and for the year ended December 31, 2010 are the following:

| Issuances as of June 30, 2011 | Issued amount S/.(000) | Book value S/.(000) | Currency | Interest rate | Maturity |
|---|---|---|---|---|---|
| **Senior bonds** | 1,939,000 | 1,924,300 | US$ | 4.75 | 2016 |
| **Corporate Bonds -** | | | | | |
| Eighth issuance Series A | 253,617 | 250,159 | US$ | 3.75 | 2014 |
| **Total** | 2,192,617 | 2,174,459 | | | |
| **Year ended December 31, 2010** | | | | | |
| **Senior bonds** | 2,247,200 | 2,199,200 | US$ | 5.37 | 2020 |
| **Trading certificates of deposit - Edyficar -** | | | | | |
| Third Issuance - first program | 50,000 | 47,969 | S/. | 4.23 | 2011 |
| **Total** | 2,297,200 | 2,247,169 | | | |

## 11. Income tax

Amounts presented in the consolidated income statements for the six-month periods ended June 30, 2011 and 2010 are shown below:

| | Six-month period ended June 30, 2011 S/.(000) | Six-month period ended June 30, 2010 S/.(000) |
|---|---|---|
| Current | 260,740 | 213,026 |
| Deferred | (19,600) | 6,147 |
| | 241,140 | 219,173 |

## 12. Shareholders' Equity

(a) Capital stock -

As of June 30, 2011 and December 31, 2010, the Bank's capital stock comprises 2,557.7 million of fully subscribed and paid common shares, each with a nominal value of one Peruvian Nuevo Sol.

The General Shareholders' Meetings held on March 26, 2010, approved the capitalization of retained income for an amount of S/.329.5 million.

(b) Legal reserve -

Under Peruvian legislation, the Bank must reach a legal reserve of at least 35 percent of its paid-in capital, through an annual appropriation of at least 10 percent of the net income. As of June 30, 2011, the Bank has covered such legal request.

The Bank's Subsidiaries established in Peru and Bolivia must also record legal reserves in their individual financial statements, which percentages varies depending on applicable laws and economic activity. As of June 30, 2011, December 31, 2010 and June 30, 2010, the Subsidiaries' reported legal reserves amounted to approximately S/.145.4 million, S/.117.3 million and S/.117.8 million, respectively.

(c) Special reserve -

The special reserve has been funded through the appropriation of accumulated results and is considered to be unrestricted.

The General Shareholders Meetings held on March 31, 2011 and March 26, 2010, approved an increase of the special reserve for approximately S/.674.9 million and S/.0.1 million, respectively.

The General Shareholders Meeting held on March 26, 2010, approved the transfer of S/.348.7 million from the special reserve to the legal reserve.

(d) Unrealized gains (losses) -

Includes the net unrealized gain (loss) from available-for-sale investments and from derivatives instruments used as cash flow hedges. The movement of the unrealized gains (loss) as of June 30, 2011 net of deferred income tax and 2010, net of deferred income tax and workers' profit sharing, is as follows:

| | Unrealized gain (loss) of: | | |
|---|---|---|---|
| | **Available for sale investments** S/.(000) | **Derivatives instruments used as cash flow hedges** S/.(000) | **Total** S/.(000) |
| **Balances as of January 1, 2010** | 317,190 | 30,240 | 347,430 |
| Unrealized gain from available-for-sale investments, net of unrealized loss | 69,899 | - | 69,899 |
| Transfer of realized gain from available-for-sale investments to the consolidated income statement, net of realized loss | (98,871) | - | (98,871) |
| Net unrealized loss on cash flow hedge | - | (42,362) | (42,362) |
| Transfer of realized loss on cash flow hedge to the consolidated income statement, net of realized gain | - | 18,997 | (18,997) |
| Net deferred income tax | (8,974) | 6,109 | (2,865) |
| **Balances as of June 30, 2010** | 279,244 | 12,984 | 292,228 |

| | Unrealized net gain (loss) of: Available for sale investments S/.(000) | Derivatives instruments used as cash flow hedges S/.(000) | Total S/.(000) |
|---|---|---|---|
| **Balances as of January 1, 2011** | 427,217 | 15,599 | 442,816 |
| Unrealized loss from available-for-sale investments, net of unrealized gain | (75,968) | - | (75,968) |
| Transfer of realized loss from available-for-sale investments to the consolidated income statement, net of realized gain | 761 | - | 761 |
| Unrealized loss on cash flow hedge, net of unrealized gain | - | (20,123) | (20,123) |
| Transfer of realized gain on cash flow hedge to the consolidated income statement, net of realized loss | - | (3,143) | (3,143) |
| Net deferred income tax | 28,006 | 5,165 | 33,171 |
| **Balances as of June 30, 2011** | 380,016 | (2,502) | 377,514 |

As of June 30, 2011 and December 31, 2010, the Bank and its Subsidiaries have recorded a deferred income tax liability as part of the caption "Unrealized gains (losses)" for S/.176.8 million and S/.210.0 million, respectively, related to the unrealized gains and losses of available-for-sale investments and cash flow hedges.

(e) Dividend distribution -

The General Shareholders' Meetings held on March 31, 2011 and March 26, 2010, agreed to distribute dividends for approximately S/.514.1 million and S/.595.0 million, respectively.

Under current Peruvian legislation, there is no restriction for overseas remittance of dividends or the repatriation of foreign investments. Individual persons and corporations not domiciled in Peru must pay an additional tax of 4.1 percent on dividends received, which must be retained and paid by the entity that distributes the dividends.

(f) Equity for legal purposes (Regulatory capital)

Applicable Regulations for the Bank's regulatory capital requirements are explained in more detail in Note 14(f) to the Bank and its Subsidiaries consolidated financial statements as of December 31, 2010.

In application of Legislative Decree N°1028 as of June 30, 2011 and December 31, 2010, the Bank maintains the following amounts related to weighted assets and contingent credits by total risk and regulatory capital (basic and supplementary), in millions of Nuevos Soles:

| | As of June 30, 2011 | As of December 31, 2010 |
|---|---|---|
| Total risk weighted assets and credits | 46,328.68 | 42,965.70 |
| Regulatory capital | 6,266.94 | 5,517.27 |
| Regulatory capital – basic | 5,169.62 | 4,379.07 |
| Regulatory capital – supplementary | 1,097.32 | 1,138.20 |
| Global Regulatory capital ratio | 13.53% | 12.84% |

On July 20, 2011, SBS issued Resolution N° 8425-2011, which established additional capital requirements for financial institutions, aimed at covering risk not contemplated (e.g. concentration, interest rate, systemic risk). Additional pro-cyclical capital requirements were also established. These new requirements will be implemented over a period of five years starting in July 2012.

**13. Tax situation, liabilities and contingencies**

(a) Tax situation -

The Bank and its Subsidiaries are subject to taxation on income of the country where they are incorporated. As of June 30, 2011 and December 31, 2010, the statutory Income Tax was 30 and 25 percent on taxable income for the Subsidiaries established in Peru and Bolivia, respectively.

There are some changes to the Peruvian Income Tax Law applicable as from January 1, 2010, which have been explained in more detail in Note 15 (b) to the consolidated Financial Statements as of December 31, 2010.

For Income Tax and Value Added Tax purposes, the transfer prices agreed in transactions between related parties and entities located in tax havens require the presentation of supporting documentation and information on the valuation methods and criteria applied to determine the agreed price. Based on the analysis of the Bank and its Subsidiaries operations, Management and its internal legal advisors consider that no significant contingencies will result for the Bank and its Subsidiaries as a consequence of the application of such provisions as of June 30, 2011 and December 31, 2010.

The Peruvian and Bolivian Tax Authorities are entitled to review and, if applicable, amend the annual Income Tax returns of the Bank and its Subsidiaries up to four years after their submission.

The 2010, 2009 and 2008 Income Tax returns of the Bank are pending to be reviewed by the Peruvian Tax Authority.

Up to the date of this report, the Peruvian Tax Authority is conducting the review of the 2007 Income Tax return.

Likewise, the Income Tax returns for the fiscal years 2006 to 2010 from Banco de Crédito de Bolivia are pending to be reviewed by the Bolivian Tax Authority.

For the Subsidiaries, except for the year 2006 for Credibolsa and 2007 for Credifondo, which has already been reviewed with no assessment; up to the date of this report, years 2006 to 2010 are still pending to be reviewed by the Tax Authority.

Provided that the tax regulations are subject to interpretation by the Peruvian Tax Authority, it is not possible to determine up to date whether the reviews will generate additional liabilities for the Bank and its Subsidiaries. Therefore, any unpaid tax, penalties or interest that might result from said reviews will be expensed in the year in which they are determined. Nevertheless, Management of the Bank and its Subsidiaries and their legal advisors consider that any additional tax assessments would not have a significant impact on the consolidated financial statements as of June 30, 2011 and December 31, 2010.

(b) Liabilities and contingencies -
During the first six months of 2011, there were no significant changes relating to the Bank and its Subsidiaries' liabilities and contingencies presented in the Bank and its Subsidiaries consolidated financial statements as of December 31, 2010.

**14. Off-balance sheet accounts**

(a) This item is made up as follows:

| | As of June 30, 2011 S/.(000) | As of December 31, 2010 S/.(000) |
|---|---|---|
| **Contingent operations (indirect loans) (b) -** | | |
| Guarantees and stand-by letters of credit | 8,023,981 | 7,619,963 |
| Import and export letters of credit | 1,429,686 | 1,170,681 |
| Due from bank acceptances | 179,840 | 197,560 |
| | 9,633,507 | 8,988,204 |
| **Derivative instruments -** | | |
| **Derivatives held for trading -** | | |
| Foreign currency forward contracts on Nuevo Sol, see Note 3(a): | | |
| Foreign currency purchases | 5,613,535 | 4,878,440 |
| Foreign currency sales | 4,282,649 | 2,205,883 |
| Foreign currency forward contracts on currencies other than Nuevo Sol | 263,802 | 298,277 |
| Interest rate swap contracts | 1,993,617 | 1,997,481 |
| Currency swap contracts, see Note 3(a): | | |
| Foreign currency delivery/ Nuevo Sol reception | 999,160 | 963,428 |
| Nuevo Sol delivery/ Foreign currency reception | 229,455 | 337,432 |
| Foreign currency options | 990,182 | 291,057 |
| **Derivatives held as hedge -** | | |
| Interest rate swap contracts | 1,738,069 | 1,338,969 |
| Cross currency swap contracts on Nuevo Sol, see Note 3(a): Foreign currency delivery/ Nuevo Sol reception | - | 44,066 |
| Cross currency and interest rate swap contracts in respect with Nuevo Sol, see Note 3(a) | 226,038 | 318,435 |
| Cross currency swap contracts on currencies other than Nuevo Sol | 347,879 | 347,927 |
| | 16,684,386 | 13,021,395 |
| Responsibilities under credit line agreements (c) | 7,911,631 | 6,833,306 |
| Other contingent operations | 12,080 | 12,339 |
| **Total contingent operations** | 34,241,604 | 28,855,244 |
| Other (d) | 258,135,336 | 242,271,804 |
| **Total** | 292,376,940 | 271,127,048 |

(b) In the normal course of its business, the Bank and its Subsidiaries perform contingent operations. These operations expose them to credit risk in addition to the amounts recognized in the consolidated balance sheets. The Bank's exposure to losses under commitments to extend credit, provide export and import letters of credit and guarantees (indirect loans) is represented by the contractual amounts specified in the related contracts.

The Bank and its Subsidiaries apply the same credit policies in making commitments and conditional obligations as they do for on-balance sheet instruments, including the requirement to obtain collateral to support off-balance sheet financial instruments when it is necessary deemed. Collateral held varies, but it may include deposits in financial institutions, securities or other assets.

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

Export and import letters of credit are mainly issued as credit enhancements for overseas trade transactions. The related credit risk is reduced by the participation of third parties.

Due from bank acceptances represent collection rights for the Bank and its Subsidiaries that arise at the time of negotiation of the letters of credit; a collection right from the local importer (in the case of imports) or a collection right from the correspondent bank (in the case of exports).

(c) Responsibilities under credit lines agreements do not correspond to commitments to grant credits; and include credit lines and other consumer loans that are cancelable upon notification to the client.

(d) Includes many balances that are recorded only for control purposes according to accounting requirements of the SBS; see Note 18 to the Bank and its Subsidiaries consolidated financial statements as of December 31, 2010.

## 15. Financial income and expenses

This item is made up as follows:

| | For the six-month periods ended June 30 | |
|---|---|---|
| | 2011<br>S/.(000) | 2010<br>S/.(000) |
| **Financial income** | | |
| Interest from loan portfolio | 1,940,909 | 1,611,781 |
| Interest from trading and available-for-sale investments, net | 146,432 | 148,421 |
| Interest from cash and due from banks and inter-bank funds | 83,688 | 9,709 |
| Commission on loans and other financial transactions | 23,520 | 22,731 |
| Net fluctuation from derivate financial instruments position - swaps | 20,808 | 12,776 |
| Net fluctuation from derivative financial instruments position – forwards | 13,126 | (14,717) |
| Other | 18,530 | 9,895 |
| | 2,247,013 | 1,800,596 |
| **Financial expenses** | | |
| Interest and commission on deposits and obligations | (242,216) | (123,904) |
| Interest on bonds and subordinates notes issued | (216,305) | (133,250) |
| Interest on due to banks, correspondents and other entities | (178,726) | (166,885) |
| Deposit Insurance Fund fee | (32,443) | (28,062) |
| Net result from hedging derivatives instruments | (14,193) | (86,085) |
| Other | (9,934) | (9,560) |
| | (693,817) | (547,746) |
| **Gross financial margin** | 1,553,196 | 1,252,850 |

## 16. Other non-financial income and other operating expenses

These items are made up as follows:

| | For the six-month periods ended June 30 | |
|---|---|---|
| | 2011<br>S/.(000) | 2010<br>S/.(000) |
| **Other non-financial income** | | |
| Recoveries of loans previously written-off | 51,123 | 51,130 |
| Net gain from sales of seized assets | 5,617 | 11,306 |
| Gain from indexed certificates, Note 7(b) | - | 61,388 |
| Other | 29,316 | 25,743 |
| **Total** | 86,056 | 149,567 |
| **Other operating expenses** | | |
| Loss from indexed certificates, Note 7(b) | (74,679) | - |
| Provision and other expenses | (25,036) | (32,421) |
| **Total** | (99,715) | (32,421) |

**17. Transactions with related parties**

(a) During the year 2010 and the six-month period ended June 30, 2011, the Bank and its Subsidiaries have acquired bonds, granted loans, supplied and received several services, correspondent relationships and other operations with Credicorp's Subsidiaries, which balances are shown below:

| Balance sheet | As of June 30, 2011 S/.(000) | As of December 31, 2010 S/.(000) |
|---|---|---|
| **Assets -** | | |
| Cash and due from banks | 69,321 | 15,176 |
| Loans, net | 182,873 | 155,631 |
| Other assets | 39,859 | 48,987 |
| **Liabilities -** | | |
| Deposits and obligations | 570,190 | 325,711 |
| Due to banks, correspondents and other entities | 3,289,302 | 4,049,286 |
| Bonds and subordinated notes issued | 189,079 | 170,741 |
| Other liabilities | 12,156 | 12,035 |
| **Contingent operations (indirect loans)** | 78,739 | 82,497 |
| **Other off-balance sheet accounts** | 1,018,378 | 1,151,448 |

| Income statements | Six-month period ended June 30, 2011 S/.(000) | Six -month period ended June 30, 2010 S/.(000) |
|---|---|---|
| Financial income | 4,610 | 5,774 |
| Financial expenses | 104,174 | 137,275 |
| Other income (*) | 50,655 | 31,630 |
| Other expense (**) | 22,568 | 24,372 |

(*) This caption includes fees receives from Pacífico Vida S.A, a Credicorp Subsidiary, for selling life insurance products through the Bank´s offices to customers who have saving accounts; fees received amounted to approximately S/.3.9 million and S/.3.5 million as of June 30, 2011 and 2010, respectively.

(**) This caption includes the accrued portion of insurance coverage contracted with El Pacífico-Peruano Suiza Compañia de Seguros y Reaseguros (PPS), a Credicorp subsidiary, approximately S/.34.3 million for the six-month period ended June 30, 2011 (S/.35.5 million for the six-month period ended June 30, 2010); the accrued part is included in the caption "Administrative expenses" of the consolidated statement of income.

Under Peruvian legislation, loans to related parties cannot be granted on terms more favorable than those that would have been offered to the general public. Management considers that the Bank and its Subsidiaries have complied with all legal requirements for transactions with related parties.

Loans and other contingent credits (indirect loans) with related entities, not Credicorp's Subsidiaries, are as follows:

| | As of June 30, 2011 S/.(000) | As of December 31, 2010 S/.(000) |
|---|---|---|
| Direct loans | 617,846 | 745,974 |
| Indirect loans | 77,013 | 75,827 |
| Derivatives, market value | 4,044 | 3,751 |
| Deposits | 227,277 | 286,460 |

(b) The Bank and its Subsidiaries have participations in several mutual funds managed by one of its Subsidiaries, the detail is the following:

| | As of June 30, 2011 S/.(000) | As of December 31, 2010 S/.(000) |
|---|---|---|
| **Investments at fair value through profit or loss and available-for-sale investments** | | |
| - Mutual fund - Credifondo U.S. Dollars | 46,726 | 108,763 |
| - Mutual fund - Credifondo Nuevos Soles | 14,973 | 14,774 |
| **Total** | 61,699 | 123,537 |

(c) Loans to employees and their families –
The Bank and its Subsidiaries grant loans to their employees and families in terms that depend on the different types of loans granted (mainly mortgage loans) and are included under the caption "Loans, net" of the consolidated balance sheets. Generally, interest rates applied are lower than market interests rates; however, others terms are similar to those prevailing in the market. As of June 30, 2011 and December 31, 2010, the balance of loans and other facilities granted to employees, their family members, directors and key executives of the Bank and its Subsidiaries amounted to S/.402.9 million and S/.393.2 million, respectively.

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## APPENDIX A

## ACCOUNTING PRACTICES

Basis of presentation of the financial statements of Banco de Crédito del Perú and subsidiaries

The consolidated financial statements have been prepared from our accounting records, which are carried in nominal Nuevos Soles as of the date of the transactions, in accordance with accounting principles prescribed by the SBS for Peruvian financial entities (Peruvian GAAP), established in the SBS's "Accounting Manual for Financial Entities."

Peruvian GAAP principles differ in certain material respects from International Financial Reporting Standards (IFRS) and U.S. GAAP. We have not undertaken efforts to prepare a quantitative reconciliation of specific differences among Peruvian GAAP, IFRS and U.S. GAAP. Had such an effort been undertaken other potentially significant differences might have been identified and disclosed herein.

The following paragraphs summarize the areas in which differences among Peruvian GAAP, IFRS and U.S. GAAP could be significant to our consolidated results of operations and consolidated financial position and that exist as of June 30, 2010. We have not prepared consolidated financial statements in accordance with IFRS or U.S. GAAP and, accordingly, cannot offer any assurances that all existing differences have been identified and that the differences described below would, in fact, be the largest differences between our financial statements prepared under IFRS or U.S. GAAP. In addition, we cannot estimate the net effect that applying IFRS or U.S. GAAP would have on our consolidated result of operations or consolidated financial position or any component thereof, in any of the presentations of financial information in the offering memorandum. However, the effect of such differences may be, individually or in aggregate, material, and in particular, as a result of such, it may be that the total shareholders' equity, prepared on the basis of Peruvian GAAP would be materially different from the shareholders' equity reported under IFRS or U.S. GAAP. Differences in the presentation of the financial statements as well as differences in the information provided in the footnotes to the financial statements have not been reported.

### Highlights of certain differences among Peruvian GAAP, IFRS and U.S. GAAP

*Content and format of the financial statements*

Under Peruvian GAAP, the presentation and content of the accounts included in the financial statements are detailed in the "Accounting Manual for Financial Entities" issued by the SBS. Under IFRS, IAS 1 and IFRS 7, there are principles about the presentation of the financial statements for financial services. Under U.S. GAAP, the SEC has established detailed rules about the form and content of the financial statements for banks in its S-X regulation.

*Cash flow statements*

Under Peruvian GAAP, cash flow statements are presented in accordance with the "Accounting Manual for Financial Entities" issued by the SBS and contain significant presentational differences in respect of cash flow statements prepared in accordance with IFRS (IAS 7) and U.S. GAAP.

The format of a cash flow statements prepared under IAS 7 is essentially the same as a cash flow statement prepared under U.S. GAAP. Both standards require cash flows to be classified into three broad categories: operating activities, investing activities, and financing activities. However, presentational differences can arise due to differences between IFRS and U.S. GAAP in respect of the definition of cash, and the classification of specific items.

*Consolidation and investment in special purpose entities*

The key principle for consolidation under IFRS is IAS 27 (Amended) Consolidated and Separate Financial Statements, and under U.S. GAAP it is ASC 810 Consolidations. Consolidation principles under Peruvian GAAP and IFRS (IAS 27) are based upon the concept of control and are substantially similar, requiring consolidation of all controlled entities irrespective of the sector in which they operate.

Under both IFRS and U.S. GAAP, the determination of whether or not entities are consolidated by a reporting enterprise is based on control, although differences exist in the definition of control. Under IFRS, the concept of power to control is the parent's ability to govern the financial and operating policies of an entity to obtain benefits. Control is presumed to exist if the parent owns more than 50% of the votes, and potential voting rights must be considered. Under U.S. GAAP, all entities are first evaluated as potential variable interest entities (VIEs). Entities controlled by voting rights are consolidated as subsidiaries, but potential voting rights are not included in this consideration. The concept of "effective control" exists, but it is rarely employed in practice.

Under Peruvian GAAP and IFRS (SIC 12), an enterprise is required to consolidate special purpose entities, or SPEs, when the substance of the relationship between them indicates that the enterprise controls the SPE.

*Associates*

Under Peruvian GAAP, until March 1, 2009, associates and other investments were classified as permanent investments and accounted for using the equity method. In accordance with SBS Resolution No. 10639-2008, dated October 31, 2008 as amended, which superseded SBS Resolution No. 1914-2004, dated November 23, 2004, and became effective on March 1, 2009, the Permanent Investments category was eliminated and replaced by Investments in Subsidiaries and Associates. This category comprises equity instruments acquired with the purpose of: (i) having an equity participation , and (ii) control, as defined by IAS 27, and/or to have significant influence, as defined by IAS 28. Their initial recognition is at fair value, including transaction costs that are directly attributable to the acquisition, and thereafter, are recorded following the equity participation method.

Under IFRS (IAS 28) and U.S. GAAP (ASC 323) all the associates in which an entity has significant influence are accounted for using the equity method. For this purpose, under IFRS and U.S. GAAP significant influence is generally presumed if an investor holds directly or indirectly 20% or more of the voting power of the investee. The other investments not considered associates should usually be considered as available for-sale securities, if they are marketable securities as per ASC 320.

*Business combinations*

A business combination involves the bringing together of separate entities into one economic entity. In practice, there are three types of business combinations: acquisitions (one of the combining entities obtains control over the other, enabling an acquirer to be identified), a uniting of interests or pooling (where it is not possible to identify an acquirer and the shareholders of the combining entities join in substantially equal arrangements to share control), and a group reorganization (transactions among entities which operate under common control).

Under Peruvian GAAP , business combinations are almost always accounted for as acquisitions and they require use of the purchase method of accounting to portray the financial effect of an acquisition. Under IFRS 3(R) and ASC 805, all business combinations must be recorded and accounted for using the purchase acquisition method. Under the acquisition method, upon obtaining control of another entity, the underlying transaction should be measured at fair value, and this should be the basis on which the assets, liabilities and noncontrolling interests of the acquired entity are measured, with limited exceptions.

*Amortization of goodwill (business combinations)*

Under Peruvian GAAP and IFRS (for transactions completed before March 2004), all acquired identifiable intangibles and goodwill are capitalized and amortized. Negative goodwill is recognized in the income statements, first to match any identified expected costs, and then over the lives of the acquired depreciable assets. For IFRS purposes, since January 1, 2005, the goodwill is not amortized but it is subject to an annual impairment test and the negative goodwill must be recognized immediately as income. Under U.S. GAAP, goodwill is never amortized.

Under Peruvian GAAP, goodwill is subject to an annual impairment test and needs to be approved by the SBS.

*Impairment of goodwill*

Peruvian GAAP, IFRS and U.S. GAAP require goodwill to be reviewed at least annually for impairment and more frequently if impairment indicators are present.

Under Peruvian GAAP and IFRS, the method of determining impairment of goodwill requires that an impairment test be done at the cash generating unit (CGU) level by comparing the CGU's carrying amount, including goodwill, with its recoverable amount. Impairment loss on the CGU (amount by which the CGU's carrying amount, including goodwill, exceeds its recoverable amount) is allocated first to reduce goodwill to zero, then, subject to certain limitations, the carrying amounts of other assets in the CGU are reduced pro rata, based on the carrying amounts of each asset.

Under U.S. GAAP, the method of determining impairment of goodwill requires a recoverability test to be performed first at the reporting unit level (carrying amount of the reporting unit is compared to the reporting unit's fair value). If the carrying amount of the reporting unit exceeds its fair value, then impairment testing must be performed. The impairment loss is the amount by which the carrying amount of goodwill exceeds the implied fair value of the goodwill within its reporting unit.

*Property, plant and equipment*

ASC 835-20 Capitalization of Interest and IAS 23 Borrowing Costs address the capitalization of borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset under U.S. GAAP and IFRS, respectively. Qualifying assets are generally defined similarly under both accounting models and both standards require interest costs to be capitalized as part of the cost of a qualifying asset.

However, under IFRS, borrowing costs are offset by investment income earned on those borrowings. For borrowings associated with a specific qualifying asset, actual borrowing costs are capitalized.

Under U.S. GAAP, eligible borrowing costs do not include exchange rate differences. Interest earned on the investment of borrowed funds generally cannot offset interest costs incurred during the period. For borrowings associated with a specific qualifying asset, borrowing costs equal to the weighted average accumulated expenditures times the borrowing rate are capitalized.

Under IFRS, a company has the alternative to account for certain fixed assets at amortized historical cost or re-value to fair value. Useful lives and methods of depreciation are reviewed periodically. Under Peruvian and U.S. GAAP, historical cost is the only alternative, and thus fixed asset revaluations are not allowed.

*Intangible assets*

The definition of intangible assets as nonmonetary assets without physical substance is similar under both U.S. GAAP and IFRS. The recognition criteria for both accounting models generally require that there be probable future economic benefits and costs that can be reliably measured.

Under Peruvian GAAP and IFRS, development costs are capitalized when technical and economic feasibility of a project can be demonstrated in accordance with specific criteria. Some of the stated criteria include demonstrating technical feasibility, intent to complete the asset and ability to sell the asset in the future. Although application of these principles may be largely consistent with U.S. GAAP, there is no separate guidance addressing computer software development costs.

Under U.S. GAAP, development costs are expensed as incurred unless addressed by a separate standard. In the case of software developed for internal use, only those costs incurred during the application development stage may be capitalized.

Amortization of intangible assets over their estimated useful lives is required under both U.S. GAAP and IFRS. If there is no foreseeable limit to the period over which an intangible asset is expected to generate net cash inflows to the entity, the useful life is considered to be indefinite and the asset is not amortized.

*Impairment*

Peruvian GAAP, IFRS (IAS 36) and U.S. GAAP (ASC 350, and ASC 360-10) require that specific and clearly detailed tests be carried out to adjust the carrying value of certain assets (long-lived assets) when indicators of potential impairment exist (or annually for goodwill and intangible assets with an indefinite life).

Impairments under Peruvian GAAP and IFRS are based on discounted cash flows. Under U.S. GAAP, only if an asset's estimated undiscounted future cash flows are below its carrying amount is a determination required of the amount of any impairment based on discounted cash flows. There is no undiscounted test under Peruvian GAAP and IFRS.

Under Peruvian GAAP and IFRS, goodwill is allocated to "cash generating units," which are the smallest group of identifiable assets that include the goodwill under review for impairment and generate cash inflows from continuing use that are largely independent of the cash inflows from other assets. Under U.S. GAAP, goodwill is allocated to "reporting units," which are operating segments or one level below an operating segment (as defined in ASC 280). The goodwill impairment test under U.S. GAAP compares the carrying value for each reporting unit to its fair value based on discounted cash flows.

Under Peruvian GAAP and IFRS, impairment losses are reversed when there has been a change in economic conditions or in the expected use of the asset. Under U.S. GAAP, impairment losses cannot be reversed for assets to be held and used, as the impairment loss results in a new cost basis for the asset.

*Debt and equity securities*

Until March 2009, under Peruvian GAAP, investments in debt and equity securities were recognized at cost (which do not include any related acquisition cost as part of the initial cost) and were afterwards valued according to SBS Resolution No. 1914-2004 according to their respective classification (trading and available-for-sale at fair value, and held-to-maturity at historical cost). Since March 2009, as per SBS Resolution No. 10639-2008, investments at fair value through profit or loss (formerly recorded as trading securities) are initially recognized at cost (excluding acquisitions costs, which are recorded as expenses) and subsequently remeasured at fair value. Available-for-sale investments and held-to-maturity investments are initially recognized at cost including acquisition costs and subsequently remeasured at fair value. Additionally, Resolution No. 10639-2008 established an additional category: Investments in Subsidiaries and Associates for equity instruments acquired with the purpose of: (i) having an equity participation, and (ii) control, as defined by IAS 27, and/or to have significant influence, as defined by IAS 28. Their initial recognition is at fair value, including transaction costs that are directly attributable to the acquisition, and thereafter, are recorded following the equity participation method.

Under IFRS (IAS 32 and 39) and U.S. GAAP (ASC 320), all investments in securities are initially recognized at cost including all related acquisition costs as part of the initial cost, being the fair value of the consideration given and including acquisition costs associated with the investment. Subsequent measurement of investments is based upon the valuation principles of the portfolios they are classified in at the time of purchase, as described below:

- Trading securities, in all cases, are re-measured at fair value and all related realized and unrealized gains or losses are recognized in income.

- Held-to-maturity securities are carried at amortized cost using the effective yield method less any impairment in value. Gains or losses are recognized in income when the investments are derecognized or impaired, as well as through the amortization of premiums and accretion of discounts. Sale or reclassification of held-to-maturity securities to other categories triggers reclassification of such securities outside the held-to-maturity portfolio.

- Available-for-sale securities, under IFRS and U.S. GAAP are carried at fair value. Gains or losses on remeasurement to fair value are recognized as a separate component of equity, or other comprehensive income, net of income taxes, until investment is sold, collected or otherwise disposed of or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in income.

Under Peruvian GAAP and IFRS, foreign exchange gains and losses on the amortized cost of all financial instruments are recognized in the income statement. U.S. GAAP establishes that the foreign exchange gains and losses related to the amortized cost of debt securities classified as available-for-sale must be recognized in equity.

*Impairment of debt and equity securities*

Under IFRS, generally, only evidence of credit default results in an impairment being recognized in the income statement for an AFS debt instrument. The impairment loss is measured as the difference between the debt instrument's amortized cost basis and its fair value. For an AFS equity investment, an impairment is recognized in the income statement when there is objective evidence that the AFS equity instrument is impaired, and that the cost of the investment in the equity instrument may not be recovered. The impairment is measured as the difference between the equity instrument's cost basis and its fair value. A significant and prolonged decline in fair value of an equity investment below its cost is considered objective evidence of an impairment.

Under IFRS, impairment losses recognized through the income statement for available-for-sale equity securities cannot be reversed through the income statement for future recoveries. However, impairment losses for debt instruments classified as available-for-sale may be reversed through the income statement if the fair value of the asset increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognized.

Under U.S. GAAP, declines in fair value below cost may result in an impairment loss being recognized in the income statement on an AFS debt instrument due solely to a change in interest rate (risk-free or otherwise) if the entity has the intent to sell the debt instrument or it is more likely than not that it will be required to sell the debt instrument before its anticipated recovery. The impairment loss is measured as the difference between the debt instrument's amortized cost basis and its fair value. When a credit loss exists, but the entity does not intend to sell the debt instrument, nor is it more likely than not that the entity will be required to sell the debt instrument before the recovery of the remaining cost basis, the impairment is separated into (i) the amount representing the credit loss and (ii) the amount related to all other factors. The amount of the total impairment related to the credit loss is recognized in the income statement and the amount related to all other factors is recognized in other comprehensive income, net of applicable taxes.

Under U.S. GAAP, for an AFS equity instrument, an impairment is recognized in the income statement, measured as the difference between the equity instrument's amortized cost basis and its fair value, if the equity instrument's fair value is not expected to recover sufficiently in the near-term to allow a full recovery of the entity's cost basis. An entity must have the intent and ability to hold an impaired security until such near-term recovery; otherwise an impairment loss must be recognized in the income statement. The impairment loss is calculated as the difference between the equity instrument's cost basis and its fair value.

Under IFRS, the impairment loss of a held-to-maturity investment is measured as the difference between the carrying amount of the investment and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the financial asset is reduced either directly or through the use of an allowance account. The amount of impairment loss is recognized in the income statement.

Under U.S. GAAP, the impairment loss of a held-to-maturity investment is measured as the difference between its fair value and amortized cost basis. When the entity does not intend to sell the debt instrument and it is not more likely than not that the entity will be required to sell the debt instrument before recovery of its amortized cost basis, the amount of the total impairment related to the credit loss is recognized in the income statement and the amount related to all other factors is recognized in other comprehensive income.

Under U.S. GAAP, the carrying amount of a held-to-maturity investment after the recognition of an impairment is the fair value of the debt instrument at the date of the impairment. The new cost basis of the debt instrument is equal to the previous cost basis minus the impairment recognized in earnings. The impairment recognized in other comprehensive income is accreted to the carrying amount of the held-to-maturity instrument through other comprehensive income over its remaining life.

*Allowance for loan losses*

Under Peruvian GAAP, allowances for loan losses are provided for in accordance with SBS Resolution No. 11356-2008, which replaced SBS Resolution No. 808-2003 on December 1, 2008, as detailed elsewhere in the offering memorandum.

Under IFRS (IAS 39) and U.S. GAAP (ASC 450, and ASC 310-10-35), if there is objective evidence that all amounts due (principal and interest) according to original contractual terms of the loan will not be collected, such loans are considered impaired and the amount of the loss is measured as the difference between the loan's carrying amount and the present value of expected future cash flows discounted at the loan's original effective interest rate or as the difference between the carrying value of the loan and fair value of the collateral, if the loan is collateralized and foreclosure is probable. Impairment and uncollectibility are measured and recognized individually for loans and receivables that are individually significant and on a portfolio basis for a group of similar loans and receivables that are not individually identified as impaired if a loss is probable and quantifiable.

Under Peruvian GAAP, recoveries are recorded in a separate income line item under other income. Charge-offs are recorded directly as loan loss provision in the income statement. Under IFRS and U.S. GAAP, recoveries and charge-offs would be recorded in the allowance for loan losses in the balance sheet.

*Income tax*

Under Peruvian GAAP, IFRS and U.S. GAAP, deferred taxes should be recorded for the tax effect of almost all differences between the tax and accounting bases of assets and liabilities (temporary differences) as well as tax loss carry-forwards. IFRS and Peruvian GAAP require deferred taxes to be recorded for the tax effects of temporary differences between tax and reporting bases of non-monetary assets arising from restatement for the effects of inflation where U.S. GAAP does not. IFRS and Peruvian GAAP measure deferred taxes using the tax rate enacted, or substantially enacted, where U.S. GAAP measures deferred taxes only on the enacted tax rate. Under IFRS and Peruvian GAAP, deferred tax assets are recognized when recovery is probable. Under U.S. GAAP, deferred tax assets are recognized (*i.e.*, no valuation allowance) to the extent that they are more likely than not to be recovered. Under IFRS and Peruvian GAAP, deferred tax in respect of temporary differences on subsidiaries, associates and joint ventures is not recognized in some circumstances. Under U.S. GAAP, such differences on equity method investments, other than certain foreign corporate joint ventures, are recognized in full.

On its November 2010 session, the International Financial Reporting Interpretations Committee (IFRIC), or the Committee, agreed that workers' profit sharing must be recorded following IAS 19 "Employees' benefits" and not IAS 12 "Income tax." Consequently, an entity must only recognize a liability when the employee has rendered a service; therefore, the deferred workers' profit sharing should not be calculated by temporary differences; given that these differences would be attributable to future services that must not be considered as obligations or rights under IAS 19. In Peru the standard practice was to calculate and record workers' profit sharing on the financial statements. In January 21, 2011, the SBS issued the Multiple Official Letter N°4049-2011, which establishes the accounting treatment of workers' profit sharing; the SBS new accounting treatment agrees to the standard established by the Committee. The new accounting treatment is mandatory starting January 2011.

*Leasing*

Peruvian GAAP and IFRS accounting for leasing are similar. All the relevant principles and guidance concerning leases may be found in one standard and three interpretations for IFRS, but the U.S. GAAP rules are contained in several pronouncements: various accounting standards, interpretative statements and several technical bulletins and EITF abstracts. IAS 17 "Leases" sets out the general principles for accounting for all but a few specialist categories of leases. ASC 840, formerly FAS 13 "Accounting for Leases" contains detailed rules and thresholds, in contrast to IAS 17's principles-based approach. There are specific U.S. GAAP rules on various categories of leases, most notably for real estate transactions.

Although the U.S. GAAP guidance is much more specific and rule-based than the IFRS approach, the overall approaches of IFRS and U.S. GAAP are similar. Both focus on classifying leases between finance (or capital) leases and operating leases and both deal separately with lessees and lessors.

*Derivative financial instruments*

Under Peruvian GAAP, derivative financial instruments are initially recognized at cost and subsequently measured at fair value. Under IFRS (IAS 32 and 39) and U.S. GAAP (principally ASC 815), derivative financial instruments are initially recognized at fair value. Derivative transactions that do not qualify for hedge accounting are treated as derivatives held for trading and any gains and losses arising from changes in fair value are taken directly to income.

Under Peruvian GAAP and IFRS, a shortcut method for interest rate swaps is not permitted to assess the effectiveness of the hedging relationship; however, under U.S. GAAP it is permitted. In addition, under Peruvian GAAP and IFRS, the option's time value is not permitted to be included in order to assess the effectiveness of the hedging relationship; however, U.S. GAAP does permit its inclusion. Peruvian GAAP and IFRS allow entities to hedge components (portions) of risk that give rise to changes in fair value. Under U.S. GAAP, the risk components that may be hedged are specifically defined, with no additional flexibility.

The U.S. GAAP literature is far more detailed than Peruvian GAAP and IFRS as it has been developed over a longer period and, often, in response to specific financial instruments. Consequently, there are many differences in the scope of standards under Peruvian GAAP, IFRS and U.S. GAAP.

As detailed elsewhere in the offering memorandum through SBS Resolution No. 1737-2006, the SBS has approved the Regulations for the Trading and Accounting Recording of Derivative Financial Instruments in Companies of the Financial System, which establishes accounting criteria for derivative financial instruments under Peruvian GAAP, which are consistent with IAS 39, Financial Instruments: Recognition, and Measurement effective in Peru.

*Interest recognition—non accrual loans*

Under Peruvian GAAP, interest accrued on past due, refinanced, restructured loans, loans under legal collection and loans classified as doubtful or loss is discontinued and recognized as collected.

Under IFRS (based on IAS 18) and U.S. GAAP, recognition of interest on loans is generally discontinued when, in the opinion of management, there is an assessment that the borrower will likely be unable to meet all contractual payments as they become due. As a general practice, this occurs when loans are 90 days or more overdue. When a loan is placed on non-accrual status, unpaid interest credited to income in the current year is reversed and unpaid interest accrued in prior years is charged against the allowance for credit losses.

*Loan origination fees*

Under Peruvian GAAP, certain loan origination fees on consumer loans, such as credit cards, mortgage, pledged and personal loans stand by letters of credit and guarantees issued, are recognized when collected and charges direct origination costs when incurred. In accordance with IFRS and U.S. GAAP (ASC 310-20), loan origination fees and certain direct loan origination costs should be recognized over the life of the related loan as an adjustment of yield or by straight-line method, as appropriate.

*Guarantor's obligations under guarantees*

Under IFRS, a guarantor's obligations under guarantees are disclosed as contingencies and related commissions and premiums received are recognized in income over the term of the guarantee. Under Peruvian GAAP, the commissions and premiums are recognized when collected.

Under U.S. GAAP (ASC 460), when a guarantee is issued in a standalone arm's length transaction with an unrelated party, the liability recognized at the inception of the guarantee is the premium received or receivable at fair value by the guarantor. The release from risk is recognized over the term of the guarantee either upon expiration or settlement of the guarantee or by a systematic and rational amortization method.

*Provision for risks and charges*

Under Peruvian GAAP and IFRS (IAS 37), a provision should only be made when: (a) an enterprise has a present obligation (legal or constructive) as a result of a past event, (b) it is probable (more likely than not) that a future outflow of economic benefits will be required to settle the obligation and (c) a reliable estimate of the amount of the obligation can be made. The entity must discount the anticipated cash flows expected to be required to settle the obligation if the impact is material.

The treatment of loss contingencies under U.S. GAAP is similar to IFRS.  However, if a range of estimates for the obligation is determined and no amount in the range is more likely than any other amount in the range, the "minimum" (rather than the mid-point) amount must be used to measure the liability.  The entity must discount the anticipated cash flows expected to be required to settle the obligation if the impact is material.

*Assets seized*

Under Peruvian GAAP, assets seized are initially recorded at the value assigned to them through a legal proceeding, the amount of any out of court settlement or at the unpaid value of the debt, whichever is lower. Simultaneously with the determination of the value, an allowance equivalent to 20% of the legal settlement or recoverable asset value should be recorded.  For this purpose, we can use the allowance for loan losses that was originally provided for the related loan.  Subsequent to the seizure date, we must record an allowance during a period of time established by the SBS, until the carrying value of assets is zero.  Under IFRS, the assets seized are recorded at the lower of cost or estimated market value.  Changes in market value are recorded in the income statement.  Under U.S. GAAP, assets seized are recorded at fair value at foreclosure date and subsequently measured at the lower of its carrying amount or fair value minus cost to sell with changes recorded in the income statement.

*Stock Awards*

The guidance for stock awards is in ASC 718 for US GAAP, and IFRS 2 for IFRS.

Under Peruvian GAAP, in compliance with SBS Oficio 9771-2009 dated March 24, 2009, the Bank and its subsidiaries recorded as an expense, at the grant date, all of the costs related to the acquisition of Credicorp shares granted to the plan beneficiaries. This expense is included in the caption "Salaries and employees benefits" of the consolidated statement of income and no other expenses are recorded in future periods.

US GAAP and IFRS have specific rules regarding the accounting for arrangements settled in shares of the parent company.

**PRINCIPAL OFFICE OF BANCO DE CRÉDITO DEL PERÚ**

**Banco de Crédito del Perú**
Calle Centenario 156
La Molina
Lima 12, Perú

**REGISTERED OFFICE OF BANCO DE CRÉDITO DEL PERÚ, PANAMANIAN BRANCH**

**Banco de Crédito del Perú, Panamanian Branch**
Banco General Tower, 28th Floor
50th Street
Panama City, Panama

**LEGAL ADVISORS**
*To Banco de Crédito del Perú*

*As to United States law:*
**Davis Polk & Wardwell LLP**
450 Lexington Avenue
New York, New York 10017
United States of America

*As to Peruvian law:*
**Payet Rey Cauvi Abogados**
Avenida Victor Andrés Belaúnde 147
Centro Empresarial Real
Torre Real 3, Piso 12
San Isidro,
Lima 27, Perú

*As to Panamanian law:*
**Arias, Aleman & Mora**
50th Street and 74th Street,
P.H. 909, 16th floor
0830-1580, Panama 9, Republic of Panama

*To the Initial Purchasers*

*As to United States law:*
**Milbank, Tweed, Hadley & McCloy LLP**
1 Chase Manhattan Plaza
New York, New York 10005
United States of America

*As to Peruvian law:*
**Miranda & Amado Abogados**
Avenida Larco 1301, Piso 20
Torre Parque Mar
Miraflores
Lima 18, Perú

**INDEPENDENT AUDITORS**

**Medina, Zaldívar, Paredes & Asociados S.C.**
**Member Firm of Ernst & Young Global**
Victor Andrés Belaúnde 171, Piso 6
San Isidro
Lima 27, Perú

**TRUSTEE, SECURITY REGISTRAR AND PAYING AGENT**
**The Bank of New York Mellon**
101 Barclay Street, Floor 4 East
New York, New York 10286

**LUXEMBOURG LISTING, TRANSFER AND PAYING AGENT**
**The Bank of New York Mellon (Luxembourg) S.A.**
Vertigo Building Polaris
2-4 Rue Eugène Ruppert
L-2453 Luxembourg

BCP