CREDICORP LTD
Form 20-F
April 29, 2011

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 20-F

¨ REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934
OR
x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2010
OR
¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
OR
¨ SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934
Date of event requiring this shell company report ______________
For the transition period from to
Commission file number 1-14014

CREDICORP LTD.
(Exact name of registrant as specified in its charter)
BERMUDA
(Jurisdiction of incorporation or organization)

Of our subsidiary
Banco de Crédito del Perú:
Calle Centenario 156
La Molina
Lima 12, Perú
(Address of principal executive offices)

Alvaro Correa
Chief Financial Officer
Credicorp Ltd
Banco de Crédito del Perú:
Calle Centenario 156
La Molina
Lima 12, Perú
Phone (+511) 313 2140
Facsimile (+511) 313 2121
(Name, Telephone, Email and/or Facsimile number and Address of Company Contact Person)

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

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

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

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

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

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

Yes x No ¨

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

Yes ¨ No x

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

Yes x No ¨

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

Yes x No ¨

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

Large accelerated filer x Accelerated filer ¨ Non-accelerated filer ¨

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

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

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

Item 17 ¨ Item 18 ¨

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

Yes ¨ No x

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PRESENTATION OF FINANCIAL INFORMATION

Unless otherwise specified or the context otherwise requires, references in this Form 20-F (also referred to as the Annual Report), to “$,” “US$,” “Dollars,” “foreign currency” or “U.S. Dollars” are to United States Dollars, and references to “S/.”, “Nuevo Sol” or “Nuevos Soles” are to Peruvian Nuevos Soles. Each Nuevo Sol is divided into 100 céntimos (cents).

Credicorp Ltd. is a Bermuda limited liability company (and is referred to in this Annual Report as Credicorp, we, or us, and means either Credicorp as a separate entity or as an entity together with our consolidated subsidiaries, as the context may require). We maintain our financial books and records in U.S. Dollars and present our financial statements in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). IFRS differ in certain respects from United States Generally Accepted Accounting Principles (U.S. GAAP).

We operate primarily through our four operating segments: banking (including commercial and investment banking), insurance, pension funds, and brokerage and other. See information about operating segments in “Item 4.-Information on the Company: (A) History and Development of the Company, and (B) Business Overview”.

Our four principal operating subsidiaries are Banco de Crédito del Perú (which, together with its consolidated subsidiaries, is referred to as BCP), Atlantic Security Bank held through Atlantic Security Holding Corporation (which, are referred to as ASB and ASHC, respectively), El Pacífico-Peruano Suiza Compañía de Seguros y Reaseguros (which, together with its consolidated subsidiaries, is referred to as Pacífico Peruano Suiza or PPS) and Prima AFP. BCP’s activities include commercial banking, investment banking and retail banking. As of and for the year ended December 31, 2010, BCP accounted for 84.7% of our total assets, 79.1% of our net income and 71.6% of our net equity. Unless otherwise specified, the individual financial information for BCP, ASHC, PPS and Prima AFP included in this Annual Report has been derived from the audited consolidated financial statements of each such entity. See “Item 3. Key Information—(A) Selected Financial Data” and “Item 4. Information on the Company—(A) History and Development of the Company.” We refer to BCP, ASB, PPS and Prima AFP as our main operating subsidiaries, and we refer to Grupo Crédito S.A. (Grupo Crédito) and ASHC as our two main holding subsidiaries.

“Item 3. Key Information—(A) Selected Financial Data” contains key information related to our performance. This information was obtained mainly from our consolidated financial statements as of December 31, 2006, 2007, 2008, 2009 and 2010.

Our management’s criteria on foreign currency translation, for the purpose of preparing the Credicorp Consolidated Financial Statements, is described in “Item 5. Operating and Financial Review and Prospects—(A) Operating Results—(1) Critical Accounting Policies—Foreign Currency Translation.”

Some of our subsidiaries maintain their operations and balances in Nuevos Soles. As a result, this Annual Report contains certain Nuevo Sol amounts translated into U.S. Dollars which is solely for the convenience of the reader. You should not construe any of these translations as representations that the Nuevo Sol amounts actually represent such equivalent U.S. Dollar amounts or could be converted into U.S. Dollars at the rate indicated as of the dates mentioned herein, or at all. Unless otherwise indicated, these U.S. Dollar amounts have been translated from Nuevos Soles at an exchange rate of S/.2.809 = US$1.00, which is the December 31, 2010 exchange rate set by the Peruvian Superintendencia de Banca, Seguros y AFP (the Superintendency of Banks, Insurance and Pension Funds, or the SBS). The average of the bid and offered free market exchange rates published by the SBS for April 20, 2011 was S/..2.818 per US$1.00. Translating amounts expressed in Nuevos Soles on a specified date (at the prevailing exchange rate on that date) may result in the presentation of U.S. Dollar amounts that are different from the U.S. Dollar amounts that would have been obtained by translating Nuevos Soles on another specified date (at the prevailing exchange rate on that different specified date). See also “Item 3. Key Information—(A) Selected Financial Data—Exchange Rates” for information regarding the average rates of exchange between the Nuevo Sol and the U.S. Dollar for the periods specified therein. The Federal Reserve Bank of New York does not publish a noon buying rate for Nuevos Soles. Our Bolivian subsidiary operates in Bolivianos, a currency that has been maintained stable over the recent years. It's Financial Statements are also represented in U.S Dollars.

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CAUTIONARY STATEMENT WITH RESPECT TO FORWARD-LOOKING STATEMENTS

Certain statements contained in this Annual Report are not historical facts, including, without limitation, certain statements made in the sections entitled "Item 3. Key Information," "Item 4. Information on the Company," "Item 5. Operating and Financial Review and Prospects" and "Item 11. Quantitative and Qualitative Disclosures about Market Risk," which are forward-looking statements within the meaning of Section 27A of the U.S. Securities Act of 1933 and Section 21E of the U.S. Securities Exchange Act of 1934 (or the Exchange Act). These forward-looking statements are based on our management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in the forward-looking statements. Therefore, actual results, performance or events may be materially different from those in the forward-looking statements due to, without limitation:

- general economic conditions, including in particular economic conditions in Peru;
- performance of financial markets, including emerging markets;
- the frequency and severity of insured loss events;
- interest rate levels;
- currency exchange rates, including the Nuevo Sol/U.S. Dollar exchange rate;
- increasing levels of competition in Peru and other emerging markets;
- changes in laws and regulations;
- changes in the policies of central banks and/or foreign governments; and
- general competitive factors, in each case on a global, regional and/or national basis.

See "Item 3. Key Information—(D) Risk Factors," and "Item 5. Operating and Financial Review and Prospects."

We are not under any obligation to, and we expressly disclaim any such obligation to, update or alter our forward-looking statements, whether as a result of new information, future events or otherwise.

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

(A) Selected Financial Data

The following table presents a summary of our consolidated financial information at the dates and for the periods indicated. This selected financial data is presented in U.S. Dollars. You should read this information in conjunction with, and qualify this information in its entirety by reference to, the Credicorp Consolidated Financial Statements, which are also presented in U.S. Dollars.

The summary of our consolidated financial data as of, and for the years ended, December 31, 2006, 2007, 2008, 2009 and 2010 is derived from the Credicorp Consolidated Financial Statements audited by Medina, Zaldívar, Paredes & Asociados S.C.R.L, member of Ernst & Young Global, independent registered public accountants.

The report of Medina, Zaldívar, Paredes & Asociados S.C.R.L on the Credicorp Consolidated Financial Statements as of December 31, 2009 and 2010 and for the years ended December 31, 2008, 2009 and 2010 appears elsewhere in this Annual Report.

SELECTED FINANCIAL DATA

	Year ended December 31,				
	2006	2007	2008	2009	2010
	(U.S. Dollars in thousands, except percentages, ratios, and per common share data)				
INCOME STATEMENT DATA:					
IFRS:					
Interest income	US$ 782,002	US$ 1,065,339	US$ 1,382,844	US$ 1,312,925	US$ 1,471,708
Interest expense	(283,478)	(431,365)	(561,617)	(420,564)	(414,121)
Net Interest income	498,524	633,974	821,227	892,361	1,057,587
Provision for loan losses (1)	4,243	(28,439)	(48,760)	(163,392)	(174,682)
Net interest income after provision for loan losses	502,767	605,535	772,467	728,969	882,905
Fees and commissions from banking services	243,778	324,761	394,247	436,819	524,895
Net gains (loss) from sales of securities	27,281	46,376	51,936	120,932	80,326
Net gains on foreign exchange transactions	41,638	61,778	108,709	87,944	104,169
Net premiums earned	251,261	297,272	393,903	424,682	480,293
Other income	26,197	90,022	37,672	74,936	95,145
Claims on insurance activities	(186,522)	(238,600)	(341,910)	(286,458)	(315,572)
Operating expenses	(585,058)	(747,089)	(920,603)	(957,110)	(1,085,885)
Merger costs	(5,706)	0	0	0	0
Income before translation result and income tax	315,636	440,055	496,421	630,714	766,276
Translation result	15,216	34,627	(17,650)	12,222)	24,120
Income tax	(83,587)	(102,287)	(109,508)	(138,500)	(187,081))
Net income	247,265	372,395	369,263	504,436	603,315
Attributable to:					
Net income attributable to Credicorp's equity holders	230,013	350,735	357,756	469,785	571,302
Minority interest	17,252	21,660	11,507	34,651	32,013
Number of shares as adjusted to reflect changes in capital	79,761,475	79,761,475	79,761,475	79,534,485	79,440,484
Net income per common share attributable to Credicorp´s equity	2.88	4.40	4.49	5.90	7.19

holders (2)					
Diluted net income per share	2.88	4.40	4.49	5.90	7.17
Cash dividends declared per common share	1.30	1.50	1.50	1.70	1.95
BALANCE SHEET DATA:					
IFRS:					
Total assets	12,881,529	17,705,898	20,821,069	22,013,632	28,413,180
Total loans (3)	5,877,361	8,183,845	10,456,284	11,505,319	14,278,064
Reserves for loan losses (1)	(210,586)	(229,700)	(248,063)	(376,049)	(448,597)
Total deposits	8,799,134	11,299,671	13,877,028	14,032,179	18,017,714
Equity attributable to Credicorp's equity holders	1,396,822	1,676,009	1,689,172	2,316,856	2,873,749
Minority interest	136,946	139,264	106,933	186,496	56,502
Net Equity	1,533,768	1,815,273	1,796,105	2,503,352	2,930,251

	Year ended December 31,				
	2006	2007	2008	2009	2010
	(U.S. Dollars in thousands, except percentages, ratios, and per common share data)				
SELECTED RATIOS					
IFRS:					
Net interest margin (4)	4.64%	4.50%	4.46%	4.70%	4.61%
Return on average total assets (5)	1.92%	2.29%	1.86%	2.19%	2.27%
Return on average equity attributable to Credicorp's equity holders (6)	18.44%	22.67%	20.21%	23.72%	21.25%
Operating expenses as a percentage of net interest and non-interest income (7)	50.26%	50.62%	40.27%	46.18%	45.75%
Operating expenses as a percentage of average assets	4.89%	4.88%	4.78%	4.47%	4.31%
Equity attributable to Credicorp's equity holders as a percentage of period end total assets	10.84%	9.47%	8.11%	10.52%	10.11%
Regulatory capital as a percentage of risk weighted assets (8)	11.98%	12.80%	12.33%	14.32%	12.51%
Total past-due loan amounts as a percentage of total loans (9)	1.31%	0.75%	0.79%	1.60%	1.47%
Reserves for loan losses as a percentage of total loans	3.24%	2.58%	2.15%	3.08%	2.91%
Reserves for loan losses as a percentage of total loans and other contingent credits (10)	2.59%	2.17%	1.84%	2.53%	2.39%
Reserves for loan losses as a percentage of total past-due loans (11)	247.85%	343.68%	270.72%	191.99%	198.04%
Reserves for loan losses as a percentage of substandard loans (12)	78.24%	100.45%	112.26%	99.45%	103.80%

(1) Provision for loan losses and reserve for loan losses include provisions and reserves with respect to total loans and contingent credits, net of write-off recoveries.

(2) We have 100 million authorized common shares. As of December 31, 2010, we had issued 94.4 million common shares, of which 14.6 million were held by ASHC. The per common share data given considers net outstanding shares (common shares net of shares held by BCP, ASHC and PPS) of 79.7 million in 2002 to 2009. See Notes 16 and 25 to the Credicorp Consolidated Financial Statements.

(3) Net of unearned interest, but prior to reserve for loan losses. In addition to loans outstanding, we had contingent loans of US$1,455.4 million, US$1,564.5 million, US$1,755.9 million, US$2,528.1 million and US$3,135.2 million, as of December 31, 2006, 2007, 2008, 2009 and 2010, respectively. See Note 19 to the Credicorp Consolidated Financial Statements.

(4) Net interest income as a percentage of average interest-earning assets, computed as the average of period-beginning and period-ending balances on a monthly basis.

(5) Net income as a percentage of average total assets, computed as the average of period-beginning and period-ending balances.

(6) Net income as a percentage of average equity attributable to our equity holders, computed as the average of period-beginning and period-ending balances, and calculated on a monthly basis.

(7) Sum of the salaries and employee's benefits, administrative expenses, depreciation and amortization, as a percentage of the sum of net interest income and non-interest income, less net gains from sales of securities and other income.

(8) Regulatory capital calculated in accordance with guidelines by the Basel Committee on Banking Regulations and Supervisory Practices of International Settlements (or the BIS I Accord) as adopted by the SBS. See "Item 5. Operating and Financial Review and Prospects—(B) Liquidity and Capital Resources—Regulatory Capital and Capital Adequacy Ratios."

(9) Depending on the type of loan, BCP considers loans past due for corporate, large business and medium business loans after 15 days; for small and micro business loans after 30 days; and for consumer, mortgage and leasing loans after 90 days. ASB considers past due all overdue loans except for consumer loans, which are considered past due when the scheduled principal and/or interest payments are overdue for more than 90 days. For IFRS 7 disclosure requirements on past-due loans, See Note 29.1 to the Credicorp Consolidated Financial Statements. See "Item 4. Information on the Company—(B) Business Overview—(12) Selected Statistical Information—(iii) Loan Portfolio—Classification of the Loan Portfolio Based on the Borrower's Payment Performance."

(10) Other contingent credits primarily consist of guarantees, stand-by letters and letters of credit. See Note 19 to the Credicorp Consolidated Financial Statements.

(11) Reserves for loan and contingent credit losses, as a percentage of all past-due loans, with no reduction for collateral securing such loans. Reserves for loan and contingent credit losses include reserves with respect to total loans and other credits.

(12) Reserves for loan and contingent credit losses as a percentage of loans classified in categories C, D or E. See "Item 4. Information on the Company—(B) Business Overview—(12) Selected Statistical Information—(iii) Loan Portfolio—Classification of Loan Portfolio."

Exchange Rates

The following table sets forth the high and low month-end rates and the average and end-of-period rates for the sale of Nuevos Soles for U.S. Dollars for the periods indicated.

Year ended December 31,	High (1)	Low (1)	Average (2)	Period-end (3)
	(Nominal Nuevos Soles per U.S. Dollar)			
2006	3.455	3.195	3.274	3.195
2007	3.197	2.998	3.125	2.998
2008	3.135	2.751	2.939	3.135
2009	3.258	2.853	3.010	2.889
2010	2.858	2.788	2.826	2.808

Source: Bloomberg

(1) Highest and lowest of the 12 month-end exchange rates for each year based on the offered rate.

(2) Average of month-end exchange rates based on the offered rate.

(3) End-of-period exchange rates based on the offered rate.

The following table sets forth the high and low rates for the sale of Nuevos Soles for U.S. Dollars for the indicated months.

	High (1)	Low (1)
	(Nominal Nuevos Soles per U.S. Dollar)	
2010		
December	2.828	2.800
2011		
January	2.806	2.771
February	2.788	2.767
March	2.815	2.767
April (through April 20)	2.823	2.799

Source: Bloomberg

(1) Highest and lowest of the daily closing exchange rates for each month based on the offered rate.

The average of the bid and offered free market exchange rates published by the SBS for April 20, 2011 was S/..2.818 per US$1.00.

(B) Capitalization and Indebtedness

Not applicable.

(C) Reasons for the Offer and Use of Proceeds

Not applicable.

(D) Risk Factors

Our businesses are affected by many external and other factors in the markets in which we operate. Different risk factors can impact our businesses, our ability to effectively operate and our business strategies. You should consider the risk factors carefully and read them in conjunction with all the information in this document.

Our geographic location exposes us to risk related to Peruvian political and economic conditions.

Most of BCP's, PPS's and Prima AFP's operations and customers are located in Peru. In addition, although ASHC is based outside of Peru, most of its customers are located in Peru. Accordingly, our results of operations and financial conditions will be dependent on the level of economic activity in Peru. Changes in economic or other policies of the Peruvian government, which has exercised and continues to exercise a substantial influence over many aspects of the private sector, could affect our results of operations and financial condition. Similarly, other political or economic developments in Peru, including government-induced effects on inflation, devaluation and economic growth could affect our operations and financial condition.

For several decades, Peru had a history of political instability that has included military coups and a succession of regimes with differing policies and programs. Past governments have frequently intervened in the nation's economy and social structure. Among other actions, past governments have imposed controls on prices, exchange rates, local and foreign investment, and international trade. Past governments have also restricted the ability of companies to dismiss employees, expropriated private sector assets and prohibited the payment of profits to foreign investors.

During the 1980s and the early 1990s, the Sendero Luminoso (Shining Path) and the Movimiento Revolucionario Tupac Amaru (MRTA) terrorist organizations were particularly active in Peru. Although the Shining Path and MRTA were almost de-activated in the 1990s, any resumption of activities by these or other terrorist organizations may adversely affect our operations.

In July 1990, Alberto Fujimori was elected President and implemented a broad-based reform of Peru's political system and economic and social conditions. The reform was aimed at stabilizing the economy, restructuring the national government (by reducing bureaucracy), privatizing state-owned companies, promoting private investment, eradicating corruption and bribery in the judicial system, developing and strengthening free markets, institutionalizing democratic representation, and enacting programs designed to strengthen basic services related to education, health, housing and infrastructure. After taking office for his third term in July 2000, under extreme protest, President Fujimori was forced to call for general elections when corruption in his government was exposed to the public. Fujimori later resigned in favor of a transitory government. In April of 2009, following a 15- month trial in Lima, Fujimori was sentenced to 25 years in prison for violations of human rights in connection with government-linked death squads. In 2001, Alejandro Toledo became President, ending two years of political turmoil. President Toledo retained, for the most part, the economic policies of the previous government. He focused on promoting private investment, eliminating tax exemptions, and reducing underemployment and unemployment. President Toledo also implemented fiscal austerity programs, among other proposals, in order to stimulate the economy. Despite Peru's moderate economic growth, the Toledo administration faced public unrest spurred by high rates of unemployment, underemployment and poverty.

In the elections held in April 2006, no presidential candidate received the required 50% or more of the votes. As a result, a second round election between the top two presidential candidates, Ollanta Humala from the Partido Unión por el Peru, or the UPP, and Alan García Pérez of the Partido Alianza Popular Revolucionaria, or APRA, was held on June 4, 2006. Alan García Pérez, who had previously served as President of Peru from 1985 to 1990, was elected and currently serves as President. The García administration has followed economic policies similar to those of the Toledo administration, which included achieving sustained economic growth, increasing exports of Peruvian goods, reducing unemployment, underemployment and poverty, reforming the tax system, fostering private investment and increasing public investment in education, public health and other social programs, while reducing overall public spending.

The Peruvian government's economic policies during the last decade have provided the appropriate fundamentals to support positive performance by the Peruvian economy. As a result, the international financial crisis did not impact Peru as severely as other countries. In 2009 the current government implemented a US$3 billion anti-crisis program leading to a strong economic reactivation in 2010 when the Peruvian economy achieved an 8.8% annual growth in GDP. However, while the economic policies of recent Peruvian governments have been relatively stable, future governments might adopt different economic policies that are less favorable for the economy.

Presidential elections were held in Peru on April, 10, 2011. Under the Peruvian constitution, if no candidate receives the majority of votes in a presidential election, the two candidates with the most votes will face a run-off, second round election to determine the winner. In accordance with official figures, Ollanta Humala received 31.7% of valid votes, followed by Keiko Fujimori (23.6%), Pedro Pablo Kuczynski (18.5%), Alejandro Toledo (15.6%), Luis Castañeda (9.8%) and other candidates (0.8%). Because no candidate obtained more than 50% of valid votes, a second round election will be held on June 5, 2011, between Ollanta Humala and Keiko Fujimori (the daughter of former president Alberto Fujimori).

Neither Mr. Humala nor Ms. Fujimori is from the APRA, the political party of the current president Alan Garcia, and we do not know what economic policies either candidate would pursue if elected. The new president may pursue economic policies that would ultimately be harmful to Peruvian economic growth or to our economic and political relationships with other countries. The economic policies of the new president may have a material adverse effect on our financial condition or results of operations.

Foreign exchange fluctuations and exchange controls may adversely affect our financial condition and results of operations.

Even though the functional currency of our financial statements is U.S. Dollars and our dividends are paid in U.S. Dollars, BCP, PPS and Prima AFP for local statutory purposes, prepare their financial statements and pay dividends in Nuevos Soles. The Peruvian government does not impose restrictions on a company's ability to transfer U.S. Dollars from Peru to other countries, to convert Peruvian currency into U.S. Dollars or to pay dividends abroad. Nevertheless, Peru has implemented restrictive exchange controls in its history, and the Peruvian government might in the future consider it necessary to implement restrictions on such transfers, payments or conversions. See "Item 10. Additional Information—(D) Exchange Controls." In addition, depreciation of the Nuevo Sol against the U.S. Dollar would decrease the U.S. Dollar value of any dividends BCP, PPS and Prima AFP pay us, which would have a negative impact on our ability to pay dividends to shareholders.

Peru's foreign reserves currently compare favorably with those of many other Latin American countries. However, a reduction in the level of foreign reserves will impact the country's ability to meet its foreign currency-denominated obligations. A decline in Peruvian foreign reserves to inadequate levels, among other economic circumstances, could lead to currency devaluation or a volatility of short-term capital inflows. We have taken steps to manage the gap between our foreign currency-denominated assets and liabilities in several ways, including closely matching the volumes and maturities of our Nuevo Sol-denominated assets against our Nuevo Sol-denominated liabilities. Nevertheless, a sudden and significant devaluation of the Nuevo Sol could have a material adverse effect on our financial condition and results of operations. See "Item 11. Quantitative and Qualitative Disclosures about Market Risk—Foreign Exchange Risk."

Also, a significant group of BCP's borrowers and PPS's insureds generate Nuevo Sol revenues from their own clients. Devaluation of the Nuevo Sol against the U.S. Dollar could negatively impact BCP's and PPS's clients' ability to repay loans or make premium payments. Despite any devaluation, and absent any change in foreign exchange regulations, BCP and PPS would be expected to continue to repay U.S. Dollar-denominated deposits and U.S. Dollar-denominated insurance benefits in U.S. Dollars. Therefore, any significant devaluation of the Nuevo Sol against the U.S. Dollar could have a material adverse effect on our results of operations and financial condition.

It may be difficult to serve process on or enforce judgments against us or our principals residing outside of the United States.

A significant majority of our directors and officers live outside the United States (principally in Peru). All or most of our assets and those of our principals are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon us or our principals to bring forth a civil suit under the United States securities laws in United States courts. We have been advised by our Peruvian counsel that liability under the United States federal securities laws may not be enforceable in original actions in Peruvian courts. Also, judgments of United States courts obtained in actions under the United States federal securities laws may not be enforceable. Similarly, Bermudan counsel advised us that courts in Bermuda may not enforce judgments obtained in other jurisdictions, or entertain actions in Bermuda, against us or our directors or officers under the securities laws of those jurisdictions.

In addition, our bye-laws contain a broad waiver by shareholders of any claim or right of action, both individually and on our behalf, against any of our officers or directors. This waiver limits the rights of shareholders to assert claims against our officers and directors for any action taken by an officer or director. It also limits the rights of shareholders to assert claims against officers for the failure of an officer or director to take any action in the performance of his or her duties, except with respect to any matter involving any willful negligence, willful default, fraud or dishonesty on the part of the officer or director.

Our ability to pay dividends to shareholders and to pay corporate expenses may be adversely affected by the ability of our subsidiaries to pay dividends to us.

As a holding company, our ability to make dividend payments, if any, and to pay corporate expenses will depend upon the receipt of dividends and other distributions from our operating subsidiaries. Our principal operating subsidiaries are BCP, PPS, ASB and Prima AFP. If our subsidiaries do not have funds available, or are otherwise restricted from paying us dividends, we may be limited in our ability to pay dividends to shareholders. Currently, there are no restrictions on the ability of BCP, ASHC, PPS or Grupo Crédito to pay dividends abroad. In addition, our right to participate in the distribution of assets of any subsidiary, upon any subsidiary's liquidation or reorganization (and thus the ability of holders of our securities to benefit indirectly from such distribution), is subject to the prior claims of creditors of that subsidiary, except where we are considered an unsubordinated creditor of the subsidiary. Accordingly, our securities will effectively be subordinated to all existing and future liabilities of our subsidiaries, and holders of our securities should look only to our assets for payments.

A deterioration in the quality of our loan portfolio may adversely affect our results of operations.

Given that a significant percentage of our revenues are related to banking activities, a deterioration of loan quality may have an adverse impact on our financial condition and results of operations. On the one hand, loan portfolio risk associated with lending to certain economic sectors or clients in certain market segments can be mitigated through adequate diversification policies. On the other hand, our pursuit of opportunities in which we can charge higher interest rates, thereby increasing revenues, may reduce diversification of our loan portfolio and expose us to greater credit risk. We believe that significant opportunities exist in middle market, consumer lending and microfinance in Peru. We also believe that we can, on average, charge higher interest rates on such loans as compared with interest charged on loans in our core corporate banking business, made primarily to clients that operate in industrial and commercial economic sectors.

Accordingly, our strategy includes a greater emphasis on middle market, consumer loans and microfinance, as well as continued growth of our loan portfolio in general. An increase in our portfolio's exposure to these areas could be accompanied by greater credit risk. Such a greater credit risk would not only be affected by the speed and magnitude of the increase, but also by the shift to lending to these sectors, which have higher risk profiles compared with loans to large corporate customers. Given the changing composition of our loan portfolio, historical loss experience may not be indicative of future loan loss experience.

Because we are subject to regulation and supervision in Peru, Bolivia, the Cayman Islands, the United States of America and Panama, changes to the regulatory framework in any of these countries or changes in tax laws could adversely affect our business.

We are mainly subject to extensive supervision and regulation through the SBS's consolidated supervision regulations, which regulate all of our subsidiaries and offices including those located outside Peru. The SBS and the Banco Central de Reserva, or the Central Bank, supervise and regulate BCP's operations. Peru's constitution and the SBS's statutory charter 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 BCP, including designation of capitalization and reserve requirements. In past years, the Central Bank has, on numerous occasions, changed the deposit reserve requirements applicable to Peruvian commercial banks as well as the rate of interest paid on deposit reserves and the amount of deposit reserves on which no interest is payable by the Central Bank. Such changes in the supervision and regulation of BCP may adversely affect our results of operations and financial condition. See "Item 4. Information on the Company—(B) Business Overview—(11) Supervision and Regulation—(ii) BCP." Furthermore, changes in regulation related to consumer protection may also affect our business.

On February 15, 2011, the Peruvian government enacted Law 29663, which partially modifies the country's income tax regime by subjecting to taxation in Peru capital gains derived from an indirect transfer of shares and expanding the type of income that will qualify as Peruvian-source income. Under the new law, any transfer of shares of a company not domiciled in Peru will be subject to Peruvian income tax if, at any point during the 12 months prior to the transfer, the market value of the shares of a Peruvian domiciled company that is directly or indirectly owned by the non-Peruvian domiciled company represents 50% or more of the market value of the shares representing the equity capital of the non-Peruvian domiciled company. This change became effective on February 16, 2011.

At the same time, two new obligations were imposed on Peruvian domiciled companies: (i) each Peruvian domiciled company is now required to report to the Peruvian Tax Administration (SUNAT) transfers of its own shares or transfers of the shares of the non-Peruvian domiciled company that is the owner of its shares, and (ii) each Peruvian domiciled company is now responsible for the income tax not paid by a non-Peruvian domiciled transferor that is directly or indirectly linked to the domiciled company (whether by means of control, management or equity participation) in connection with the transfer of the domiciled company's shares. The effectiveness of the obligations mentioned in (i) and (ii) above is subject to additional enactments by the Peruvian government. Credicorp does not believe that the rules adopted by the Peruvian government to implement this new law will have a material impact on the company, its subsidiaries or its shareholders, but until final rules are enacted we cannot assure you that the new law will not have a material adverse effect on the company, its subsidiaries or its shareholders.

We are also regulated by the United States Federal Reserve System, which shares its regulatory responsibility with the State of Florida Department of Banking and Finance - Office of Financial Regulation, with respect to BCP's Miami agency, and by the Securities and Exchange Commission (SEC) and the Financial Industry Regulatory Authority, Inc. (FINRA), with respect to Credicorp Securities, a U.S. broker dealer. Similarly, we are regulated by other governmental entities in other jurisdictions. In the Cayman Islands, we are subject to the supervision and regulation of the Cayman Islands Monetary Authority, or CIMA, while in Bolivia, we are subject to the supervision of the Financial System Supervisory Authority (or FSSA or ASFI in Spanish) that has assumed all regulatory functions held previously be the Superintendency of Banks and Financial Entities and the Superintendency of Pensions, Securities and Insurance. In Panama, we are subject to the supervision of the Superintendency of Banks and the regulatory framework set forth in the Decree Law 9 of February 25, 1998. Changes in the supervision and regulation of our subsidiaries in other countries may adversely affect our results of operations and financial condition.

Our banking operations in Bolivia expose us to risk related to Bolivian political and economic conditions.

Banco de Crédito de Bolivia, or BCB, is BCP's commercial bank in Bolivia. Most of BCB's operations and customers are located in Bolivia. Accordingly, our results of operations and financial conditions depend on the level of economic activity in Bolivia. While Bolivia's macroeconomic indicators have generally been positive over the last several years, including a steady growth rate and increasingly international reserves, inflation has increased, primarily due to rising international food prices. At the same time, the country of Bolivia continues to experience a volatile political environment and a reduction in private investment activity We expect to face some increased costs as a result of inflation, exchange rate revaluation and also relevant some regulatory changes that could impact our earnings. In this environment, the key is to control costs and expenses, increase efficiency and maintain a prudent and proactive risk management. Any material negative effect on BCB's operations or financial results could have a material adverse effect on Credicorp's own results of operations.

Changes to insurance regulations in Peru may impact the ability of our insurance subsidiary to underwrite and price risk effectively, and may adversely affect our operating performance and financial condition.

Our insurance business is carried out by our subsidiary PPS. The insurance business is subject to regulation by the SBS. Insurance regulations in Peru frequently change. New legislation or regulations may adversely affect PPS's ability to underwrite and price risks accurately, which in turn would affect underwriting results and business profitability. PPS is unable to predict whether and to what extent new laws and regulations that would affect its business will be adopted in the future. PPS is also unable to predict the timing of any such adoption and the effects any new laws or regulations would have on its operations, profitability and financial condition.

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

Our operating performance and financial condition depend on PPS's ability to underwrite and set premium rates accurately for a full spectrum of risks. PPS must generate sufficient premiums to offset losses, loss adjustment expenses and underwriting expenses to be profitable.

To price premium rates accurately, PPS must:

- collect and analyze a substantial volume of data;
- develop, test and apply appropriate rating formulae;
- closely monitor changes in trends in a timely fashion; and
- project both severity and frequency with reasonable accuracy.

If PPS fails to assess accurately the risks that it assumes or does not accurately estimate its retention, it may fail to establish adequate premium rates. Failure to establish adequate premium rates could reduce income and have a materially adverse effect on its operating results or financial condition. Moreover, there is inherent uncertainty in the process of establishing property and casualty loss reserves. Reserves are estimates based on actuarial and statistical projections at a given point in time of what PPS ultimately expects to pay out on claims and the cost of adjusting those claims, based on the facts and circumstances then known. Factors affecting these projections include, among others, changes in medical costs, repair costs and regulation. Any negative effect on PPS could have a material adverse effect on our results of operations and financial condition.

Regulatory changes to the private pension fund system in Peru could impact our earnings and adversely affect our operating performance.

Prima AFP manages our Pension Fund Administration business. In Peru, private pension fund managers are closely regulated by the SBS. Under the current regulatory framework, we collect commissions based on the salary of each subscriber to our pension funds. This commission-based system could be modified or eliminated by regulations that require pension fund managers to charge fees based on the balance of funds under their control. Any regulations requiring us to use a different methodology to calculate fees could negatively impact our performance.

We are facing increased competition that may impede our growth.

BCP has experienced increased competition, including increased pressure on margins. This is primarily a result of the presence of the following:

- Highly liquid commercial banks in the market;
- Local and foreign investment banks with substantial capital, technology, and marketing resources; and
- Local pension funds that lend to BCP's corporate customers through participation in those customers' securities issues.

Larger Peruvian companies have gained access to new sources of capital through local and international capital markets, and BCP's existing and new competitors have increasingly made inroads into the higher margin, middle market and retail banking sectors. Such increased competition, with entrants who may have greater access to capital at lower costs, has affected BCP's loan growth as well as reduced the average interest rates that BCP can charge its customers.

Competitors may also appropriate greater resources to, and be more successful in, the development of technologically advanced products and services that may compete directly with BCP's products and services. Such competition would adversely affect the acceptance of BCP's products and/or lead to adverse changes in the spending and saving habits of BCP's customer base. If competing entities are successful in developing products and services that are more effective or less costly than the products and services developed by BCP, BCP's products and services may be unable to compete successfully. BCP may not be able to maintain its market share if it is not able to match its competitors' loan pricing or keep pace with their development of new products and services. Even if BCP's products and services prove to be more effective than those developed by other entities, such other entities may be more successful in marketing their products and services than BCP because of their greater financial resources, higher sales and marketing capacity or other similar factors. Any negative impact on BCP could have a materially adverse effect on our results of operations and financial condition.

Fluctuation and volatility of capital markets and interest rates may decrease our net income.

We may suffer losses related to the investments by BCP, ASCH, PPS, Grupo Crédito and other subsidiaries in fixed income and equity securities, and to their respective positions in currency markets, because of changes in market prices, defaults, fluctuations in market interest rates or exchange rates or other reasons. A downturn in capital markets may result in a decline in the value of our positions and lead us to register net losses. In addition, a downturn in capital markets could also lead to volatile prices and negative net revenues from trading positions, even in the absence of a general economic downturn.

Fluctuations in market interest rates, or changes in the relative structure between short-term interest rates and long-term interest rates, could cause a decrease in interest rates charged on interest-earning assets, relative to interest rates paid on interest-bearing liabilities. Such an occurrence could adversely affect our financial condition by causing a decrease in net interest income.

ITEM 4. INFORMATION ON THE COMPANY

(A) History and Development of the Company

We are a limited liability company that was incorporated in Bermuda on October 20, 1995 to act as a holding company, coordinate the policy and administration of our subsidiaries, and engage in investing activities. Our principal activity is to coordinate and manage the business plans of our subsidiaries in an effort to implement universal banking services and develop our insurance business, focusing on Peru and Bolivia along with limited investments in other countries of the region. Our registered address is Clarendon House, 2 Church Street, Bermuda. The management and administrative office (i.e., principal place of business) in Peru of our subsidiary, Banco de Crédito del Perú, is located at Calle Centenario 156, La Molina, Lima 12, Peru, and the phone number is 51-1-313-2000.

We are the largest financial services holding company in Peru and are closely identified with our principal subsidiary, BCP, the country's largest bank and the leading supplier of integrated financial services in Peru.

We are engaged principally in banking (including commercial and investment banking), insurance (including commercial property, transportation and marine hull, automobile, life, health and underwriting insurance), pension funds (including private pension fund management services), and brokerage and other (including brokerage, trust, custody and securitization services, asset management and proprietary trading and investment). As of December 31, 2010, our total assets were US$28.4 billion and our net equity was US$2.9 billion. Our net income attributable to our equity holders in 2009 and 2010 was US$469.8 million and US$571.3 million, respectively. See "Item 3. Key Information—(A) Selected Financial Data" and "Item 5. Operating and Financial Review and Prospects."

For management purposes, the Group is organized into four operating segments based on products and services. According to IFRS, an operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses; whose operating results are regularly reviewed by the entity's chief who makes decisions about resources allocation for the segment and assesses its performance; and for which discrete financial information is available. We conduct our financial services business through our operating segments as follows:

Banking: principally handling loans, credit facilities, deposits and current accounts, and providing investment banking services, including corporate finance, both for corporate and institutional customers. Banking also includes handling deposits consumer loans and credit cards facilities for individual customers.

Insurance: including commercial property, transportation and marine hull, automobile, life, health and pension fund underwriting insurance.

Pension funds: providing private pension fund management services to contributors.

Brokerage and others: including the structuring and placement of primary market issues and the execution and trading of secondary market transactions. This segment also includes offers of local securitization structuring to corporate entities, management of mutual funds and other services.

The following table gives certain financial information about us by principal business segments as of and for the year ended December 31, 2010 (See Note 26 to the Credicorp Consolidated Financial Statements):

	As of and for the Year ended December 31, 2010		
	Total Revenues	Operating Income	Total Assets

	(U.S. Dollars in millions)		
Banking	US$ 2,042	US$ 1,037	US$ 25,597
Insurance	578	232	1,716
Pension fund	87	0	258
Brokerage and others	50	(47)	482
Credicorp	US$ 2,757	US$ 1,222	US$ 28,413
Asset Under Management	-	-	US$ 16,212

We conduct our commercial banking and investment banking activities primarily through BCP, the largest (in terms of total assets, loans, deposits, net equity and net income) full-service Peruvian commercial bank, and ASB private banking and asset management firm. We conduct our pension fund business through Prima AFP and our insurance activities through PPS, which is the second largest Peruvian insurance company in terms of premiums, fees and net income. You should note that the term "Peruvian commercial bank," "Peruvian insurance company" and other similar terms used in this Annual Report do not include the assets, results or operations of any foreign parent company or foreign subsidiary of such Peruvian company.

We were formed in 1995 for the purpose of acquiring, through an exchange offer, the common shares of BCP, ASHC and PPS. Pursuant to this exchange offer, in October 1995 we acquired 90.1% of BCP, 98.2% of ASHC and 75.8% of PPS. We acquired the remaining 1.8% outstanding shares of ASHC in March 1996, pursuant to another exchange offer. See "Item 4. Information on the Company—(C) Organizational Structure."

In December 1995, we purchased 99.99% of Inversiones Crédito (whose name has changed to Grupo Crédito), a non-financial entity with assets of US$376.9 million as of December 2009.

In August 1997, we acquired 39.5% of BCB from BCP for US$9.2 million. In July 1998, we acquired 94.86% of Banco de La Paz, a Bolivian bank with US$52.1 million in assets, which we subsequently merged with BCB in January 1999. During this time, we also increased our beneficial ownership in BCB to 55.79%, which left BCP with ownership of the remaining 44.21%. In November 2001, however, BCP bought back 55.53% of our interest in BCB for US$31.5 million. As of December 31, 2010, BCB operated 66 branches and 176 ATMs located throughout Bolivia. BCB's results have been consolidated in the BCP financial statements since the date of its acquisition by BCP in November 1993.

In 1997, we acquired Banco Tequendama, a Colombian banking enterprise. In 2002, we sold Banco Tequendama's Venezuelan branches. In March 2005, we then sold Banco Tequendama to a Colombian bank. While this sale was publicly announced in October 2004 and became effective on January 1, 2005, it was not completed until March 2005 after all required approvals were obtained from the Colombian authorities. We did not record any significant gain or loss as a result of this transaction.

In March 2002, we made a tender offer for outstanding BCP shares for S/.1.80 per share, approximately equal to the book value of such shares, disbursing directly and through our subsidiary PPS an amount of approximately US$35.3 million. As a result of the tender offer, our equity stake in BCP increased from 90.6% to 97.0% (including shares held by PPS).

In December 2002, BCP acquired Banco Santander Central Hispano-Perú (BSCH-Perú) for US$50.0 million. Since that date, BSCH-Perú has been included in BCP's consolidated financial statements. On December 31, 2002, BSCH-Perú had total assets of US$975.2 million, total loans of US$719.4 million and deposits of US$659.0 million. BSCH-Perú was merged into BCP on February 28, 2003.

In March 2003, BCP added to its 55% stake by acquiring for US$17.0 million the remaining 45% of the equity shares of Solución Financiera de Crédito del Perú S.A. (Solución) from Banco de Crédito e Inversiones de Chile (BCI) and other foreign shareholders. As a result, Solución once again became a BCP wholly-owned subsidiary. In March 2004, substantially all of Solución's assets and liabilities were absorbed into BCP's Peruvian banking operations. Solución's net income in 2003 was US$7.6 million, and it had, as of February 28, 2004, a loan portfolio of US$88.4 million, with a 3.0% past-due ratio.

In 2003, BCP converted Banco de Crédito Overseas Limited (BCOL), its offshore bank in the Bahamas, into a vehicle to conduct investments and sold it to ASHC. ASHC then consolidated BCOL into its operations during 2004. In accordance with our policy regarding holdings of equity interests in non-financial companies, we then caused certain long-term equity interests that were previously held by BCOL to be transferred to BCP and then in turn transferred to Grupo Crédito. In April 2004, PPS sold substantially all of its holdings of our equity shares to ASHC (See “Item 7. Major Shareholders and Related Party Transactions—(A) Major Shareholders”).

In March 2004, PPS acquired 100% of Novasalud Perú S.A. – Entidad Prestadora de Salud (Novasalud EPS) for US$6.5 million. PPS then merged Novasalud EPS with Pacífico S.A. Entidad Prestadora de Salud (Pacífico Salud), a subsidiary of PPS.

In January 2005, BCP and Bank of America, which is the principal shareholder of Fleet Boston N.A., agreed to engage in a buy-sale transaction of the loan portfolio of the Peruvian branch of Bank Boston N.A. BCP paid approximately US$353.8 million in cash for the loan portfolio, which included commercial loans, mortgage and leasing operations. The transaction was recorded at acquisition cost.

In February 2005, we were authorized by Peruvian regulatory authorities to establish Prima AFP, of which Grupo Crédito is the main shareholder. Prima AFP started operations in August 2005.

In August 2006, Prima AFP acquired Unión Vida AFP, which is a pension fund operating in the Peruvian market. Prima AFP’s acquisition of Unión Vida AFP, which was formerly held by Grupo Santander Perú S.A., was a strategic move toward consolidation as part of its efforts to gain a leading position in the pension fund market. This acquisition enabled Prima AFP to position itself as the second ranking company in terms of market share terms (defined as the amount of affiliates and assets under corporate management), with the second highest returns and the lowest commission for affiliates (who invest a portion of their salary each month). The merger between Prima AFP and Unión Vida AFP was consummated in December 2006.

In 2006, Prima AFP incurred significant merger expenses relative to its size, reaching the end of the year with losses of US$20.7 million. However, Prima AFP had a net income of US$25.5 million during 2010, with 1,124,457 affiliates and US$9,765 million of funds under its management.

In November 2006, we bought PPS's remaining 1.02% of BCP shares, generating goodwill, valued at approximately US$7.2 million, from to the minority interest we acquired (0.25%).

In October 2009, BCP acquired from the Cooperative for Assistance and Relief Everywhere Inc. (CARE) – Perú, all the shares that this entity owned of Empresa Financiera Edyficar S.A. (Edyficar), representing 77.12% of Edyficar's capital stock. In accordance with Peruvian legal requirements in effect at the time, BCP made a public offering to Edyficar's minority shareholders to acquire the remaining 22.66% of the company's stock. The total purchase price for the acquisition was US$96.1 million, including related direct acquisition costs. As of December 31, 2010 BCP owned 99.79% of Edyficar.

In October 2010 the Credicorp group acquired American Life Insurance Company (ALICO)'s 20.1% and 38% stakes in PPS and Pacifico Vida, respectively. Pacifico Vida's shares were acquired through Credicorp Ltd. and its subsidiary, Grupo Credito, acquired PPS's shares. Consequently, at the conclusion of this transaction, Credicorp and its subsidiary Grupo Credito held 97.26% of Pacifico Seguros, and jointly controlled 100% of Pacifico Vida. The total investment amounted to approximately US$174 million, making it the largest transaction ever completed in the Peruvian insurance market. The acquisition will permit the Credicorp group to realize synergies in its decision making process and through the integration of all its insurance business lines. The closer proximity between companies will also allow PPS to improve its value proposition to customers, who seek integral insurance solutions. On April 28, 2011, Credicorp transferred its 38% stake in Pacifico Vida to PPS. As a result of that transfer, PPS now directly owns 100% of the shares of Pacifico Vida. This transfer will have no effect on Credicorp's consolidated financial statements.

In November 2010, Credicorp's Board of Directors approved the transfer of 84.9% of BCP´s total shares to Grupo Crédito S.A. (its Peruvian wholly owned subsidiary) through a capital contribution, in order to facilitate Credicorp's future investments in Peru without modifying the controlling structure of BCP. The transaction was authorized by the Peruvian Superintendency of Banking, Insurance and Private Pension Fund Administrators. Under the new structure, Credicorp directly holds 12.7% of BCP's total shares and, in conjunction with its subsidiary Grupo Crédito, continues to control the same 97.6% of such shares without modifying the internal governance structure. Before this change in ownership structure, dividends to Credicorp from its Peruvian subsidiaries, such as BCP, were remitted abroad and had to be remitted back to Peru when capital for new investments in the country were required. With the new structure, Grupo Crédito, which acts as the local holding for some of Credicorp's investments in Peru (Prima AFP, PPS and others), will manage Credicorp's future Peruvian investments, and directly transfer the dividends to Credicorp when it is required to do so under Credicorp's dividend policy. This modified organizational structure will not affect the way Credicorp and BCP manage their day-to-day operations, and Credicorp's dividend policy has not changed as a result of this transaction

The following tables show our organization and the organization of our principal subsidiaries as of December 31, 2010 and their relative percentage contribution to our total assets, total revenues, net income and net equity at the same date (see "—(C) Organizational Structure"):

	As of and for the Year ended December 31, 2010 (1)			
	Total Assets	Total Revenue	Net Income (Loss)	Net Equity
Banco de Crédito del Perú	88.9%	69.8%	87.7%	70.8%
Atlantic Security Holding Corporation	3.5%	5.5%	6.8%	8.5%
El Pacífico-Peruano Suiza Compañía de Seguros y Reaseguros (2)	6.0%	21.2%	12.8%	11.5%
Prima AFP	0.9%	3.1%	4.6%	6.5%
Others (3)	0.6%	0.3%	-11.9%	2.7%

(1) Percentages determined based on the Credicorp Consolidated Financial Statements.
(2) Includes PPS and Pacífico Vida.
(3) Includes Credicorp Ltd., CCR Inc., Credicorp Securities Inc. and others.

The following tables show the organization of BCP and its principal subsidiaries as of December 31, 2010

	As of and for the Year ended December 31, 2010 (2)			
	Total Assets	Total Revenue	Net Income (Loss)	Net Equity
Banco de Crédito del Perú	92.2%	88.4%	84.6%	79.0%
Banco de Crédito de Bolivia	4.4%	4.2%	4.2%	4.8%
Empresa Financiera Edyficar S.A.	1.8%	5.0%	3.9%	2.6%
Solución Empresa Administradora Hipotecaria S.A.	0.3%	0.2%	0.7%	0.5%
Credifondo S.A.	0.1%	1.6%	4.6%	1.3%
Credibolsa Sociedad Agente de Bolsa S.A.	0.1%	0.3%	0.8%	0.8%
Others (3)	1.0%	0.2%	1.2%	10.9%

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(1) We hold an additional 4.08% stake through Credicorp Ltd.
(2) Percentages determined based on BCP's consolidated financial statements as of and for the year ended December 31, 2010.
(3) Includes Credititulos S.A., Inmobiliaria BCP and others.

(B) Business Overview

(1) Introduction – Review of 2010

General

We conduct our business operations through four different operating segments: Banking (which includes BCP, ASHC, BCB, Edyficar, and other minor financial subsidiaries), Insurance (which includes Pacífico Peruano Suiza and its subsidiaries), Pension funds (which includes Prima AFP), and Brokerage and other (which include principally Credifondo, Credibolsa, and others).

Primarily as a result of the strong recovery of the Peruvian economy in 2010, we recorded net income after minority interests of US$571.3 million, which was 21.6% higher than our net earnings in 2009. This result reflected the strong performance of all our subsidiaries.

Our total assets grew to US$28.4 billion as of December 31, 2010, a 29.1% increase from the US$22.0 billion in assets we held as of December 31, 2009. Our increase in total assets was a result of our loan growth. Loans grew by 24.2% in 2010 (compared to 9.9% in 2009, 27.8% in 2008 and 39.2% in 2007), following the expansion of the Peruvian economy, which had a GDP growth rate of 8.8% in 2010. Our past-due and under legal collection loan ratio decreased to 1.44% by the end of 2010 (compared to a ratio of 1.60% at the end of 2009 and 0.79% at the end of 2008). We had a coverage ratio of 198.0% (i.e., reserves for loans as a percentage of past-due loans), and our return on average net equity decreased to 22.2% in 2010 (compared to 23.7% in 2009).

Banking segment

BCP

BCP's year-end 2010 net profit totaled US$477.0 million, which resulted in a contribution to Credicorp of US$464.4 million. This earnings contribution was 19.5% higher than the 2009 contribution (US$388.5 million) and was a product of the resurgence in demand for loans caused by the expansion of the Peruvian economy. As a result, BCP registered an average return on net equity (ROE) of 26.1%.

The main drivers behind BCP's performance were:

- the 20.3% growth in its net interest income after provision for loan losses, which reflects the 14.9% expansion of interest income on loans and the moderate increase of 1.0% in interest expenses due to the adequate control and asset & liability management;
- the 13.8% increase in other income mainly as a result of higher banking services commissions (+25.5%) and net gain on foreign exchange transactions (+17.2%), which offset the contraction of 49.5% in net gain on sales of securities that in 2009 was extraordinarily high due to the purchase-sale of sovereign and global bonds; and
- the significant rise in translation gains from US$7.6 million in 2009 to US$23.3 million in 2010.

Performance in these areas enabled BCP to offset the company's 6.5% increase in provisions and 14.3% increase in operating expenses. The higher operating expenses were a result of BCP's salary, employee benefits and, to a lesser degree, administrative expenses. These higher operating expenses were exacerbated by the 2.8% appreciation of the Nuevo Sol against the U.S. dollar over the year, as a significant portion of BCP's operating expenses are denominated in local currency.

BCP's total assets reached US$25.3 billion at the end of 2010, representing an increase of 31.7% over the previous year (US$19.2 billion). This increase in total assets was a result of the 24.0% expansion of BCP's loan portfolio, which totaled US$13.9 billion at the end of 2010. The loan portfolio constituted 54.9% of BCP's total assets at the end of 2010. BCP's total past-due loans reached US$209.1 million (13.8% higher than the US$183.8 million registered in 2009) while refinanced and restructured loans increased by 29.0%, from US$58.2 million in 2009 to US$76.7 million at the end of 2010. The composition of BCP's loan portfolio in 2010 did not change significantly. As of December 2010, the average daily balances in our wholesale banking accounted for 58.0% of BCP's total portfolio (compared to 57.2% in December 2009) and retail banking accounted for 42% (compared to 42.8% in December 2009).

The average daily balances of BCP's wholesale banking loans grew by 27.7% in 2010 as a result of the revival of previously postponed corporate investment plans and the rising level of corporate inventories in Peru. As a result, BCP continued to lead the Peruvian financial system with a market share of 46.5% for the corporate segment and

34.1% for the middle market (higher than the 46.0% and 33.3% market shares obtained in 2009, respectively).

BCP's retail banking portfolio continued its upward trend and grew 23.2% in 2010. In terms of growth and yields, BCP's SME loans were its best performing product, growing by 30.1% (measured in average daily balances) to a total volume of US$2.2 billion, followed by mortgages which grew 21.6% to US$1.9 billion. Consumer loans grew 16.9% to US$972 million, while credit cards expanded 15.0%, totaling US$580 million.

On the liabilities side, BCP's deposits reached US$17.1 billion on December 31, 2010 (a 18.0% increase from the previous year). This increase in deposits not only continues to reinforce BCP's funding structure as deposits account for 71.1% of all funding sources, but it also serves to maintain BCP's status as an industry leader with a market share of 34.4%. Time deposits continued to be BCP's largest deposit type, totaling US$5.7 billion as of December 31, 2010. Demand deposits, BCP's second-largest deposit type, reached US$5.3 billion. Savings deposits totaled US$4.2 billion while Severance Accounts, or CTS, totaled US$1.3 billion.

BCP's bonds gained greater relevance within the funding structure. In 2010, BCP completed a successful issue of senior unsecured bonds for US$800 million with a term of 10 years at a rate of 5.375%, The issuance, which was oversubscribed, represented the first benchmark size issue in the history of BCP with ratings of Baa2 (Moodys) and BBB (Fitch rating). As of December 31, 2010, BCP's bonds totaled US$1,974 million (60.6% higher than the level registered in 2009).

BCP maintains conservative provisioning and long-term risk management policies. Its coverage ratio increased from 192.3% in 2009 to 198.3% in 2010. Total cumulative provisions reached US$414.8 million as of December 31, 2010, which is 17.4% higher than provisions in the previous year.

In 2010, BCP continued to focus its strategy on strengthening its customer service, which is related to its goal of providing quality and widespread customer access to the financial system and thereby increasing the company's penetration into the market. In following its network expansion plan, BCP focused on cost-efficient channels, opening ATMs and Agente BCP locations, which grew 16.4% and 25.4%, respectively. By the end of 2010, BCP had a total of 1,159 ATMs and 3,513 Agente BCP locations, which are BCP representatives located in retail establishments, such as grocery and drug stores. As a result of this strategy, BCP's average number of transactions in 2010 increased 16.4% from 2009 and its transactional business was therefore able to generate higher income from fees and commissions.

Overall, BCP's results met our expectations and remained profitable as the Peruvian economy expanded rapidly in 2010 after showing only mild growth in 2009.

BCB

In 2010, Banco de Crédito de Bolivia (BCB) had a net income of US$15.8 million, a 45% decline from its 2009 net income of US$28.7 million. This reduction was primarily attributable to the contraction of interest income, reductions in some fees and a 29% decline in translation gain, which resulted from a flat exchange rate throughout most of 2010. There were also some other constraints, including the restriction of foreign investments (50% of equity), limiting lending rates for loans from the productive sector and the increase in deposit rates for individual persons.

In 2010, BCB maintained its status as one of the top banks in Bolivia. In each of the following categories, the bank outperformed or equaled the industry average in the Bolivian banking system: return on equity (17%), past-due loan ratio (1.5%) and coverage ratio (272.6%) (as compared to industry averages of 17%, 2.2% and 220.7%, respectively).

BCB's loan portfolio expanded by 27% from 2009, totaling US$582 million in 2010. This expansion was mainly due to a 28% growth in retail banking.

Although BCB made a positive contribution to our results in 2010, the country of Bolivia continues to experience a volatile political environment and shows evidence of an increasing inflation rate and a reduction in private investment activity.

Edyficar

The consolidation of Edyficar's results into BCP's financial statements resulted in a total contribution of US$22.1 million in 2010. As of December 31, 2010, Edyficar registered total assets of US$465.9 million which consisted of US$336.2 million from the company's net loan portfolio, its main asset. Total liabilities increased to US$413.5 million, which included US$235.2 million from banking activities. Net shareholders' equity reached US$52.4 million at the end of 2010.

Edyficar focuses on SME lending and, together with BCP, it held a 19.6% market share in terms of loans at the end of 2010 (compared to a market share of 15.6% held by its closest competitor). As of December 31, 2010, its client base registered 286, 000 clients, a base 34.3% larger than in 2009. The average amount of an Edyficar loan in 2010 was S/.3,502 (approximately US$1,247). Edyficar registered a PDL ratio of 4.0% at the end of 2010, a reflection if its portfolio quality. Edyficar reached a return on average equity of 47.1% and an efficiency ratio of 56.0%.

The acquisition of Edyficar was part of BCP's strategy to capture most of the SME segment's growth, which is expected to expand significantly over the next several years. BCP intends to support Edyficar's growth and development by improving its funding cost and structure and providing the capital and technology that Edyficar needs.

ASHC

For the second consecutive year ASHC has achieved record profits. A high quality risk portfolio and diversified investment strategies resulted in higher earnings. The company's net earnings for 2010 amounted to US$73.4 million, compared to US$54.1 million reported for 2009. As a result, the contribution of ASHC to Credicorp, net of dividends received, amounted to US$48.5 million, a significant improvement over the US$29.7 million reported in 2009.

Net income from interest in 2010 totaled US$62.3 million (including the US$24.9 million dividends received from Credicorp Ltd.), which represented an increase of 20% from the previous year. This rise in net income was primarily due to the company's greater financial margin, which in turn was a result of the company's lower funding cost (the 2010 cost was 20% below the cost in 2009). This lower funding cost reflected the steady decline of LIBOR rates during the year, a favorable scenario for the bank given the short-term structure of its customers' deposits and their fast re-pricing, in contrast to assets engaged for longer terms and at higher interest rates. Non-financial income reached US$22.1 million and included income from fees, the sale of securities and foreign exchange operations.

ASHC's total assets were US$1,400.8 million as of December 31, 2010, a decrease of 5% from 2009. This decrease in total assets was primarily a result of use of funds to cover withdrawals from customers to invest directly in securities and products that are managed by ASHC.

Finally, at the end of 2010, assets under ASHC's management totaled US$3,177 million, compared to US$2,177 million in 2009. This growth was primarily a result of increases in our customers' global positions and the market value of our portfolio that followed the larger recovery in global financial markets.

Insurance segment

PPS

In 2010, PPS, which encompasses Pacífico Seguros, Pacífico Vida and Pacífico Salud EPS, reported a net income of US$55.5 million (compared to US$49.2 million net income in 2009). As a result, the contribution we received from PPS increased, from a gain of US$37.4 million in 2009 to a gain of US$47.4 million in 2010. This record high contribution from PPS was primarily attributable to an increase in financial revenues of 21.8% and a reduction in the claims rate of property and casualty lines of Pacifico Seguros, a rate which dropped from 53.1% to 50.5%.

PPS's underwriting result in 2010, which reflects the company's core business performance for the year, was US$93.4 million, increasing 17% compared to 2009. This improved result followed a reduction in the overall claims rate, which decreased from 65.2% in 2009 to 63.6% in 2010, and was the product of improvements that PPS implemented over the last several years through underwriting management and operating controls.

In 2011, PPS will continue to focus on its retail business by developing simple products that introduce new segments to the benefits of insurance and by expanding its presence in national provinces. There is enormous growth potential in Peru's insurance market, given the industry's weak market penetration. Efficiency and risk management will continue to be key indicators in measuring PPS's performance. Efficiently utilizing the BCP network is an essential component of PPS's growth strategy for 2011 since capitalizing on synergies between the insurance business and the distribution channels of the banking business may lead PPS to greater penetration in the insurance market.

Pension fund segment

Prima AFP

During 2010, the progress of the Peruvian economy generated good results for the Private Pension System (SPP), achieving growth in new affiliates, number of contributors, value of assets under management and collections during the year. These favorable economic conditions, together with the reduced uncertainty in financial markets lifted by the global recovery, led to an increase in the value of funds under SPP's management, which reached US$31.0 billion as of December 2010 and represented a 29.7% year-over-year increase.

Prima AFP was able to strengthen its position in the market by adjusting its processes and organization to provide high-quality services and timely and transparent information to its clients. As a result, the contribution we received from Prima AFP in 2010 reached US$25.5 million, as compared to US$20.8 million in 2009.

Funds under management at Prima AFP increased 33.3% from US$7.3 billion in 2009 to US$9.7 billion as of December 2010. By year-end 2010, Prima AFP’s market share of total funds under management was 31.4%, representing a year-over-year increase and making Prima AFP the largest pension fund management company in Peru.

Prima AFP’s revenues from commissions in 2010 reached US$85.2 million, an 8.1% increase from 2009. This improvement in performance was a result of a stable and improved portfolio of contributing members. Revenues in 2010, unlike those in 2009, included 12 rather than 13 contribution periods because the Peruvian government exempted affiliates from deductions on additional salaries that had to be paid in July and December under Peruvian labor law.

To improve its operating results, Prima AFP will continue to focus on increasing efficiency and reducing costs. Emphasis will also be placed on improving Prima AFP’s long-term stability through better risk management, one of the company’s highest priorities

Brokerage and others

The majority of our brokerage activities are conducted through BCP, ASHC and Credicorp Securities Inc., which is one of our wholly-owned subsidiaries. Credicorp Securities is a U.S. registered broker-dealer with its offices in Miami. BCP offers clients a wide range of brokerage products and services, including mutual funds and custody services through its branch network in Lima and, on a more limited basis, throughout the rest of Peru. In addition, we also distribute such products through ASHC.

In 2010 our brokerage activities represented 1.8% of the total consolidated income and 1.7% of total consolidated assets.

Consolidated Contributions

The following table sets forth the contribution to the consolidated net income attributable to our equity holders by each of our principal subsidiaries:

	2008	2009	2010	Variation 2010/2009
	(U.S. Dollars in millions, except percentages)			
BCP (1)	410.9	388.5	464.4	20%
ASCH	(50.4)	29.7	48.8	64%
PPS	(15.9)	37.4	47.5	27%
PRIMA AFP and others (2)	13.2	14.2	10.6	-25%
Total	357.8	469.8	571.3	22%

(1) Includes Banco de Crédito de Bolivia, which contributed US$15.8 million in 2010, US$30.3 million in 2009 and US$42.9 million in 2008; and Edyficar, which contributed US$21.5 million in 2010 and US$1.1 million in 2009 (BCP acquired Edyficar in October 2009).

(2) Includes Prima AFP (which recorded a net income of US$25.5 million in 2010, US$20.8 million in 2009 and US$11.2 million in 2008), Credicorp Securities, Credicorp Ltd. (which mainly includes expenses and the tax withheld in connection with the estimation of the dividends to be distributed to us by our Peruvian subsidiaries (BCP and PPS)) and others.

(2) Strategy

Credicorp was established to create a financial group that would benefit from the synergies among the group's companies and would become a leader within each business market in which the companies operate. In moving steadily toward achieving these strategic goals, we have become a leading financial group. However, we do not operate in a static environment and the last three years have demonstrated how quickly and dramatically the world can change. Peru's economic growth slowed significantly in 2009 as a result of the international recession and we took steps toward improving our long-term sustainability and positioned our companies for growth as Peru's needs evolve. In 2010 Peru's economy returned to the dynamism it showed in the pre-crisis period and we continued, and completed in many cases, the implementation of various initiatives that were designed to ensure the sustainability of Credicorp's business segments.

The Peruvian market offers one of the greatest growth opportunities in South America. In the banking, insurance and pension fund industries, market penetration by service providers remains low. Accordingly, our business plans incorporate strategies that will enable us to reach underserved segments of the Peruvian population and achieve higher returns on our capital. As our businesses expand, it becomes increasingly important for us to maximize efficiencies and control risk. Our strength in these areas is the cornerstone of our strategy to achieve healthy, sustained and profitable growth.

The growth strategies we have adopted for each of our companies contain a focus on retail markets. Using our collective resources, we are developing information systems that can collect commercial sales information and provide us with the data we need to process scoring models by segment. This will enhance our ability to assess and control risk.

We also continue to make strides toward greater integration of our companies by more extensively sharing our talents and experience.

Outlook for 2011

We expect that the favorable economic conditions in Peru that characterized 2010 will remain in 2011. Throughout the year, we will continue to take a development-oriented approach, preparing for changes in the Peruvian market, which is expected to have high growth rates in the upcoming years. Given the low levels of penetration in Peru's banking and insurance markets, our subsidiaries will be well positioned to expand. Our high equity, sound levels of technical and professional expertise, and strong relationships built on the trust of our customers, are all signals indicating a positive outlook for the Company.

(3) Credicorp Operating Segments

Banking

The majority of our banking business is carried out through BCP, which is our largest subsidiary and the oldest bank in Peru. A portion of our banking business is also carried out by ASB, which principally serves Peruvian private banking customers through offices in Panama. We conduct banking activities in Bolivia through BCB, a full service commercial bank and the fourth largest Bolivian bank in terms of loans and deposits, with 12.1% and 13.4% market share, respectively.

Our banking business is organized into wholesale banking activities, which are carried out by BCP's wholesale banking group (which includes the corporate banking operations of ASB), and retail banking activities, which are carried out by BCP's retail banking group. To increase our visibility and raise our market share in the retail banking industry, BCP bought Edyficar, which is a scaled, high-growth and highly profitable microfinance business. Edyficar has a solid risk management strategy and a proven track record in both loan portfolio growth and social impact. The company provides financial services for low-income micro-entrepreneurs and unbanked communities.

We apply uniform credit policies and approval and review procedures, which are based on conservative criteria adopted by BCP, to all of BCP's subsidiaries. Our general manager is in charge of setting the general credit policies for our different business areas. These policies are set within the guidelines established by Peruvian financial sector laws and SBS regulations (See "(11) Supervision and Regulation—(ii) BCP") and the guidelines set forth by our Board of Directors.

Our deposit-taking operations are principally managed by BCP's retail banking group and ASHC's private banking group. See "(12) Selected Statistical Information—(iv) Deposits."

Insurance

We conduct our insurance operations exclusively through PPS and its subsidiaries, which provide a broad range of insurance products. PPS focuses on three business areas, general insurance through Pacífico Seguros, life and pension insurance through Pacífico Vida, and health care insurance through Pacífico Salud EPS. PPS, like other major Peruvian insurance companies, sells its products both directly and through independent brokers and agents. Directly written policies tend to be for large commercial clients, as well as for life and health insurance lines.

Pension funds, brokerage and others

The majority of our trading and brokerage activities are conducted through BCP, ASB and Credicorp Securities Inc. (also referred to as Credicorp Securities), which is one of our wholly-owned subsidiaries. Credicorp Securities is a U.S. registered broker-dealer with its offices in Miami. Our asset management business is carried out by BCP in Peru, through its subsidiary Credifondo, by ASHC and by Prima AFP, the pension fund administrator.

We offer Brokerage and other services through BCP and ASB. BCP offers clients a wide range of such products and services, such as brokerage, mutual funds and custody services through its branch network in Lima and, on a more limited basis, throughout the rest of Peru. In addition, we also distribute such products through ASB.

In the last few years, we have consolidated an important line of business, asset management, for our customers. As of December 31, 2010 our assets under management totaled US$15.7 billion, an increase of 41.7% from 2009, which was mainly due to the market recovery after a drastic drop in the market values of securities caused by the international financial crisis. The majority of our asset management business is performed through our subsidiary, Prima AFP whose funds under management (private pension funds) totaled US$9,765 million at the end of 2010.

Mutual funds represent another important contributor to our asset management business, carried out through BCP's mutual funds subsidiary, Credifondo Sociedad Administradora de Fondos Mutuos (or Credifondo). Credifondo leads the Peruvian market with a share of 42.4% of the total assets currently under management. Finally, BCP's affiliate, Atlantic Security Bank, offers the international mutual funds and financial advisory services to BCP's private banking customers.

We established a corporate supervision project entitled "Asset Management" due to the size of these businesses, the importance of the commissions they generate and, above all, the fiduciary responsibility they entail. The main objectives of the project are to establish homogeneous risk control and investment policies based on best international practices. The Asset Management business has four main components:

- Portfolio Management: We seek to consolidate the good performance of our portfolios and funds through strict risk control and an appropriate level of diversification. To achieve this, we focus on improving three key aspects: investment policies, investment processes and management metrics.

- Financial Management: We focus on providing quality financial advisory services, building customer loyalty, and encouraging customers to invest in a diverse combination of securities according to their risk profile. Our objective is to improve the standards of the advisory services that our commercial bank offers and to distinguish between the levels of advisory services provided to different sectors.

- Brokerage: We attempt to provide a timely and high quality service, offering competitive execution costs, channeling a greater proportion of the assets traded by our companies to profitable investments and identifying opportunities for joint action (resulting in better prices), in addition to improving controls aimed at avoiding possible conflicts of interest.

- Risk Analysis: We seek to identify, quantify, regulate and, ultimately, minimize the risks associated with operations, credit, market, liquidity, legal contingencies, conflict of interests and other risks. Another objective of our risk analysis is setting corporate investment limits, creating a portfolio investments risk manual, and ensuring strict compliance with risk control rules.

(4) BCP and Subsidiaries

(i) General

BCP's activities include commercial banking, investment banking and retail banking. As of December 31, 2010, the consolidated operations of BCP ranked first among Peruvian banks in terms of total assets (US$25.3 billion), total loans (US$13.9 billion), deposits (US$17.1 billion) and net equity (US$2.0 billion). At the end of 2010, BCP's loans, on an unconsolidated basis, represented approximately 33.6% of the total Peruvian banking system (higher than the 33.4% registered at the end of 2009) and BCP's deposits represented approximately 36.3% of the total Peruvian banking system (above the 34.2% reported at the end of 2009).

As of December 31, 2010, BCP had the largest branch network of any commercial bank in Peru with 329 branches. BCP also operates an agency in Miami and a branch in Panama. In addition, as of December 31, 2010, Edyficar had 101 offices through which it serves its clients.

As of and for the year ended December 31, 2010, BCP accounted for 69.8% of our total assets, 87.7% of our net income and 70.8% of our net equity. BCP's operations are supervised and regulated by the SBS and the Central Bank.

BCP groups its client base according to the following criteria:

Client Segmentation

Group	Sales (US$MM)
Micro-business	Up to 0.5 or total debt of 0.2
Small Business	From 0.5 to 6.6 or total debt of 1.0
Middle market	From 6.7 to 50
Corporate	Higher than 50

The grouping was a result of an analysis which addressed factors beyond the simple size and volume of activity for each client, such as clients' affiliation with other companies or groups, the degree of follow-up required, and their credit ratings.

Subsidiaries

BCP's corporate structure consists of a group of local subsidiaries offering specialized financial services, which complement BCP's commercial banking activities. In addition to its local subsidiaries, BCP has an agency in Miami, a branch in Panama and a subsidiary in Bolivia.

BCP and its principal subsidiaries as of December 31, 2010 are as follows:

- Banco de Crédito de Bolivia, or BCB, is BCP's commercial bank in Bolivia. BCP owns 95.92% of BCB and we hold the remaining interest. Currently, BCB is the fourth largest bank in Bolivia in terms of deposits and loans market share and has a network of 66 offices located throughout Bolivia. BCB owns one of Bolivia's largest brokerage houses, Credibolsa S.A. Agente de Bolsa, and this subsidiary owns Credifondo SAFI Bolivia, a mutual fund administrator company. BCP targets middle- and small-sized clients and offers a broad range of corporate, personal banking and leasing products. BCB's results are consolidated in BCP's financial statements.

- Empresa Financiera Edyficar S.A. was acquired in October 2009 and is 99.78% owned by BCP. It is engaged in micro finance in Peru.

- Credibolsa Sociedad Agente de Bolsa, or Credibolsa, was established in June 1991 and is 100% owned by BCP. It is engaged in portfolio advisory and brokerage activities in the Lima Stock Exchange.

- Credifondo Sociedad Administradora de Fondos Mutuos, or Credifondo, is a mutual fund management company that was established in 1994. Credifondo is 100% owned by BCP.

- Credititulos S.A., or Creditítulos was established in 1997 and is 100% owned by BCP. Creditítulos serves as an asset securitization entity.

- Inmobiliaria BCP is the real estate subsidiary of BCP. It manages and promotes the sale of real estate that has been foreclosed or received in payment by BCP. Inmobiliaria BCP is 100% owned by BCP.

- Solución Empresa Administradora Hipotecaria S.A. was established in 1979 under the name Solución Financiera de Crédito del Perú S.A. and is 100% owned by BCP. Its business includes mortgage lending, consumer lending and SME financing. In the company's shareholders meeting on November 19, 2009, Solución Financiera de Crédito del Perú S.A.'s shareholders decided to change the company from a finance company to a mortgage administrator company and to change the company's name to Solución Empresa Administradora Hipotecaria S.A. These changes were necessary because, according to Peruvian Law, no person is allowed to be the owner of two financial institutions of the same type. As a result, the company will primarily engage in the administration of mortgage portfolios. These changes were approved by the SBS through resolution SBS 47-2010 on May 21, 2010.

(ii) Wholesale Banking Group

BCP's wholesale banking group (Wholesale Banking Group), which competes with local and foreign banks, has traditionally represented the majority of BCP's loans. BCP's traditional relationships provide its Wholesale Banking Group with a competitive advantage.

BCP's Wholesale Banking Group maintained its positive trend in loan placements, posting average portfolio levels of US$6,981million (19% higher than in 2009). It also maintained its leadership in the wholesale banking market with a 40.7% stake in placements. BCP has the largest capital base among Peruvian banks, which provides it with more resources to meet the financing needs of its corporate clients. BCP has established longstanding client relationships with virtually all of the major industrial and commercial groups in Peru. The Wholesale Banking Group provides its customers with short- and medium-term loans in local and foreign currencies, foreign trade-related financing and lease financing.

The Wholesale Banking Group is divided into the following areas:

- Corporate Banking, which provides loans and other credit services to companies with annual revenues in excess of US$50 million;

- Middle Market Banking, which serves mid-sized companies;

- Institutional Banking, which focuses principally on serving profit and non-profit organizations, state-owned companies and other major institutions;

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International Banking and leasing, which manages BCP’s relationship with financial institutions locally and abroad, trade products, international operations services and financial leasing products;

- Corporate Finance, which provides underwriting and financial advisory services to corporate and middle market clients; and

- Business Services, which develops transactional services.

Net interest income from the wholesale banking sector reached US$138 million in 2010 (compared to US$146 million in 2009). The results of 2009 reflected the higher interest rates associated with the risk to lend to customers during the financial crisis; however substantial economic activity in 2010 promoted competition and drove the market to charge lower interest rates in comparison to 2009 and resulted in a reduction of our income.

Corporate Banking

BCP continued to meet the needs of its corporate clients, helping them with short- and medium-term financing. As a result, BCP's direct credits grew from US$4,058 million to US$5,155 million, and income from financial services increased 16%, from US$57 million to US$66 million. These increases, coupled with a very low default ratio (less than 0.1%), enabled the Corporate Banking Area to meet its financial targets with a net profit US$70 million, a decrease of 25% over the US$94 million achieved in 2009.

Client Profile: The Corporate Banking Area is focused on serving large-sized companies that have an annual turnover of over US$50 million, audited financial statements and dominant market positions in their particular products or brands. Even if they do not meet the above criteria, BCP may classify other firms in this category if they belong to very large economic groups from industries that are important to the country's economy.

Products: The Corporate Banking Area offers a broad range of products and tailors its product offerings to meet each client's unique requirements. In general, this area is expected to offer high-value-added products and services, particularly cash management services, at competitive prices.

The majority the Corporate Banking Area's financing is provided to fund sales, international trade and inventories. In general, the Corporate Banking Area grants short-term financing. However, it can provide longer term financing for companies in need of financing capital expenditures and fixed assets, among other purposes. The Area also offers term financing (in all cases backed by real guarantees), financial leasing, factoring, and domestic collections and nationwide fund transfers.

Additionally, Corporate Banking clients can obtain investment banking, advisory and financing services through the Corporate Finance Area, which operates as part of the Wholesale Banking Group and also serves major middle market clients.

Guarantees received by this area consist of (i) receivables in the case of sales financing, (ii) warrants or pledges on inventory in the case of inventory financing and (iii) real guarantees, in the case of financing for fixed asset acquisitions and improvements to their infrastructure.

There is a limited growth prospect in this business due to high market penetration (46.5%) and competition from capital markets in loans.

Middle Market Banking

BCP's middle market banking area provides banking services tailored to medium-sized companies located in a variety of markets. 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

- Financing for medium and long-term requirements using intermediation resources (term deposits) and various types of financial leasing financing.

BCP has identified several opportunities to engage middle market companies, particularly in Peru's manufacturing, wholesale, retail, fishing and construction industries, where special emphasis has been placed and specific task areas have been created to attend to the needs of these economic groups. BCP has a middle market client portfolio of approximately 7,000 companies, including 1,118 economic groups. Generally, these clients are not listed on the stock exchange but, in some cases, are capable of issuing financial obligations or commercial papers. Their financial information is reliable and audited. These companies are typically family-controlled but professionally managed.

Since 2009, the middle market banking area revised its customer segmentation policies. The area now includes established (but growing) companies that will eventually become part of our corporate segment, traditional mid-size companies and a group of growing small cap companies. In selecting which small companies are best suited for service by our middle market banking area, we consider a mix of different characteristics; such as annual revenues, financial leverage, overall debt and product penetration and complexity. BCP's middle market customers are distributed among nine regional managers nationwide and have annual revenues that vary from US$1.5 million to US$50 million.

Since 2009, the middle market banking area made significant progress toward implementing its strategic goals by:

- Creating hubs to meet the needs of its customers more efficiently

- BCP opening a a customer redistribution hub in Lima, where a new business area was created;
- Streamlining its lending process to provide middle market customers with prompt service;
- Introducing new electronic financial products to make its services more accessible to customers;
- Incorporating sophisticated technical tools that assist it in analyzing risk-based pricing and profitability; and
- Focusing on risk based financial services revenues, which account for 50% of the total income generated by the middle market banking area.

According to internal reports, in 2010 net income from the middle market banking area decreased to US$59 million. This was the result of the more competitive interest rates that emerged as the economy grew. The middle market area's annual average loan portfolio had 33.1% of market share, (US$2,373 million), making BCP the leading bank in its segment.

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. In addition, we believe that middle market companies have benefited significantly from the overall economic improvements 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.

Institutional Banking

BCP's Institutional Banking Area serves for-profit and non-profit organizations, including 800 clients in Lima and 300 clients in provinces. In Lima, a specialized team in wholesale banking serves governmental entities, educational institutions, religious organizations, international bodies, non-governmental organizations, and microfinance institutions. In provinces, a specialized remote wholesale banking team partners with BCP's retail banking area to serve clients.

The annual average deposit amount in BCP's Institutional Banking Area (Lima and Provinces) reached US$2.0 billion in 2010. The Institutional Banking Area is strategically important because of the opportunities its clients present for generating income from fees and cross-selling opportunities. BCP's strategy in this area is focused on building customer loyalty by offering customized services at competitive rates and providing outstanding service quality. The institutional banking clients mainly require remote office banking, collections and automated payroll payment services.

International Banking

This area of BCP's business jointly the company's international banking activities and recently (since June 2010) assumed the supervision of all leasing activities of the Bank.

The international banking unit focuses on providing short-term credit for international trade, which is funded with internal resources or with credit lines from foreign banks and institutions. Medium-term lines of credit funded by international commercial banks and other countries' governmental institutions are also provided to clients. In addition, this unit earns fees by confirming guarantees issued by international banks and other fees as a result of the international payment business. The international banking unit also promotes international trade activities with its local clients by structuring trade products and services, establishing conferences and assessing customers through a wide range of trade products.

Since September 2008 the international banking unit has also been supervising the trade back office unit (International Operations). BCP maintains business relations with correspondent banks, development banks, multilateral and export credit agencies in countries around the world. At present, BCP manages credit lines for foreign trade transactions, working capital and medium- and long-term investment projects.

The international market volatility during 2009 affected Peruvian trade volume, which fell 30% compared to volume in 2008. Volume of trade managed by BCP was similarly affected and its fee income dropped 12.1%. Although trade volume declined, BCP's trade market share increased from 36.5% to 41.5% due to a shift in the usage of trade tools from "open account" to "guarantees", where BCP is a recognized leader.

According to the Superintendencia Nacional de Aduanas (SUNAT), in 2010 Peruvian exports increased 31.2% to US$35.1 billion (compared to US$26.7 billion in 2009). This result was principally due to a growth in commodities exports (gold, copper, zinc and lead). During the same year (based on BCP's internal report), BCP's exports volume increased 42.9% to US$16.6 billion (compared to US$11.6 billion in 2009), which amounted to 47.3% of total Peruvian exports.

Total Peruvian imports were US$29.9 billion in 2010, increasing 37.0% from US$21.8 billion in 2009, which was primarily due to a higher demand for capital goods (industry, construction and transportation), raw materials for industry, and consumer goods. BCP's import letters of credit, collections and transfers amounted to US$9.4 billion in 2010, increasing 44.1 % from US$6.5 billion in 2009, which amounted to 31.5% of total Peruvian imports.

BCP has a direct presence abroad through its agency in Miami and its branch in Panama. It has access to a wide network of foreign correspondent banks and can offer several internationally competitive products to its customers.

BCP has correspondent banking relationships and uncommitted credit lines with more than 80 banks for foreign trade operations, financing of working capital and medium- and long-term investment projects. At the same time BCP has been approaching the banking market to fund medium-term needs through the usage of syndicate loans structured by different international banks.

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 to Peruvian exporters and importers and Chinese investment in Peru through direct investment and trade development. In order to support this business, during 2010 BCP signed several memoranda of understanding with China's most important financial institutions and opened an RMB account with a Chinese financial institution.

During 2010, Peru had a very active leasing market. BCP, has consolidated the leasing activities developed by the bank. BCP ended 2009 with US$2 billion outstanding in this product area and 35.6% of the market share in Peru. Leasing as a way of financing became a more important tool for Peruvian companies over the course of the last year, growing from US$5.6 billion on December 31, 2009 to US$6.4 billion on December 31, 2010. BCP ended 2010 with a larger market share, 38.8%, reaching US$2.5 billion outstanding.

The leasing business growth we experienced in 2010 was a product of increased investment activity in the energy, mining, communications and transport industries. As the Peruvian economy has expanded the appetite of private investors for these kinds of investments has made leasing attractive because it carries tax benefits superior to those available through traditional sources. Other activities like car sales and machinery are also contributing to the growth of this product.

Corporate Finance

BCP's Corporate Finance Area is a leading advisor to corporate, middle market and institutional clients in Peru. Our Corporate Finance team composed of over 25 executives based in Peru is the largest team of its kind in the marketplace. BCP's Corporate Finance Area provides a wide range of investment banking and corporate finance advisory services, including structured financings, capital raisings, initial public offerings, mergers and acquisitions and corporate restructurings. In 2010, the Corporate Finance Area participated in over US$2,500 million of structured transactions, which involved financing through both the local capital market and the banking system. BCP's Corporate Finance team is ranked first in the 2010 local debt capital market league tables having placed over US$500 million in debt instruments, which accounts for 44% of the local debt capital markets primary offers-. The main projects in 2010 included:

- A leasing arrangement of US$310 million for EnerSur to finance its combined cycle add-on project for ChilcaUno power generation plant. This was the largest leasing transaction that has been structured and paid by a local bank;

- The arrangement and placement of Transportadora de Gas del Perú and Pluspetrol Lote- 56's corporate bonds for US$150 million and US$130 million respectively. Funds from this placement were used to finance the Camisea Project expansion.

- Medium term loan arrangements of US$35 million and US$50 million for Concesionaria Vial del Perú and Autopista del Norte to finance Peruvian roads concessions.

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Medium term loan arrangement of US$70 million for Consorcio Transmantaro to finance the construction of Chilca-La Planicie-Zapallal transmission line and the reinforcement of Mantaro-Socabaya transmission line.

- A syndicated term loan of US$190 million for SN Power Perú to refinance financial liabilities and partially finance the equity for Project Cheves, a 168 MW hydroelectric power plant.

- Advisory and valuation services for Credicorp during the acquisition of ALICO's shares of Pacifico Peruano Suiza and Pacifico Vida.

- A syndicated term loan of US$200 million for Gold Fields La Cima.

During 2010, the Corporate Finance Area generated income in excess of US$19.0 million from structuring, advisory and issuance fees.

Business Services

Our business services unit is in charge of developing transactional services that handle the exchange of information among and money transfers to corporations, midsize companies, institutions and micro-business companies. This unit is responsible for both the development and marketing of transactional (or "cash management") services for our corporate and institutional clients. 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 suppliers' accounts and money transfers), electronic office banking and cash management through checking accounts with special features.

During 2010, transactional services continued to be an important contributor to our earnings. The monthly average of the number of current accounts increased 7.9% and fee revenue increased 10.2% compared to 2009. This improvement is the result of growth in the SME segment. Main collection services also increased: letters and companies' collections commissions rose 12.6% and 24.8%, respectively, from 2009. Our strategic decision to offer value to our clients through the implementation of a more efficient service mechanism explained part of this improvement. In addition, the higher demand by clients for the remote banking service "Telecredito" generated, in terms of number of transactions, a growth of 14.5% compared to 2009. Tax collections also grew 13.5%. Likewise, the transaction volume generated by electronic factoring increased 79.9% in 2010.

(iii) Retail Banking Group

According to BCP's internal reports, by the end of 2010, retail banking-related loans represented 40% of BCP's total loans, while retail banking-related deposits accounted for 52% of BCP's total deposits. Retail income from fees constituted 62% of BCP's total income from fees.

Between 2006 and 2007, the Retail Banking Group's loan volumes increased by 45%, reaching US$2,898 million. During 2008, loans grew again by 28%, reaching US$3,694 million. Throughout 2009, loan balances grew by US$657 million reaching US$4,351 million. In 2010 loan balances reached US$5,322 million, growing almost US$1,000 million. This growth was a result of strong consumer lending, which includes installment loans and credit cards, home mortgages and small and micro business loans. With respect to deposits, BCP's retail banking-related deposits has also shown constant growth. Deposits grew by 29% between 2006 and 2007, US$1,052 million in 2008, US$691 million during 2009 and US$1,247 million in 2010, reaching a total of US$9,066 million by the end of the year.

With the segmentation of its retail client base, BCP is able to focus on cross-selling its products and improving per-client profitability. The Retail Banking Group has undertaken several projects to improve one-on-one marketing techniques and tools for the sale of its products to all market segments. BCP's management expects the retail banking business to continue being one of the principal growth areas for BCP's lending activities.

BCP's retail banking serves individuals and small-sized companies with annual sales levels of up to US$6.7 million. BCP's objective is to establish profitable long-term relationships with its broad client base, using segmentation strategies that satisfy the specific needs of each type of client. BCP's retail distribution strategy changed at the beginning of 2007, when BCP started using the branch network as the center for all transactional and commercial activities. BCP now has a commercial division, in charge of most direct sales forces and the branches, which in turn are organized on a geographic level. Each branch is responsible for servicing and selling products to three customers groups: affluent, small business and consumer. In addition, each branch manager is responsible for overseeing the different channels offered within the branch, such as account managers, customer service representatives and tellers. Telemarketing, mid size business banking and real estate developer financing are not managed directly by local branches because of the specialty level and high growth potential associated with these products.

During 2008, BCP saw an unprecedented investment in infrastructure and human resources to support its “banking the unbanked” strategy. As a result, in 2008 and 2009, BCP experienced an explosive growth in its various channels, including 1,580 new customer contact locations (59 branches, 247 ATMs and 1,580 Agentes BCP). Demonstrating its leadership in attracting new customers, BCP now services over three and one half million customers with its network of 327 branch offices, 1,159 ATMs and 3,513 Agentes BCP (these figures do not include the customer contact locations under Edyficar’s management, which are counted separately).

Affluent Banking

Affluent customers are crucial to BCP because of their high loan and deposit volume and their attractive profitability. They receive a differentiated value plan which includes: (i) access to innovative products, (ii) dedicated customer services channels such as specialized account managers and/or expert phone banking, (iii) preferential service by tellers at the branches and (iv) special interest rates on loans. BCP’s affluent customers, totaling about 162,000, must have a good credit record and at least US$20,000 in outstanding loans in BCP or a minimum US$40,000 balance in deposits with BCP. Approximately 100,000 of the most profitable affluent clients are serviced through specialized accounts managers responsible for improving per-client profitability and achieving long-term relationships through personalized service, cross-selling and share of wallet strategies. Account managers are also responsible for new customer acquisition, particularly through mortgage loans. The affluent banking segment is very profitable, generating 45% of the retail banking group’s revenue while managing 5% of the total customer base, 44% of retail group’s loan volume and 35% of its deposit volume.

Small Business Banking

BCP's small business segment accounts for 359,000 clients. Customers are divided into three groups with different business models, services levels, and products access. The first group is top-end small business banking, which serves approximately 10,000 clients with annual sales between US$0.5 and US$6.7 million. The next group of 248,000 small business clients has annual sales up to US$0.5 million and has debt, and the third group of approximately 100,000 clients consists of very small business customers who have only deposit products.

According to BCP's internal reports, the Small Business Banking loan portfolio grew from US$1,006 million in 2007 to US$1,345 million in 2008 and then to US$1,546 million in 2009. By the end of 2010 the loan portfolio was US$1,984 million. In terms of deposits, this group increased deposits from US$1,027 million in 2007 to US$1,463 million in 2008 and then to US$1,637 million by 2009. In 2010 deposits grew to US$1,860 million.

Edyficar also serves the microfinance segment, and as of December 31, 2010, it registered 285,781 clients with a total loan portfolio equivalent to US$356 million, which represented an increase of 43% compared to the level registered at the end of 2009. As of December 31, 2010, Edyficar had a client market share of 7.32%, making it fourth in terms of market share within the microfinance segment. The aggregate market share of Edyficar and BCP in the microfinance segment totaled 15.69% at the end of 2010, and combined, they have the highest market share in the microfinance segment.

Consumer Banking

Consumer banking is in charge of developing strategies for the retail customers not included in affluent banking or small business banking. Its customer base is approximately 3 million medium to low income individuals. Consumer banking focuses its attention on customers who receive their payroll through BCP (which represents slightly more than 0.9 million clients). Its strategies vary from basic acquisition of new accounts for wage-earners with special terms regarding fees and interest rates, to more sophisticated, aggressive cross-sell and retention programs that expand benefits to non-banking products (i.e., access to discounted products) and access to payroll advances. BCP has continued excelling in expanding its debit card as a form of payment, maintaining more than half of the market share in withdrawals and payments with debit cards, which is a year-to-year increase of 471,000 cards. BCP concluded 2010 with more than 3.2 million cards.

Mortgage Lending

As of December 31, 2010, BCP was the largest mortgage lender in Peru with a market share of 34.45% of total mortgage loans in the Peruvian banking system. This was largely the result of BCP's extensive marketing campaigns and its improvements in the quality of procedures for extending credit and establishing guarantees.

BCP expects the mortgage lending business to continue to grow because of:

- low levels of penetration in the financial market,
- 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.

BCP had US$1,905 million in outstanding mortgage loans as of December 31, 2010 (as compared to US$1,571 million in 2009, US$1,330 million in 2008, US$1,105 million in 2007 and US$868 million for year-end 2006).

All programs of mortgage financing are available to customers with minimum monthly income of US$400. The MiVivienda program, a program supported by government resources, placed a limit of US$60,000 on the value of the house to be purchased. BCP will finance up to 90% of the appraised value of a property where monthly mortgage payments do not exceed 30% of the client's stable net income. The maximum maturity of the mortgage loans BCP offers is 25 years, in U.S. Dollars, and 25 years, in local currency. Within the mortgage lending business, BCP offers variable, fixed and LIBOR-based interest rates on home mortgage loans denominated in both U.S. Dollars and Nuevos Soles. However, BCP's mortgage portfolio is predominantly fixed rate and U.S. Dollar-denominated.

In May 2006, the original MiVivienda program was terminated. However, local banks (with government's approval) launched a similar project, known as MiVivienda2, to which proprietary funds contribute. In addition, in March 2007, BCP created a new program financed by the government called Mi Hogar, which targeted people with a lower income profile. The conditions of the new program are almost identical to those of the first MiVivienda program, except that financing is in local currency. In June 2009, the MiVivienda administration decided to re-launch its new MiVivienda program with the objective of financing mortgages between US$17,000 and US$60,000 with government funds. Simultaneously, they re-launched their product, Techo Propio, to finance mortgages between US$7,000 and US$17,000. In both cases, the programs are intended to develop social housing in the country. In 2010, nearly 12,000 MiVivienda credits were sold, 35% of which were sold through BCP.

Consumer Lending (Credit Cards and Installment Loans)

Consumer lending, credit cards and installment loans have grown significantly as improving economic conditions have led to increased consumer spending. BCP expects the strong demand for these products to continue. In addition to interest income, BCP derives fee income from customer application and maintenance, retailer transactions, and merchant processing, finance and penalty charges on credit cards.

Peru's economic growth has had a huge impact on the consumer credit market, which grew by a total of 30% during 2008, 7% during 2009 and 15% between 2009 and 2010. The outstanding balance is US$1,607 million, consisting of US$590 million in credit card loans and US$1,050 million in installment loans. BCP's market share in consumer lending has consistently increased since 2007, 2008 and 2009 from 17.9% to 19.2% to 20.6%. In 2010 market share was 20.7%. This growth in consumer lending was achieved while maintaining a ratio of delinquent accounts below 4% (over 30 days).

Between 2007 and 2008, installment loans experienced an unprecedented growth of US$211 million in outstanding balances, a 43% increase, and during 2009 and 2010 installment loans grew yet another 16% and 17%. This result was due, in part, to BCP's strategic change which was designed to broaden its customer base since 25% of BCP's new loans came from customers with a monthly gross income of less than US$400.

In the credit card business, BCP continued to apply segmented strategies. BCP continues to offer value to its high-end customers through partnerships with the airline LAN and with Primax, a chain of gas stations. These programs, coupled with BCP's own travel program, enabled it to reach record levels, both in point generation and point usage (exchanges). To catch the attention of the lower income segment, BCP worked on streamlining its risk assessment, card delivery process and generate partnerships with other retailers.

BCP has been continuously improving monitoring and optimizing its scoring models, which includes, among others, behavior, payments and income forecasting. As a result, BCP has achieved a US$58 million increase in outstanding balances in 2008 and US$97 million in 2009. According to BCP's internal records, the number of active credit cards has constantly increased from 325,000 in 2006 to 387,000 in 2007 to 430,000 in 2008, to 446,000 in 2009 and to 580,000 in 2010. In addition, annual purchases have increased from US$592 million in 2006 to US$868 million in 2007, to US$1,131 million in 2008, US$1,203 million in 2009 and US$1,525 million in 2010.

BCP is also the largest shareholder of VISANET in Peru, holding approximately 35.53% of its total shares. The number of VISANET electronic payment terminals grew to approximately 68,362 in 2010, as compared to 28,816 in 2006.

(iv) Asset Management Group

In addition to BCP's wholesale and retail banking operations, BCP operates a capital markets group, which currently is the largest capital markets and brokerage distribution system in Peru. The principal activities of the Capital Markets Group include currency transactions (both for clients and on a proprietary basis) as well as treasury, custody and trust, investment advisory services, and general research activities.

BCP's products are distributed through its subsidiaries and branches. BCP's close relationship and coordination with its subsidiaries has established BCP as the market leader in the capital markets business.

Credibolsa is BCP's brokerage subsidiary through which BCP offers a wide variety of variable and fixed-income products and services. Credibolsa's activities include the structuring and placement of primary market issues and the execution and trading of secondary market transactions.

Creditítulos is BCP's asset securitization subsidiary through which BCP offers local securitization structuring to corporate entities.

Credifondo is BCP's fund management subsidiary, which offers investment fund products and services. Fund types offered by Credifondo include short/long term, U.S. Dollar and local currency and fixed/variable income funds.

Trading and Brokerage Services

In 2010, markets recovered strongly after the international financial crisis. The Lima Stock Exchange General Index (IGBVL) experienced an increase of 69.8%.

Credibolsa maintained its leadership position in the Lima Stock Exchange with a 18.2% the market share as a result of a trading volume that reached US$2,444 million in 2010. Credibolsa was also the number one stock broker for initial offerings, issuing a total of S/. 300 million and US$434 million in fixed income, representing a 50% market share.

BCP's management believes that Credibolsa will continue expanding its business based on its ability to provide appropriate advice to clients while offering various products that meet their requirements. Furthermore, BCP's wholesale banking marketing represents an important strength that allows it to reach main companies in the local market, while BCP's branch network helps to expand its business in the retail banking segment.

Treasury, Foreign Exchange and Proprietary Trading

BCP's treasury and foreign exchange groups are active participants in money market and foreign exchange trading. These groups manage BCP's 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. It has also been active in the auctions of certificates of deposit by Peru's central bank as well as in financings through certificates of deposit, interbank transactions and guaranteed negotiable notes, among other instruments.

Since 2007, BCP has adhered to the best international cash management practices. BCP created the Assets and Liabilities Management Service (or ALM) which is responsible for managing its balance sheet under the Asset and Liabilities Committee (or ALCO) oversight. ALM is responsible for managing BCP's balance sheet and for accepting reasonable interest rate and liquidity risks through management of the short- and long-term transfer rates.

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

Asset Management

Credifondo S.A., Sociedad Administradora de Fondos, or Credifondo, provides advice to and operates mutual funds in Peru. It is the largest mutual fund manager in Peru based upon data from the Peruvian securities market authority, the Comisión Nacional Supervisora de Empresas y Valores (CONASEV). As of December 31, 2010, total Peruvian funds in the mutual funds system amounted to US$5.59 billion, increasing 15.0% from US$4.86 billion in 2009.

According to CONASEV, as of December 31, 2010, Credifondo managed ten separate funds, with a total of 92,626 participants (33.1% of total participants) compared to 102,211 in 2009. Among the securities in which the different funds specialize are: equities, U.S. Dollar-denominated bonds, Nuevo Sol-denominated bonds and U.S. Dollar-denominated short-term securities. As of December 31, 2010, Credifondo's total funds under management amounted to US$2,370 million, increasing from US$1,929 million – 22.9% – as of December 31, 2009. Because these funds are subject to certain volatility, there can be no assurance as to their future performance. As a result, we do not guarantee any return on these investments.

As of December 31, 2010, the Bolivian fund administrator managed a total of US$102.6 million of third-party funds dropping 26.6% from December 31, 2009.

According to BCP's internal reports, BCP holds US$26.5 billion in securities. BCP provides custody services that include the physical keeping of securities and the payment of dividends and interest. In addition, BCP acts as paying agent for securities of which it does not keep custody. BCP is 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 completed for its clients and
- transfer settlement and payment services for local securities issues.

These services allow BCP to adequately represent its clients' activities in the local and international securities markets.

La Fiduciaria S.A., or Fiduciaria, is an associated entity and the first specialized trust services company in Peru. We hold a 45% interest in Fiduciaria. In its eighth year of existence, Fiduciaria has managed trusts for a majority of the institutions in the national financial system, putting itself at the forefront of fiduciary services in Peru. Fiduciaria's operations encompass sectors including energy, communications, mining, tourism, fishing, education and construction. Fiduciaria ended 2010 with 231 outstanding operations.

(v) Lending Policies and Procedures

BCP's uniform credit policies and approval and review procedures are based upon conservative criteria and are uniformly applied to all of its subsidiaries. These policies are in accordance with the guidelines established by Peruvian financial sector laws and SBS regulations. (See "—(11) Supervision and Regulation—(ii) BCP," and the guidelines set forth by our board of directors.)

BCP's credit approval process is based primarily on an evaluation of the borrower's repayment capacity and on commercial and banking references. BCP determines a corporate borrower's repayment capacity by analyzing the historical and projected financial condition of the company and of the industry in which it operates. Other important factors that BCP analyzes include the company's current management, banking references, past experiences in similar transactions, and collateral to be provided.

For the evaluation of BCP's corporate borrowers, credit officers prepare a risk assessment report, which analyzes the client's ability to repay its obligations, determines the probability of default of the client using an internal risk rating model, and defines the maximum credit exposure that BCP wants to hold with the company.

For BCP's individual and small business borrowers, it evaluates credits based on the client's capacity for repayment, a documented set of policies (regarding the client's financial track record among other issues), and in most cases, credit scores, which assign loan-loss probabilities that relate to expected returns of each market segment. Approximately 80% of BCP's credit card, consumer, mortgage, and small business loan application decisions are made by automatic systems. The complement is decided by credit officers reporting to a centralized unit.

Success in the small business and personal lending areas depends largely on BCP's ability to obtain reliable credit information about prospective borrowers. BCP, together with several partners, formed a credit research company called Infocorp in November 1995 (currently managed by Equifax). 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. This database includes information on the loan risk category in which the borrowers are classified: "Normal," "Potential Problem," "Substandard," "Doubtful" and "Loss."

BCP has a strictly enforced policy with respect to the lending authority of its loan officers. It also has procedures to ensure that these limits are adhered to before a loan is disbursed. Under BCP's credit approval process, the lending authority for middle market, small business, and personal loans is centralized into a specialized credit risk analysis area, whose officers have been granted lending limits. To ensure that loan officers and credit analysis officers are complying with their lending authority, the credit department and BCP's internal auditors regularly examine credit approvals, in addition to the controls built into the loan approval workflow systems.

The following table briefly summarizes BCP's 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 BCP's general manager, executive committee or, if the amount of the proposed facility is sufficiently large, board of directors.

In US$ thousands	Risk without collateral or with only personal collateral or guarantee	Risk with preferred guarantees (1)
Board of Directors	Regulatory limit	Regulatory limit
Executive Committee	US$ 197,414	US$ 197,414
General Manager	US$ 60,000	US$ 60,000
Credit Group Manager	US$ 13,500	US$ 27,000
Credit Risk Manager	US$ 4,500	US$ 14,400

Credit Risk Chiefs	US$ 1,800	US$ 5,400
Retail Credit Risk Manager	US$ 1,200	US$ 2,000

(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. The limit for the Executive Committee is 10% of the Regulatory Capital of BCP as of December 2010, which equaled US$1,974,142 thousand.

BCP believes that an important factor in maintaining the quality of its loan portfolio is the selection and training of its loan and risk officers. BCP requires loan officers to have degrees in economics, accounting or business administration from competitive local or foreign universities. In addition, the training program consists of a six-month rotation through all of the business-related areas of BCP 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 previously held positions as loan officers.

In general, BCP is a secured lender. As of December 31, 2010, approximately US$7.4 billion of our loan portfolio and contingent credits were secured by collateral, which represents 45.4% of the total loan portfolio based upon our unconsolidated figures, as compared to 47.9% in 2009 and 41.7% in 2008. Liquid collateral is a small portion of the total collateral. In general, if BCP requires collateral for the extension of credit, it requires collateral valued at between 10% and 50% above the facilities granted. The appraisal of illiquid collateral, in particular real estate assets, machinery and equipment, is performed by independent experts when required for specific reasons.

The existence of collateral does not affect the loan classification process according to regulations in effect as of December 1998. Pursuant to Peruvian banking law, secured loans, or the portion thereof covered by collateral, classified in Class "B," "C," or "D" risk categories have a lower loan loss provision requirement for Peruvian accounting purposes. If a borrower is classified as substandard or below, then BCP's entire credit exposure to that borrower is so classified.

BCP conducts unannounced internal audits on the financial statements, consistent with local banking regulation of the different jurisdictions in which it operates.

(vi) Deposits

Deposits are principally managed by BCP's retail banking group. The main objective of BCP's Retail Banking Group 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 BCP's greatest strengths. BCP has historically relied on the more traditional, stable, low cost deposit sources, which it considers to be its core deposits: time, demand deposits, savings and CTS deposits. CTS deposits, or Severance Indemnity Deposits, are funded by companies in the name of their employees. CTS deposits amount 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. Exceptions include disposing of 40% of the CTS deposit made in May 2010 and 30% of CTS deposit made in November 2010. For the year 2011, employees may dispose 70% of the excess of six gross monthly remunerations.

As of December 31, 2010, deposits represented 70.9% of BCP's total source funding. BCP's extensive branch network facilitates access to this type of stable and low-cost funding. BCP's corporate clients are also an important source of funding for BCP.

(vii) Support Areas

BCP's commercial banking operations are supported by its risk area, which evaluates and helps administer credit relationships, establishes credit policies and monitors credit risk. See "—(4) BCP and Subsidiaries—(v) Lending Policies and Procedures."

BCP's planning and finance area is in charge of planning, accounting and investor relations functions and is also responsible for analyzing the economic, business and competitive environment in order to provide the information necessary to support senior management's decision-making.

In addition to the above, BCP's administration group is generally responsible for information technology, quality control, institutional and public relations, human resources, the legal department, security, maintenance and supplies.

Information Technology

BCP is a technology leader in the Peruvian banking sector. All of BCP's retail banking group services and a substantial portion of BCP's corporate banking services are fully computerized. All of BCP's points of service, including branches, ATMs and POS terminals, are linked to BCP's data processing center, which permits BCP to monitor and analyze service while allowing most transactions to be executed on a real-time, online basis.

BCP considers its technology platform to be one of its main competitive strengths and has continued to invest in this area to maintain its competitive position in the banking sector. During 2010 BCP's expenses on systems totaled US$136.2 million (US$117.0 million corresponded to recurrent expenses and US$19.2 million to projects), higher than the expenses registered in 2009 of US$120.7 million, and above the US$97.9 million of 2008. BCP's investments totaled US$51.9 million in 2010, above the US$50.9 million recorded in 2009 but below the US$60.9 million reported for 2008. The total investment was related to large projects for a total of US$28.4 million and to small projects for an amount of US$23.5 million.

Marketing

BCP continually works to protect and strengthen the BCP brand. BCP has a proactive attitude towards competition and is focused on change and innovation. The company promotes its products and services by constantly improving them. In this manner, BCP aims to grow and be a leader in every retail market by offering the highest possible value for its clients and shareholders. In 2010, BCP continued its strategy which was based on generating value.

BCP continued to develop strategies to approach different retail customer groups. BCP's increasing use of Customer Relationship Management (CRM) tools across all segments enabled it to proactively reach customers and provide them with personalized offers and terms, in a timely manner.

Another key element for BCP to create value is innovation. BCP has launched several innovative products, including new service products for wealthy customers and new benefits for customers whose wages are paid directly into their BCP accounts. BCP also innovates by transforming the way it operates throughout the organization, achieving internally, leaner and more efficient processes and externally, an enhanced experience for our customers. During 2009 and 2010 leaner processes were implemented by making adjustments to branch layouts, tellers, ATM cash management and mortgage lending.

Quality service is a permanent goal for BCP and the company aims to proactively meet or exceed regulations promulgated under the Consumer Protection Law. BPC has made significant investments in improving service and keeping customers informed about its products and services, with a special focus on reducing the sources of claims.

Operations

Achieving greater operational efficiency is an essential part of BCP's growth strategy, and BCP is committed to improving efficiency by streamlining its processes. One of the main initiatives the company advanced in 2009 and in 2010 was "Lean Project", which aimed at increasing the satisfaction of BCP's clients by enhancing business-origination processes based on the "Lean" methodology.

During 2010, the Lean Project continued to be implemented in "waves" covering the SME, Foreign Trade and Consumer loans segments. In Expedition and Demand Management, the Lean Project helped improve the Bank's efficiency ratio and encouraged continued improvement in that division.

After two years, 14 processes were successfully analyzed. Some of the most relevant general results included the following:

- Increase in productivity of between 32% and 147%,
- Reduction of times from the client's perspective (waiting time, credit application processing time, among few others) of between 29% and 65%, and
- Reduction of waiting times by 68%.

(viii) Anti-Money Laundering Policies

As part of our enterprise wide compliance program, BCP and all the companies under our group have adopted policies and procedures for "know your customer," "know your market," "know your correspondent bank" and "know your employee" as an integral part of our anti-money laundering program. All employees corporation-wide are required to follow these policies and procedures which have been endorsed by the Board of Directors, the Chief Executive Officer and the Corporate Compliance Officer.

Credicorp's corporate compliance officer is responsible for the monitoring and oversight of the program and coordinates with the compliance officers of each of the foreign branches (BCP Panama and BCP Miami), affiliates (PPS, Atlantic Security Bank and Credicorp Securities) and foreign subsidiaries (BCP Bolivia). These institutions must comply with all regulatory laws established in the countries in which they operate, in addition to corporate policies and procedures and GAFI recommendations. Under Peruvian law, BCP must notify the SBS if any of its branches, affiliates or subsidiaries abroad are unable to meet any requirements imposed by the aforementioned entities.

The Financial Intelligence Unit is the governmental entity responsible for receiving, analyzing and disseminating suspicious transaction reports filed by obligated entities. It was created under Law 27693 in April of 2002, as amended by Laws 28009 and 28306, and incorporated under Law 29038 in June 2007 as a specialized unit of the SBS. The Financial Intelligence Unit is autonomous, both functionally and technically.

One of the main banking regulations, Law 838-2008, requires that all financial institutions supervised by the SBS have an anti-money laundering and terrorist financing compliance program that includes adequate policies, monitoring of client operations, evaluation of red flags, registration of all cash operations and a training program for all staff.

(ix) Employees

As of December 31, 2010, BCP had 16,148 employees (including 1,693 employees from Edyficar) compared to 16,748 employees as of December 31, 2009 and 15,969 employees as of December 31, 2008.

(5) Atlantic Security Holding Corporation

ASHC is a holding corporation that engages in private banking, asset management and proprietary investment. ASHC was incorporated in December 1981 in the Cayman Islands and principally serves Peruvian-based customers through Atlantic Security Bank (ASB), a wholly-owned subsidiary. ASB is a Cayman Islands licensed bank with offices in Panama through which ASHC conducts all commercial business. ASHC's balance sheet is virtually identical to ASB's, with the exception of approximately 14.6 million Credicorp shares directly held by ASHC.

As of December 31, 2010, ASHC had total assets of US$1,400.8 million and shareholders' equity of US$265.8 million (compared with US$1,484.8 million and US$239.8 million, respectively, as of December 31, 2009). ASHC reported a net profit of US$73.4 million in 2009, compared with a net loss of US$54.1 million in 2009. Adjusting for dividend income from Credicorp that is not reflected in consolidated results, ASHC's net income contribution increased from US$29.74 million in 2009 to US$48.5 million in 2010. All income other than Credicorp dividends was generated by ASB.

ASB's clients have traditionally provided a stable funding source, as many are long-time clients who roll-over deposits on a permanent basis. As of December 31, 2010, ASB had approximately 4,000 clients, 95% of whom are Peruvian. ASB deposits at year-end 2010 reached US$1,117.7 million, down 10% from US$1,230.4 million as of December 31, 2009.

ASB trades on its own account primarily by making medium-term investments in investment grade fixed-income securities and sovereign debt. Non-investment grade fixed-income securities represent a distant second in terms of portfolio allocation, while equity and hedge-fund positions, though present, are even less relevant. As of December 31, 2010, ASB had US$751.6 million at fair value, compared to US$797.2 million in 2009. In addition to ASB's portfolio, ASHC also holds an equity investment in Credicorp with a fair value of approximately US$1,738,6 million as of December 31, 2010 (compared to US$1,124.2 million as of December 31, 2009).

Third-party Asset management is an important activity for ASB. Total assets under management reached US$3,177.7 million as of December 31, 2010, compared to US$2,177.0 million as of December 31, 2009. These assets cover the range from direct unsolicited securities to ASB managed mutual funds.

ASB also maintains a sizable loan portfolio. Total loans outstanding were US$470.4 million and US$525.5 million for 2010 and 2009, respectively. Between 85% and 95% of these loans were guaranteed by client's deposits or investments. For the year-ended 2010, for example, only US$18.2 million were unsecured loans. This high level of securitization is reflected in ASB's low level of non-performing loans, consistently much less than 1% of total loan portfolio. The overwhelming majority of ASB's loans are granted to Peruvian nationals and companies, while those that are not are directed exclusively to Latin American borrowers.

ASB's overall investment strategy, general profile of its investment portfolio and specific investment decisions are reviewed on a weekly basis by an investment committee. Its credit risk by counterparty, including direct and indirect risk, is evaluated on a consolidated basis and covers all activities that generate credit exposure such as interbank placements, commercial loans and securities investment. Market, Liquidity and Operational risks are monitored by ASB's Risk Management Unit, which in turn reports to and is supervised by a Corporate Risk Committee, an Asset-Liability Committee and the Board of Directors.

(6) Pacífico Peruano Suiza

We conduct our insurance activities through Pacifico Peruano Suiza (PPS) and its subsidiaries, El Pacifico Vida and Pacifico Salud, which together make up Pacifico Insurance Group (PPS), providing a broad range of insurance products in the property and casualty, life and health businesses. In 2010, the eight most significant business lines collectively generated 81.9% of total premiums written by PPS. These business lines consisted of health, automobile, life and pension fund underwriting life annuities and commercial property damage (including fire, earthquake and allied lines and limited liability risks). PPS is the second leading Peruvian insurance company, including private health companies, with a market share of 30.9% based on direct premiums earned in 2010.

In 2010, PPS contributed a consolidated net gain of US$47.4 million compared to a net gain of US$37.4 million in 2009. PPS's total premiums increased 23.5% to US$751.9 million during 2010 from US$608.8 million in 2009, and net premiums earned, net of reinsured premiums and of technical reserves (as defined below in " (ii) Claims and Reserves"), were US$496.0 million in 2010, increasing 12.9% compared to 2009.

PPS's net underwriting result increased from a gain of US$79.9 million in 2009 to a gain of US$93.4 million in 2010. This rise in PPS's underwriting result is primarily due to the decrease of net claims paid as a percentage of net premiums written from 65.2% in 2009 to 63.6% in 2010.

PPS's business in property and casualty and private health is highly concentrated, with a client base of over 30,000 companies and over 611,000 individuals in the property and casualty and health insurance programs, including individuals affiliated with group health insurance programs through the companies by which they are employed. As of December 2010, revenues from policies written for PPS's three largest and 20 largest customers represented 7.8% and 27.7% of total premiums in its property and casualty and health insurance businesses, respectively. PPS's property insurance lines are sold through agents and brokers, while life insurance is sold by its own sales force. The 10 largest brokers in the property and casualty as well as in the private health segment accounted for approximately 43.9% of total premiums as of December 31, 2010 (compared to 43.5% as of December 31, 2009).

El Pacífico Vida (Pacífico Vida) is PPS's life insurance subsidiary. In 2010, Pacífico Vida reached total premiums of US$277 million, a 46% increase from total premiums of US$189 million in 2009.

Pacifico Vida reported a 24.4% market share based on direct premiums earned in 2010. During 2010 Pacifico Vida's total direct premiums amounted to US$276.6 million, a 46.5% increase from the figure recorded in 2009 (US$188.9 million). This increase is primarily a result of higher premiums reported in Individual Annuity (128.1%), Disability and Survivor (42.8%) and Credit Life (40.8%) lines. PPS's performance in these areas was consistent with the improved performance of the life insurance market overall.

Individual Life premiums increased in 16.8% compared to the prior year, exceeding the 8.8% market rise. This result was mainly due to the sale of our Premium Life Max and Pacifico Ahorro Vida products, our improved quality of sales service and the steady development of our distribution channels, which includes our main channel, the agencies, and our Bancassurance, Brokers, Sponsors and Part Time channels. As a result, we had 37.8% market share, leading the segment.

In Group Life business, the premiums closed 11% above prior year, mainly in SCTR (+20% above 2009) and Vida Ley (+13.3%) lines. This growth was primarily the result of microeconomic gains experienced across the country, the higher number of formal businesses and the solid development of the mining and construction industry.

The Individual Annuity line increased in 128.1% compared to the prior year 2009. This improvement was mainly due to a recently approved Early Retirement Regime, which began to quote in March 2010.

With respect to the Disability and Survivor business, our premiums closed 42.8% above the prior year's premium while the overall market increased 30.5%. We now lead in this segment with a market share of 30.7%. This growth is primarily a result of higher insurance rates (1.06% in 2010 vs. 0.87% in 2009).

Finally, the Credit Life line, which also involves credit cards and mortgage loans, increased its premiums by 40.7% from the end of 2009 to the end of 2010. PPS now has the highest market share in this area with a 27% share. PPS's strong performance is a product of its partnership with Banco de Crédito (BCP), which allows PPS to access the largest bancassurance channels in Peru.

Pacífico Vida generated earnings of US$33.9 million in 2010.

Pacífico Salud reported total revenue of US$146.4 million and net gain of US$6.4 million in 2010 mainly due to an increase in written premiums. The net loss ratio decreased to 78.8% in 2010 from 84.6% in 2009.

(i) Underwriting, Clients and Reinsurance

Underwriting decisions for substantially all of PPS's insurance (property and casualty) risks are made through its central underwriting office. PPS's own risk management staff inspects most medium and medium-to-large commercial risks prior to their underwriting, whereas third party surveyors are employed to inspect smaller risks. Underwriting standards are approved by the Board of Directors on a yearly basis.

PPS transfers risks to reinsurers to limit its maximum aggregate losses and minimize exposure on large risks. Reinsurance is placed with reinsurance companies based on evaluation of the financial capacity of the reinsurer, terms of coverage and price. PPS's principal reinsurers in 2010 were, among others, Lloyd's, Amlin, Catlin, China Re, Endurance, Everest Re, Flagstone Re, GIC, Hannover Re, Mapfre Re, MS Frontier, Munich Re, Odyssey Re, Omega, Partner Re, Paris Re, QBE Reinsurance Corp., QBE Europe, R+V, Reaseguradora Patria, Scor, Sirius International, Swiss Re, Validus Re, White Mountain and XL Re. Premiums ceded to reinsurers represented 16.7% in 2010. PPS acts as a reinsurer on a very limited basis, providing its excess reinsurance capacity to other Peruvian insurers that are unable to satisfy their reinsurance requirements.

Although PPS historically has obtained reinsurance for a substantial portion of its earthquake-related risks through excess loss contracts, there can be no assurance that a major catastrophe would not have a material adverse impact on its results of operations or financial condition. See "—(ii) Claims and Reserves."

(ii) Claims and Reserves

Net claims paid by PPS as a percentage of net premiums written (i.e., the net loss ratio) reached 63.6% in 2010, improving from 65.2% in 2009.

The net loss ratio, in the property and casualty segment, which represented 13.5% of PPS's premiums in 2010 (16.7% in 2009), decreased to 50.5% in 2010 from 53.1% in 2009, mainly due to the improved performance of automobile, limited liability risk, personal accidents and theft lines. The net loss ratio from the automobile line, which represented 9.1% of property and casualty premiums in 2010 (11.5% in 2009) decreased from 52.3% in 2009 to 41.2% in 2010. The net loss ratio from the limited liability line, which represented 0.04% of property and casualty premiums in 2010 (0.5% in 2009) decreased from 54.0% in 2009 to 35.1% in 2010. The net loss ratio of the personal accidents line, which was 1.0% of property and casualty premiums in 2010 (1.3% in 2009) decreased from 52.5% in 2009 to 38.5% in 2010.

The net loss ratio in the life insurance lines increased from 64.4% in 2009 to 66.6% in 2010, due to the increase in claims in the Ordinary, Credit and Personal Accident lines.

The net loss ratio in the health insurance lines decreased from 84.6% in 2009 to 78.8% in 2010 and represented 15.3% of PPS's premiums in 2010 (17.4% in 2009).

PPS is required to establish (i) claims reserves in respect of pending claims in its property-casualty business, (ii) reserves for future benefit obligations under its in-force life and accident insurance policies, and (iii) unearned premium reserves in respect of that portion of premiums written that is allocable to the unexpired portion of the related policy periods (collectively, "Technical Reserves"). PPS establishes claims reserves with respect to claims when reported, as well as for incurred but not reported (IBNR) claims. Such reserves are reflected as liabilities in PPS's financial statements.

PPS records as liabilities in its financial statements actuarially determined reserves calculated to meet its obligations under its life and accident policies and its pension fund underwriting business. These reserves are determined using mortality tables, morbidity assumptions, interest rates and methods of calculation in accordance with international practices.

Pursuant to SBS regulations, PPS establishes pre-event reserves for catastrophic risks with respect to earthquake coverage. See "—(11) Supervision and Regulation—(v) PPS—Reserve Requirements." In accordance with IFRS principles, th pre-event reserves and income charges for catastrophic reserves are not considered in Credicorp's consolidated financial statements.

Even though PPS maintains reserves to reduce its exposure, there is always some risk that claims might exceed PPS's reserves.

(iii) Investment Portfolio

PPS's investments are made primarily to meet its solvency equity ratio and to provide reserves for its claims. PPS manages its investments under three distinct portfolios. The first portfolio is designed to contain sufficient assets to match the liabilities of the company's property and casualty; the second portfolio is designed to match the liabilities of the company's life and annuities lines, and the third portfolio is designed to match the health care lines. Each portfolio is managed under the authority of its own committee, which reviews portfolio strategy on a monthly basis. PPS's invests in international and local markets, emphasizing investments in the U.S. and Peru. PPS has adopted strict policies related to investment decisions. The company´s investment strategies and policies are reviewed and approved by PPS's Board of Directors. Senior management also takes a leading role in devising investment strategies.

PPS´ investment division is constituted by investment professionals focused on managing risks at a rate of return that meets the needs of our portfolios. The investment team includes CFA charter holders, MBAs, US educated professionals, and economists, among others.

PPS's investment strategy also considers an appropriate match of currencies related to its assets and liabilities. A significant portion of PPS's premiums is denominated in U.S. Dollars and most of the company's assets are also invested in this currency.

As of December 31, 2010, the book value of PPS's portfolio (which includes Pacifico Seguros –PPS-, Pacifico Vida –EPV- and Pacifico Salud –EPS-) was US$1,269.3 million, which included US$102.6 million in equity securities and US$1,166.6 million in bonds. The company's real estate investments' gross book value reached US$33.3 million.

Pacifico Seguros had a book value of US$216.5 million in 2010 which included investments of equity, short-term debt instruments and real state. Pacifico Vida's book value was close to US$1,022.8 million and mainly consisted of investment grade long-term debt instruments. Also, Pacifico Salud had a small portfolio with a book value of US$30.0 million and was mainly invested in short-term debt instruments.

As part of its improvement process, PPS's has been adjusting its investment policy in order to apply the best international risk management practices and tools. PPS's also incorporated the recommendations of Solvencia II and Basel II, with a view to developing a better match of terms and currencies with the company's liabilities, especially in connection with obligations vis-à-vis PPS's insured customers.

PPS reported a financial consolidated income in 2010 of US$92.2 million, as compared to US$75.7 million in 2009. This outcome is explained by the growth of Pacifico Vida's business lines (especially the life insurance business) and Pacifico Seguros property and casualty businesses.

Pacifico Seguros 2010 financial income grew to US$24.5 million, an increase of 8.5% compared to 2009. The better performance was mainly due to the capital gains that Pacifico Seguros obtained in equity markets, its use of a barbell strategy in its fixed income portfolio and its local currency allocation in corporate bonds. In 2010, 78.4% of the gross premiums received by Pacifico Seguros were denominated in U.S. Dollars (compared to 79.4% in 2009).

The equity profits that Pacifico Seguros earned during 2010 were primarily attributable to the strong performance of the local stock market. The Peruvian stock market rallied 69.7% during 2010, as commodities prices continued to recover, the construction and financial sectors improved, demand for housing rose, and the consumer sector rallied due to increased domestic demand. Pacifico Seguros's equity portfolio strategy, supported by the positive performance of the stock market, generated realized capital gains of US$7.9 million and a total portfolio year-over-year return of 74.5%.

Pacifico Seguros was able to generate US$13.0 million in financial income from its fixed income portfolio, which was 9.4% higher than the forecast for 2010. Revenue in this portfolio was higher than forecast because the company applied a "barbell strategy" (investing in longer and shorter term maturities, as opposed to intermediate maturity obligations) and shifted its allocation of corporate and sovereign bonds that were held in local currency. The barbell strategy generated a higher return and provided Pacifico Seguros with enough liquidity to cover its obligations. The appreciation of the Nuevo Sol also improved our results in 2010. In contrast, the company´s real estate investments were 14.3% below our forecast, resulting in a 6.3% annual decline in rental fees.

Pacifico Vida's portfolio is primarily composed of fixed income securities (94.8% of the portfolio), and it is focused on investment grade bonds. The portfolio is well diversified and it follows an asset-liability management strategy.

Pacifico Vida´s 2010 financial income grew to US$66.9 million, an increase of 27.7% compared to 2009. The better performance was mainly due to (i) the growth in annuities, which was caused by the advent of a new regulation permitting early retirement for pensioners, (ii) an inflation greater than 2009, which had a positive effect on adjusted inflation bonds, (iii) the appreciation of the Nuevo Sol, and (iv) the company's strong equity portfolio, which appreciated with the local stock market.

(7) Prima AFP

In 2010, the pension fund market was stable, with less competition for transfers and increased focus on new affiliations. Prima AFP maintained its leading market position due to a strong value proposal aimed at providing quality information and service to its members.

Strong productivity by Prima AFP's sales management helped Prima AFP preserve a high quality portfolio and obtain growth of its monthly insurable remuneration (or RAM), which is the basis of its revenues. The sales management's strong productivity also contributed to Prima AFP maintaining a robust market share. With regard to contributions collection, Prima AFP maintained the largest market share (32.3% as of December 2010).

In the commercial field, Prima AFP focused on recruiting new affiliates, reducing transfer volumes and maintaining its affiliate portfolio. Pursuant to in-house estimates based on revenues and taking into account the 1.75% administration fee, Prima AFP's basis remuneration for revenues increased in 2010. This increase allowed Prima AFP once again to garner the highest monthly insurable remuneration (RAM) market share (31.6%).

In 2010, Prima AFP's pension fund investment portfolio grew as a result of increased confidence in a global recovery and strong economic growth in Peru. The positive performance of international and local financial markets was also reflected in the growth of the managed pension fund portfolio, which increased from US$7.3 billion as of December 2009 to US$9.7 billion as of December 2010, the funds managed by Prima AFP also performed well and its returns are a result of our investment process, which is based on (i) a thorough analysis of investment alternatives, (ii) the excellent performance of the Peruvian economy and (iii) our investments abroad, particularly in Latin America. Given that pension funds are long-term investments, it is best to observe their returns over a long period. Over the last 60 months, Prima AFP's annual return was 15.34% for fund 2 (Funds 1 and 3 do not have yet 5 years of existence, their return for the period 2006 – 2010 was 7.29% and 16.47%, respectively). In 2010, Prima AFP registered total revenues of US$85.2 million and profits of US$25.5 million (calculated using IFRS). This was accomplished by expanding Prima AFP's revenue base and controlling its operating expenses. The revenue result reported in 2010, unlike those reported in 2009, contained 12 rather than 13 contribution periods. This was due to the fact that in 2009, the government, as part of its anti-crisis plan, exempted affiliates from deductions on additional salaries that had to be paid in July and December under Peruvian law.

(8) Competition

(i) Banking

The Peruvian banking sector is currently composed of 15 commercial banking institutions. As of December 31, 2010, BCP ranked first among all Peruvian banks in terms of assets, deposits and loans with a market share of 37.4% of assets, 36.3% of deposits and 33.6% of loans.

Major Peruvian Banks as of December 31, 2010	Assets	Deposits	Loans
BCP	37.4%	34.2%	33.6%
BBVA Banco Continental	21.0%	22.2%	24.6%
Scotiabank Perú	15.4%	14.6%	14.1%
Interbank	10.8%	10.3%	11.3%
Banco Interamericano de Finanzas	2.6%	3.0%	2.9%

Source: SBS

We believe that the Peruvian banking industry will continue to be a competitive environment within a generally comfortable liquidity situation. This increased competition may in the future affect our loan growth and reduce the average interest rates that we may charge our customers, as well as reduce our fee income.

The relative excess liquidity at major Peruvian banks has put pressure on margins. We do not intend to pursue corporate lending opportunities that are unprofitable solely in order to maintain market share. We expect BCP's corporate banking to grow at levels similar to GDP growth. We will seek to maintain our close relationships with corporate customers, focusing on providing prompt responses to their requirements and setting competitive prices. To this end, we are currently updating our information systems to improve customer service and to allow management to obtain information on customer and business profitability more efficiently. We also intend to expand the range of BCP's investment banking and cash management products.

In its core corporate lending and trade finance businesses, ASHC principally competes with larger international institutions. ASHC attributes its ability to compete effectively with larger lending institutions to its (i) aggressive marketing efforts, (ii) ability as a smaller, more flexible institution to make decisions quickly and respond rapidly to customer needs, (iii) association with BCP and (iv) superior knowledge of the region, particularly the Peruvian market.

(ii) Capital Markets

In BCP's wholesale banking group, its corporate banking area has experienced increased competition and pressure on margins over the last few years. This is primarily the result of new entrants into the market, including foreign and privatized commercial banks, as well as local and foreign investment banks and non-bank credit providers, such as pension fund administrators (or AFPs) and mutual fund companies.

In addition, Peruvian companies have gained access to new sources of capital through the local and international capital markets. In recent years, AFPs' funds under management and mutual fund assets have increased at rates over those experienced by the banking system. The private pension fund reached US$31.1 billion as of December 31, 2010, increasing by 29.6% since December 31, 2009 (when funds totaled US$24.0 billion), due to the effect of the international financial crisis on the Peruvian stock market and pension fund system. Total mutual funds reached US$5.6 billion in 2010, a 15.0% increase from US$4.9 billion in 2009.

(iii) Other Financial Institutions

Other institutions in the Peruvian financial system tend to specialize in a given market sector. These institutions include finance companies, municipal and rural savings and credit associations, municipal public credit associations and savings and credit cooperatives. They mainly issue retail loans to small and micro-businesses and consumer and mortgage loans to individuals. These markets have shown substantial increases in recent years. BCP is facing strong competition from these credit providers, primarily with respect to (i) micro-business loans, where such providers lent US$3.7 billion as of December 31, 2010 (56.3% higher than the US$2.4 billion lent in 2009), representing 48.0% of the total in the financial system (compared to 54.7% in 2009); and (ii) consumer loans, where such providers lent US$1.4 billion in 2010 (22.2% higher than US$1.1 billion in 2009), representing 60.9% of the total in the financial system (compared to 16.3% in 2009).

BCP also faces strong competition in its credit card operations from credit cards issued by retail stores.

(iv) Insurance

The Peruvian insurance market is highly concentrated. Four companies command 83.6% of the market share in premiums, and the first two have a combined market share of 63.7%. PPS is the second largest insurance company in Peru with a 28.6% market share. Peruvian insurance companies compete principally on the basis of price, as well as on the basis of brand recognition, customer service and product features. PPS believes that its competitive pricing, solid image, and quality of customer service are significant aspects of its overall competitiveness. While increased foreign entry into the Peruvian insurance market may put additional pressure on premium rates, particularly for commercial coverage, PPS believes that in the long-term foreign competition will increase the quality and strength of the industry. PPS believes that its size and its extensive experience in the Peruvian insurance market provide it with a competitive advantage over foreign competitors.

However, competition in the Peruvian insurance industry has increased substantially since the industry was deregulated in 1991, with particularly strong competition in the area of large commercial policies, for which rates and coverage typically are negotiated individually. The loss by PPS to competitors of even a small number of major customers or brokers could have a material impact on PPS's premium levels and market share.

(9) Peruvian Government and Economy

While we are incorporated in Bermuda, substantially all of BCP's and PPS's operations and customers are located in Peru. Although ASHC is based outside of Peru, a substantial number of its customers are also located in Peru. Accordingly, our results of operations and financial condition could be affected by changes in economic or other policies of the Peruvian government, which has exercised and continues to exercise a substantial influence over many aspects of the private sector. Also, our results of operations and financial condition may be affected by other political or economic developments in Peru, such as a devaluation of the Nuevo Sol relative to the U.S. Dollar or the imposition of exchange controls by the Peruvian government. See "Item 10. Additional Information—(D) Exchange Controls." Our results of operations and financial condition are dependent on the level of economic activity in Peru.

(i) Peruvian Government

During the past several decades, Peru has had a history of political instability that has included military coups d'état and different governmental regimes, which in the past have frequently intervened in the nation's economy and social structure. See "Item 3. Key Information—(D) Risk Factors." In 1987, the administration of President Alan García attempted to nationalize the banking system. Facing an attempt by the state to control BCP, the majority shareholders of BCP at that time sold a controlling interest in BCP to its employees, which prevented the government from gaining control of BCP. See "—(C) Organizational Structure."

In the past, Peru experienced significant levels of terrorist activity, which escalated in the late 1980s and early 1990s. See "Item 3. Key Information—(D) Risk Factors." Upon being elected to office in 1990, President Alberto Fujimori's government made substantial progress in suppressing Shining Path and MRTA terrorist activity, including the arrest of the leader and second level of leadership in each terrorist group.

Between 1990 and 2000, President Fujimori implemented a broad-based reform of Peru's political system, economy and social conditions. See "Item 3. Key Information—(D) Risk Factors." President Fujimori resigned in 2000 in favor of a transitory government due to an outbreak of corruption scandals. President Toledo then assumed the presidency in 2001 after a period of political turmoil, facing high unemployment and underemployment, an economic recession and social need. In 2006, current president Alan García was elected for a five year-term. Peru is currently holding elections to determine who will succeed President García.

Despite the economic strides achieved since 1990, poverty remains a persistent problem in Peru, with almost 40% of the population living below the poverty line, which the World Bank defines as monthly income of less than US$60 per capita, adjusted to reflect differences in purchasing power. A significant number of Peruvians live on an income of less than US$30 per capita per month.

Until the global crisis, Peru had experienced continuous economic growth since the second half of 2001. President Toledo retained, for the most part, the economic policies of the previous government, focusing on achieving sustained economic growth by: increasing exports, reducing unemployment, reforming the tax system (primarily by increasing the tax base and improving tax collection), fostering private investment by promoting concessions, maintaining low inflation and the floating exchange rate, improving oversight, transparency guidelines and requirements in regulated sectors of the economy, improving the efficiency of the public sector, and maintaining open trade policies.

President Toledo transferred the presidency to Alan García Pérez on July 28, 2006, following Mr. García's victory in the run-off of the presidential elections held on June 4, 2006. Even though Mr. García´s government has mostly retained the economic policies of the previous government, 2009 showed a severe slowdown, due to the impact of the global crisis, which translated to a decrease in the GDP growth rate to 0.9% from 10.0% in the previous year. However, in 2010 the economy experienced a strong recovery and GDP growth rate was 8.8%.

Presidential elections were held in Peru on April 10, 2011. Under the Peruvian constitution, if no candidate receives the majority of votes in the election, the two candidates with the most votes will face a run-off, second round election to determine the winner. In accordance with official figures, Ollanta Humala received 31.7% of valid votes, followed by Keiko Fujimori (23.6%), Pedro Pablo Kuczynski (18.5%), Alejandro Toledo (15.6%), Luis Castañeda (9.8%) and other candidates (0.8%). Because no candidate obtained more than 50% of valid votes, a second round election will be held on June 5, 2011, between Ollanta Humala and Keiko Fujimori.

(ii) Peruvian Economy

At the beginning of the 1990s, President Fujimori liberalized price and wage controls in the private sector, eliminated all restrictions on capital flows, instituted emergency taxes to reduce the fiscal deficit and liberalized interest rates. Furthermore, his government established an agenda to institute a wide-ranging privatization plan and re-establish relations with the international financial community. President Toledo, and now President García, continued these market-oriented policies but, facing some populist initiatives from Congress and social pressures from unions and regional movements, they have passed some interventionist measures.

In the late 1980s and early 1990s, the Peruvian economy was very volatile. Since 1999, the Peruvian economy has grown every year. Between 2001 and 2008, each year Peru's economic growth was higher than in the previous year, with a 5.9% annual average. For 2009, the global crisis adversely influenced growth, but within a global comparison, Peru was among the countries with the highest GDP-growth rates: 0.9% in a year when global production decreased 1.1%.

In 2009, despite the impressive growth of public investment (+25.9% after 42.8% in 2008), the main driver of growth came from foreign markets, since domestic demand decreased as a consequence of a severe drop in inventories. However, growth dynamics in the foreign sector was driven not by a growth in exports, but due to an almost 20% decrease in imports.

The decision by the United States in August 2002 to renew and expand tax benefits through the ATPDEA for certain Latin American export products benefited the manufacturing sector because of its inclusion of Peruvian textiles. In May 2004, negotiations over a free trade agreement with the United States, Colombia and Ecuador began. During 2007, the Free Trade Agreement (FTA) with the United States was signed and the trade deal was put into effect on February 1, 2009, concluding a long process of trade negotiations and goodwill. The FTA made permanent the special access to the U.S. market enjoyed under the Andean Trade Promotion and Drug Eradication Act. The current trade between these countries is about US$11 billion annually (18.5% of total trade). The FTA is expected to encourage higher export growth and diversification, as well as accelerate reforms that will further enhance the investment climate in Peru, which is already benefiting from foreign direct investment at historic highs. During the 2008 APEC Summit, progress was made toward reaching a trade agreement with China. According to the Ministry of Foreign Trade and Tourism, the other Asian countries with which Peru is negotiating free trade agreements are Japan and South Korea, whose negotiations may be closed by mid 2011.

It has taken almost two decades of continued implementation of sound economic policies and a strong political commitment to generate a noticeable improvement in Peru's economic condition. Peru's strong macroeconomic performance was underpinned by wide-ranging structural reforms to improve the functioning of markets, foster private sector participation, and modernize the role of the state. In the early 1990s, Peru was one of the first emerging countries to undertake a simultaneous trade and capital account liberalization, accompanied by a flexible exchange rate regime and a deep reform of the financial system. Among several important transformations aimed at enhancing external competitiveness and investor confidence, Peru modernized the civil service and reformed the labor market. Peru's authorities remain committed to prudent financial policies to preserve the macroeconomic stability and a further deepening of structural reforms to sustain growth and entrench poverty reduction.

Peru's trade surplus in 2010 was US$6.8 billion, remaining well below its 2006 record (US$9 billion), but surpassing the 2009 surplus (US$5.9 billion). Peru's trade surplus was the result of a sizeable rise in exports, though imports also grew as the domestic economy expanded. Exports in 2010 increased 31.9%, while imports increased 37.1%. The increase in exports was based mostly on higher prices for commodities. Higher demand drove the growth of imports.

Peru has had a history of high and persistent current account deficits. In 2006, however, Peru had a record surplus of US$2.9 billion, which is equivalent to 3.1% of its GDP. This amount decreased in 2007, with a surplus of US$1.4 billion (1.3% of GDP) and became a deficit again in 2008 (US$4.7 billion, or 3.7% of GDP), turning back to a small surplus in 2009 following the decrease in imports (due to a lower domestic demand) and in investment income (due to lower prices of exported commodities and profits for non-resident companies). In 2010, Peru again recorded a deficit, this time in the amount of US$2.3 billion (1.5% of GDP).

Peru's financial account had a surplus of US$0.7 billion in 2006, due mainly to repayment of external debt made by the public sector. This account grew substantively in 2007 and reached US$8.3 billion due mainly to higher foreign direct investment and long-term loans. The decrease in 2008 was concentrated in the last quarter due mainly to the behavior of foreign direct investment. The flow of foreign direct investment, or FDI, into Peru was US$3.5 billion in 2006 and US$5.3 billion in 2007. Despite the US$4.0 billion in 2008 FDI, the result was not necessarily bad news as during the last quarter of 2008, Peruvian companies increased their participation in other Latin American companies, which resulted in a US$1 billion net outflow. In 2009, the financial account was about one fifth of previous years (US$1.7 billion), but it was enough to reverse the current account deficit. Lower inflows were consequence of outflows in the first half of the year given global uncertainty, but they recovered in the third and specially fourth quarter when investors adjusted their risk appetite and reassessed risks in emerging countries, which demonstrated to have solid foundations during the crisis. In 2010, emerging markets with solid fundamentals fared well (except in the fourth quarter, when activities in Ireland and negative expectations about Portugal weighed down the overall performance of emerging markets), Peru's reserves grew by US$11 billion, increasing the nation's reserves by one third.

The inflation rate in Peru, as measured by the Lima consumer price index, has fallen from 7,650.0% in 1990 to 1.1% in 2006. However, despite the Peruvian Central Bank's 2% inflation goal, with a +/-1% range, inflation was 3.9% in 2007, 6.7% in 2008, due to higher international commodity prices (with Peru being a net importer of fuel and food), and 0.3% in 2009. The Central Bank breached the inflation bands for three-years-in-a-row (last year on the downside) through 2009. However, in 2010 both total inflation and core inflation were 2.1%, consistent with the Central Bank's objectives.

The average bank market exchange rate for Nuevos Soles in Peru was S/.2.89 per US$1.00 on December 31, 2009, an 8.0% appreciation over the end-of-year levels in 2008. The Nuevo Sol weakened during the first months of 2009 because of a "flight to quality" trend, which favored positions in dollars. This trend reversed in 2010, when the exchange rate dropped to S/.2.81 at the end of the year. The appreciation rate might have been even stronger but for the high levels of economic uncertainty in Europe, since by mid October the exchange rate was under S/.2.78.

The sound policy framework put in place in recent years and the increase in international reserves have contributed to significantly reduce Peru's economic vulnerabilities and poverty (even though poverty still affects almost 40% of the population) and enhance its business environment. Peru's strong fiscal surpluses in recent years, the recent moderate deficit due to countercyclical policies notwithstanding, have also supported a significant reduction in public debt and improved maturity structure. In the current uncertain global outlook, these are important fiscal buffers. A sound monetary policy, well-established in a framework that targets inflation, has also been instrumental in helping to maintain macroeconomic stability and reduce dollarization. Structural reforms have reduced Peru's fiscal and financial vulnerabilities. Free trade agreements and the search of new markets to open new trade destinations, lower informality, and improvement in the business climate have helped improve Peru's long-term growth prospects, which are reflected in a higher investment and a higher potential growth.

These achievements have placed Peru in a strong position to face any future deterioration in external conditions, should that be the case. Building on Peru's strong fundamentals, including a resilient financial system, several measures have been appropriately implemented by the authorities that will help to limit spillovers, preserve adequate liquidity conditions in the domestic markets, and bolster domestic confidence. The Peruvian financial system has proven to be strong, despite the impact of the global financial crisis. Credit, which averaged a 31.5% growth in 2007 and 2008, lost momentum, closing 2009 with only a 9.0% growth. The economic recovery in Peru has increased demand for credit, which, in 2010, grew 22.2% among banks and 31.9% among other financial institutions.

Peruvian authorities have been implementing reforms to further strengthen its financial system. Large official reserves—currently over US$44 billion, equivalent to 18 months of imports—and strong financial soundness indicators, along with the banks' limited financial reliance on external funding, have helped preserve the system's stability. Peruvian authorities have recently introduced prudential measures, including more restrictive rules for consumer credit and new dynamic provisioning made effective last December, and strengthened banks' minimum capital requirements as Basel II is gradually implemented.

The near term domestic economic outlook still remains favorable, even when uncertainty about global economy is not solved at all. The pace of economic growth is expected to be around 7.0% in 2011, reflecting a moderate global recovery, and a more vigorous domestic demand. Inflation should remain around the 2% (+/- 1%) target range but may be pressed to the roof of the range. Main risks are external, since presidential elections may not generate unfriendly surprises for the market. Peru's medium-term prospects are favorable and require preserving prudent macroeconomic policies and dealing with long-standing structural challenges.

(10) The Peruvian Financial System

As our activities are conducted primarily through banking and insurance subsidiaries operating in Peru, a summary of the Peruvian financial system is set forth below.

(i) General

On December 31, 2010, the Peruvian financial system consisted of the following principal participants: the Central Bank, the SBS, 15 banking institutions (not including Banco de la Nación, a Peruvian state-owned bank), ten finance companies, and two leasing companies. In addition, Peru has various mutual mortgage associations, municipal and rural savings and credit associations, municipal public credit associations and savings and credit cooperatives, which totaled 33 entities as of December 31, 2010.

The present text of Law 26702 was passed in December 1996. Law 26702 regulates Peruvian financial and insurance companies. In general, it provides for tighter loan loss reserve standards, brings asset risk weighting in line with Basel Committee on Banking Regulations and Supervisory Practices of International Settlements (or the Basel Accord) guidelines, broadens supervision of financial institutions by the SBS to include holding companies, and includes specific treatment of a series of recently developed products in the capital markets and derivatives areas. The primary law governing the Peruvian financial system before the enactment of Law 26702 was Legislative Decree 637, passed in 1991 and amended by Legislative Decree 770, which substantially reformed the Peruvian financial system and modified regulations initially issued in 1930.

(ii) Central Bank

The Central Reserve Bank (or the Central Bank) was established in 1922. Pursuant to the Peruvian Constitution, its primary role is to ensure the stability of the Peruvian monetary system. The Central Bank regulates Peru's money supply, administers international reserves, issues currency, determines Peru's balance of payments and other monetary accounts, and furnishes information regarding the country's financial situation. It also represents the government of Peru before the IMF and the Latin American Reserve Fund (a financial institution whose purpose is to provide balance of payments assistance to its member countries by granting credits or guaranteeing loans to third parties).

The highest decision-making authority within the Central Bank is its seven-member board of directors. Each director serves a five-year term. Of the seven directors, four are selected by the executive branch and three are selected by the Congress. The Chairman of the Central Bank is one of the executive branch nominees but must be approved by Peru's Congress.

The Central Bank's board of directors develops and oversees monetary policy, establishes reserve requirements for entities within the financial system, and approves guidelines for the management of international reserves. All entities within the financial system are required to comply with the decisions of the Central Bank.

(iii) SBS (Peruvian Bank Superintendency)

The SBS, whose authority and activities are discussed in "—(11) Supervision and Regulation," is the regulatory authority in charge of implementing and enforcing Law 26702 and, more generally, supervising and regulating all financial, insurance and pension fund institutions in Peru.

In June 2008, Law 1028 and 1052 were approved modifying Law 26702 with the following objectives: (i) to strengthen and to increase competitiveness, (ii) to implement Basel II and (iii) to adapt the current regulatory framework to the Agreement of Commercial Promotion, APC, signed between Peru and the United States.

The main amendments defined in Law 1028 were aimed to promote the development of Peruvian capital market by extending the range of financial services that could be offered by microfinance institutions (i.e., non-banks) without requiring SBS authorization.

Law 1028 also modified the framework in which the Peruvian financial system is to be harmonized with the new international standards established by the Basel II Accord (which aims to minimize the issues regarding regulatory arbitrage). Since July 2009, Peruvian financial institutions apply the standardized method to calculate their capital requirement related to credit, market and operational risk. Also, from July 2009, the SBS started receiving applications to use Internal Models Methods for any of these three risks. Meanwhile, if an institution requires lower capital using its internal models than by using the current approach, it will have to maintain between 80% and 95% of the higher amount during the first years.

Law 1052 aims to include and synchronize Law 26702 and the APC's framework, particularly regarding insurance services. The amendments allow offering cross-border services and have simplified the process for international institutions to enter into the Peruvian market by establishing subsidiaries.

(iv) Financial System Institutions

Under Peruvian law, financial system institutions are classified as banks, financing companies, other non-banking institutions, specialized companies and investment banks. BCP is classified as a bank.

Banks

A bank is defined by Law 26702 as an enterprise whose principal business consists of (i) receiving money from the public, whether by deposits or by any other form of contract, and (ii) using such money (together with the bank's own capital and funds obtained from other sources) to grant loans or discount documents, or in operations that are subject to market risks.

Banks are permitted to carry out various types of financial operations, including the following: (i) receiving demand deposits, time deposits, savings deposits and deposits in trust; (ii) granting direct loans; (iii) discounting or advancing funds against bills of exchange, promissory notes and other credit instruments; (iv) granting mortgage loans and accepting bills of exchange in connection with the mortgage loans; (v) granting conditional and unconditional guaranties; (vi) issuing, confirming, receiving and discounting letters of credit; (vii) acquiring and discounting certificates of deposit, warehouse receipts, bills of exchange and invoices of commercial transactions; (viii) performing credit operations with local and foreign banks, as well as making deposits in those institutions; (ix) issuing and placing local currency and foreign currency bonds, as well as promissory notes and negotiable certificates of deposits; (x) issuing certificates in foreign currency and entering into foreign exchange transactions; (xi) purchasing banks and non-Peruvian institutions which conduct financial intermediation or securities exchange transactions in order to maintain an international presence; (xii) purchasing, holding and selling gold and silver as well as stocks and bonds listed on one of the Peruvian stock exchanges and issued by companies incorporated in Peru; (xiii) acting as financial agent for investments in Peru for external parties; (xiv) purchasing, holding and selling instruments evidencing public debt, whether internal or external, as well as obligations of the Central Bank; (xv) making collections, payments and transfers of funds; (xvi) receiving securities and other assets in trust and leasing safety deposit boxes; and (xvii) issuing and administering credit cards and accepting and performing trust functions.

In addition, banks may carry out financial leasing operations by forming separate departments or subsidiaries. Banks may also promote and direct operations in foreign commerce, underwrite initial public offerings, and provide financial advisory services apart from the administration of their clients’ investment portfolios. By forming a separate department within the bank, banks may also act as trustees in trust agreements.

Law 26702 authorizes banks to operate, through their subsidiaries, warehouse companies, securities brokerage companies, and to establish and administer mutual funds.

Branches of foreign banks enjoy the same rights and are subject to the same obligations as Peruvian banks. Multinational banks, with operations in various countries, may perform the same activities as Peruvian banks, although their foreign activities are not subject to Peruvian regulations. To carry out banking operations in the local market, multinational banks must maintain a certain portion of their capital in Peru, in at least the minimum amount that is required of Peruvian banks.

Finance Companies

Under Law 26702, finance companies are authorized to carry out the same operations as banks, with the exception of (i) issuing loans as overdrafts in checking accounts and (ii) participating in derivative operations. These operations can be carried out by finance companies only if they fulfill the requirements stated by the Peruvian Bank Superintendency.

Other Financial Institutions

The Peruvian financial system has a number of less significant entities which may provide credit, accept deposits or otherwise act as financial intermediaries on a limited basis. Leasing companies specialize in financial leasing operations where goods are leased over the term of the contract and in which one party has the option of purchasing the goods at a predetermined price. Savings and loans associations or cooperatives may accept certain types of savings deposits and provide other similar financial services.

Peru also has numerous mutual housing associations, municipal savings and credit associations, savings and credit cooperatives and municipal credit bureaus. The impact of these institutions on the financial system in Peru has not been significant.

Insurance Companies

Since the Peruvian insurance industry was deregulated in 1991, insurance companies have been authorized to conduct all types of operations and to enter into all forms of agreements that are needed to offer risk coverage to customers. Insurance companies may also invest in financial and non-financial assets, although they are subject to the regulations on investments and reserves established in Law 26702 and the regulations issued by the SBS.

Law 26702 is the principal law governing insurance companies in Peru. The SBS is charged with the supervision and regulation of all insurance companies. The formation of an insurance company requires prior authorization of the SBS.

The insurance industry has experienced consolidation in recent years with the number of companies decreasing from 19 in 1991 to 14 in 2010.

(11) Supervision and Regulation

(i) Credicorp

Currently there are no applicable regulations under Bermuda laws that are likely to materially impact our operations as they are currently structured. Under Bermuda law, there is no regulation applicable to us, as a holding company that would require that we separate the operations of our subsidiaries incorporated and existing outside Bermuda. Since our activities will be conducted primarily through our subsidiaries in Peru, the Cayman Islands and Bolivia, a summary of Peruvian banking and insurance regulations and Cayman Islands banking regulations is set forth below.

Our common shares are listed on the New York Stock Exchange (NYSE). We are therefore subject to regulation by the NYSE and the Securities and Exchange Commission (SEC) as a "foreign private issuer." We also must comply with the Sarbanes-Oxley Act of 2002.

We are, along with BCP, subject to certain requirements set forth in Peruvian Law 26702 ("Peruvian Banking Law" or "Law 26702") as well as certain banking statutes issued by the Peruvian banking regulator, Superintendencia de Banca y Seguros y AFP (SBS), including SBS Resolution No. 11823-2010, enacted in September 2010 and which approved the "Regulation of the Consolidated Supervision of Financial and Mixed Conglomerates." These regulations affect BCP and us primarily in the areas of reporting, risk control guidelines, limitations, ratios and capital requirements.

Since our common shares are listed on the Lima Stock Exchange in addition to the New York Stock Exchange, we are subject to certain reporting requirements to CONASEV, the Peruvian securities market regulator, and the Lima Stock Exchange. See "Item 9. The Offer and Listing—(C) Markets—The Lima Stock Exchange—(ii) Market Regulation."

(ii) BCP

Overview

BCP's operations are regulated by Peruvian law. The regulations for the operation of the Peruvian financial sector are stated in Law 26702. The SBS periodically issues resolutions that cause Law 26702 to be developed. See "—(10) The Peruvian Financial System." The SBS, under the direction of the Superintendency of Banks and Insurance Companies, supervises and regulates entities that Law 26702 classifies as financial institutions. These entities include commercial banks, finance companies, small business finance companies, savings and loan corporations, financial services companies such as trust companies and investment banks, and insurance companies. Financial institutions must seek the SBS's authorization before beginning operations.

BCP's operations are supervised and regulated by the SBS and the Central Bank. Those who violate Law 26702 and its underlying regulations are subject to administrative sanctions and criminal penalties. Additionally, the SBS and the Central Bank have the authority to issue fines to financial institutions and their directors and officers if they violate the laws or regulations of Peru, or their own institutions' bye-laws.

CONASEV is the Peruvian government institution in charge of (i) promoting the securities market, (ii) making sure fair competition takes place in the securities markets, (iii) supervising the management of businesses that trade in the securities markets and (iv) regulating their activities and accounting practices. BCP must inform CONASEV of significant events that affect its business and is required to provide financial statements to it and the Lima Stock Exchange each quarter. BCP is also regulated by CONASEV through Credibolsa, which is BCP's wholly-owned brokerage house, and Credifondo, which is BCP's wholly-owned mutual fund administration company. CONASEV examines Credibolsa and Credifondo on a regular basis.

Under Peruvian law, banks may conduct brokerage operations and administer mutual funds but must do so through subsidiaries. However, bank employees may market the financial products of the bank's brokerage and mutual fund subsidiaries. Banks are prohibited from issuing insurance policies, but are not prohibited from distributing insurance policies issued by insurance companies.

Authority of the SBS

Peru's Constitution and Law 26702 (which contains the statutory charter of the SBS) grant the SBS the authority to oversee and control banks and financial institutions (with the exception of brokerage firms, which are regulated by CONASEV – Comisión Nacional Supervisora de Empresas y Valores), insurance and reinsurance companies, companies that receive deposits from the general public, pension funds private administrators ("AFPs") and other similar entities as defined by the law. The SBS is also responsible for supervising the Central Bank to ensure that it abides by its statutory charter and bye-laws.

The SBS has administrative, financial and operating autonomy. Its objectives include protecting the public interest, ensuring the financial stability of the institutions over which it has authority and punishing violators of its regulations. Its responsibilities include: (i) reviewing and approving, with the assistance of the Central Bank, the establishment and organization of subsidiaries of the institutions it regulates; (ii) overseeing mergers, dissolutions and reorganization of banks, financial institutions and insurance companies; (iii) supervising financial, insurance and related companies from which information on an individual or consolidated basis is required, through changes in ownership and management control (this supervision also applies to non-bank holding companies, such as us); (iv) reviewing the bye-laws and amendments of bye-laws of these companies; (v) issuing criteria governing the transfer of bank shares, when permitted by law, for valuation of assets and liabilities and for minimum capital requirements; and (vi) controlling the Central de Riesgos (Bank Risk Assessment Center), to which all banks are legally required to provide information regarding all businesses and individuals with whom they deal without regard to the amount of credit risk (the information provided is made available to all banks to allow them to monitor individual borrowers' overall exposure to Peru's banks). In addition to them, the SBS is also responsible for stating the criteria relating to the existence of financial or mixed conglomerates in Peru and their supervising.

As a consequence of it, despite its supervising to BCP, the SBS also supervises Credicorp Ltd. on the basis that we are a financial conglomerate conducting the majority of our operations in Peru.

Management of Operational Risk

SBS Resolutions No. 006-2002 and 37-2008 established guidelines for operational risk management, which includes a broad range of risks and defines operational risks 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. It also establishes responsibilities for developing policies and procedures to identify, measure, control and report such risks. 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.

Credicorp, following these SBS guidelines, as well as the guidelines issued by the Basel Committee on Banking Supervision, and the advice of international consultants, has 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 be guided by the risk control standards of international financial institutions that are noted 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.

Since 2009, we broadened the responsibility of our operational risk team. First, along with critical processes and new products risk analysis, we are assessing operational risks related to critical suppliers, critical information assets, and technological components. Secondly, we have also fully developed the business continuity management (BCM) discipline, which involves the implementation of continuity plans for critical business processes, incident management and training and testing. Thirdly, we implement procedures to register, collect, analyze and report operational risk losses looking forward to advanced models to operational risk capital allocation requirements. Lastly, we created a monitoring and reporting team, whose main objective is to follow up the actions plans, monitor Key Risk Indicators (KRIs) and other performance indicators.

Pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, we are required to make certain certifications regarding our internal controls over financial reporting as of December 31, 2010. We have developed internal methods to evaluate how effective our internal controls are over our financial reporting. In addition, we are implementing computer programs that will allow us to continuously monitor, assess and document our internal controls.

Capital Adequacy Requirements

The capital adequacy requirements are set forth in the Peruvian Banking Law (Law 26702) and monitored and regulated by the Superintendency of Banks, Insurance and Private Pension Funds Administrators (the “SBS”). Law 26702 was enacted in December 1996 and amended in June 2008 through Legislative Decree 1028. The amendment became effective in July 2009 and required the capital guidelines to conform to the standards established by the second Basel Accord (Basel II).

Basel II standards modified the methodology to measure credit, market and operational risks to allow the use of standardized and internal model-based methods. Basel II standards also allow Peruvian financial institutions to request authorization from the SBS to implement an internal ratings-based (“IRB”) methodology.

Financial institutions that receive approval from the SBS to use the IRB methodology are subject to regulatory capital floors. The amount of capital required may not be less than the percentage of capital required under an 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%	—

Prior to June 2009, the capital requirements were based upon the guidelines established by the first Basel Accord (Basel I). Financial institutions were required to limit risk-weighted assets to 11 times their regulatory capital ("patrimonio efectivo"), which is equivalent to a minimum capital ratio of 9.09% of risk-weighted assets. Risk-weighted assets were calculated based upon five risk categories depending on the perceived risk of each asset class.

Pursuant to the Basel II guidelines, financial institutions are required to hold regulatory capital ("patrimonio efectivo") that is greater than or equal to the sum of (i) 10% of credit risk-weighted assets, and (ii) 10 times the amount required to cover market and operational risks. The new minimum capital requirements are being implemented as follows.

Implementation date	Regulatory capital (% of total weighted assets)	Total risk-weighted assets
July 1st, 2009	9.5%	10.5 times the regulatory capital needed to cover market risks; plus 10.5 times regulatory capital needed to cover operational risks; plus Total amount of credit risk-weighted assets.
July 1st, 2010	9.8%	10.2 times the regulatory capital needed to cover market risks; plus 10.2 times the regulatory capital needed to cover operational risks; plus Total amount of credit risk-weighted assets.
July 1st, 2011	10%	10 times the regulatory capital needed to cover market risks; plus 10 times the regulatory capital needed to cover operational risks; plus Total amount of credit risk-weighted assets.

There is also an SBS initiative to introduce additional capital requirements inspired by Pillar 2 of Basel 2 and Basel 3. In particular, the SBS published a preliminary version of the additional requirements, which are mainly related to systemic risk, capital pro-cyclicality, interest rate risk in banking books and credit concentration risk. As of February 2011, the SBS was soliciting the banking industry's views about these proposed regulations.

Article 184 of Law 26702, as amended by Legislative Decree 1028, provides that regulatory capital may be used to cover credit risk, market risk and operational risk. Regulatory capital is comprised of the sum of basic capital and supplementary capital, and is calculated as follows:

- Basic Capital: Basic Capital or Tier 1 capital is comprised of: (i) paid-in-capital (which includes common stock and perpetual non-cumulative preferred stock), legal reserves, supplementary capital premiums, voluntary reserves distributable only with prior SBS approval, and retained earnings with capitalization agreements (earnings that the shareholders or the Board of Directors, as the case may be, have committed to capitalize as common stock); (ii) other elements that have characteristics of permanence and loss absorption that are in compliance with regulations enacted by the SBS; and (iii) unrealized gains in Subsidiaries. Items deducted from Tier 1 capital include: (i) current and past years' unrealized losses; (ii) deficits of loan loss provisions; (iii) goodwill resulting from corporate reorganizations or acquisitions; and (iv) half of the amount referred to in "Deductions" below. Absent any Tier 2 capital, 100% of the amount referred to in "Deductions" below must be deducted from Tier 1 capital. The elements referred to in item (ii) above should not exceed 17.65% of the amount resulting from adding components (i) and (iii) of Tier 1 capital net of the deductions in (i), (ii) and (iii) in this paragraph.

- Supplementary Capital: Supplementary capital is comprised of the sum of certain elements from Tier 2 capital and Tier 3 capital. Tier 2 capital elements include: (i) voluntary reserves that may be reduced without prior consent from the SBS; (ii) the eligible portion of redeemable subordinated debt and of any other components that have characteristics of debt and equity as provided by the SBS; (iii) for banks using the Standardized Approach Method (SAM), the generic loan loss provision up to 1.25% of credit risk-weighted assets; or, alternatively, for banks using the Internal Ratings-Based Method (IRB), the generic loan loss provision up to 0.6% of total credit risk-weighted assets (pursuant to article 189 of the Law); and (iv) half of the amount referred to in "Deductions" below. Tier 3 capital is comprised of redeemable subordinated debt that is incurred with the exclusive purpose of covering market risk, as referred to in Article 233 of the Law.

- Deductions: The following are deducted from Tier 1 and Tier 2 capital: (i) all investments in shares and subordinated debt issued by other local or foreign financial institutions and insurance companies; (ii) all investments in shares and subordinated debt issued by an affiliate with which the bank consolidates its financial statements, including its holding company and such subsidiaries referred to in Articles 34 and 224 of the Law; (iii) the amount in which an investment in shares issued by a company with which the bank does not consolidate its financial statements and which is not part of the bank's negotiable portfolio, exceeds 15% of the bank's regulatory capital; (iv) the aggregate amount of all investments in shares issued by companies with which the bank does not consolidate its financial statements and which are not part of the bank's negotiable portfolio, exceeds 60% of the regulatory capital; (v) when applicable, the amount resulting from the formula prescribed in Article 189 of the Law. For the purposes herein, "regulatory capital" excludes the amounts referred to in (iii), (iv) and (iv) of this paragraph.

Article 185 of the Law 26702 also provides that the following limits apply when calculating regulatory capital: (i) the aggregate amount of supplementary capital must not exceed the aggregate amount of basic capital; (ii) the amount of redeemable Tier 2 subordinated instruments must be limited to 50% of the amount resulting from the sum of Tier 1 elements net of the deductions in (i), (ii), and (iii) in "Basic Capital" above; (iii) the amount of Tier 3 capital must be limited to 250% of the amount resulting from the sum of Tier 1 elements net of the deductions (i), (ii), and (iii) in "Basic Capital" above in the amounts assigned to cover market risk.

As of December 31, 2010, BCP's regulatory capital was 12.84% of unconsolidated risk-weighted assets, which is equivalent to having risk-weighted assets that are 7.79 times the amount of regulatory capital.

Legal Reserve Requirements

Pursuant to Article 67 of Law 26702, all banks must maintain legal reserves. Each year a bank must allocate 10% of its net income to its legal reserves until its legal reserves are equal to 35% of its paid-in capital stock. Any subsequent increase in paid-in capital requires a corresponding increase in the amount of legal reserves. As of December 31, 2010, BCP's legal reserves were S/.895.2 million (US$318.7 million), equivalent to 35.0% of BCP's paid-in capital as of such date. Paid-in capital increased by S/.329.5 million during 2010 due to the capitalization of 2009.

Provisions for Loan Losses

The SBS has authority to establish loan reserves and issue guidelines for the provision of loan losses by Peruvian credit institutions, including commercial banks. SBS Resolution No. 41-2005, enacted in January 2005, requires additional provisions for loans subject to foreign exchange risk, which are recorded for local purposes. Since July 2010, SBS Resolution No. 11356-2008 has required commercial banks to implement a new framework for the assessment and classification of debtors. The resolution also required the establishment of pro-cyclical provisions starting December 2008. In September 2009 the "procyclical" provisions were canceled, but in September 2010 a new SBS resolution reinstated these kinds of provisions. We estimate and record our allowance for loan losses according to the criteria set out in IAS 39, adjusting the local provisions as necessary. See Notes 3(f)(ii) and 3(i) to the Credicorp Consolidated Financial Statements.

Provisions for Country Risk

SBS Resolution No. 505-2002 requires the establishment of provisions for exposure to country risk, which includes sovereign risk, transfer risk and expropriation or nationalization risk that may affect operations with companies or individuals in foreign countries. The SBS has also established guidelines for the procedures and responsibilities for the management of country risk.

Central Bank Reserve Requirements

Under Law 26702, banks and financial institutions are required to maintain legal reserve requirements for certain obligations. The changes in the reserve requirement regulations were made in the second half of 2010 in accordance with the monetary policy adopted by the Central Bank.

The Central Bank requires financial instructions to maintain marginal reserve requirements for obligations for local and foreign currency obligations. The exact level and method of calculation of the reserve requirement is established by the Central Bank. The reserve requirements in Peru apply to obligations such as demand and time deposits, savings accounts, securities, certain bonds and funds administered by the bank. Additionally, the Central Bank requires reserves on amounts due to foreign banks and other foreign financial institutions. Furthermore, as of January 2011, obligations of foreign subsidiaries and affiliates are also subject to the reserve requirement. Funding from the public sector directed to the microfinance sector and foreign credits with periods of 2 years or more are not subject to the regulation, among other exemptions.

In June 2010, the Central Bank, as part of its monetary policy to restrict internal demand and the potential risk of inflation, has raised the minimum level of reserves that banks are required to hold by 3%, from 6% to 9%. In January 2010 the Central Bank set a new marginal reserve requirement on foreign credits with a period less than 2 years, in order to encourage long term capital inflows. The reserve ratio applied to foreign credits with that maturity has increased from 35% to 60% during the year. Currently, obligations are subject to a marginal reserve ratio of 55% in foreign currency and 25% in local currency. The reserve funds can be constituted by cash and deposits, with a minimum of 3% held in deposits in current accounts in the Central Bank.

The Central Bank establishes a remuneration rate on the marginal reserves, those that exceed the minimum legal requirement of 9%, only if such reserves are deposited in the Central Bank's current account. Foreign currency cannot be used as reserve requirements for liabilities in domestic currency, and vice versa. The Central Bank oversees compliance with the reserve requirements.

The reference interest rate is periodically revised by the Central Bank in accordance with its monetary policy objectives. Once a month the board of directors of the Central Bank approves and announces the Monetary Program through a press release. The reference interest rate increased in 2008 reaching a maximum level of 6.5%. During 2009 the Central Bank started to loosen its monetary policy stance as a response to the deceleration of private spending and the deterioration of the economy. The Central Bank reduced the reference interest rate from 6.50% to 1.25% during that year. In May 2010 the Central Bank changed the direction of its monetary policy to a more restrictive position in light of the rapid growth of domestic demand and the potential for dangerous levels of inflation. Since then, there have been consecutive increases of the reference interest rate, which is currently 3.25%.

In the past few years, the Central Bank has on numerous occasions changed the reserve requirement applicable to Peruvian financial institutions as part of its monetary policy. The regulations that were put in place in 2010 have increased the amount of reserves required to S/1,779 million and US$198 million in local and foreign currency respectively. This new environment has led to an increase in the funding cost of the bank. Changes in the reserve requirement regulation may adversely affect the bank´s business, financial condition and results of operations.

Lending Activities

Law 26702 sets the maximum amount of credit that a financial institution may extend to a single borrower. A single borrower includes an individual or an economic group. An economic group constituting a single or common risk includes a person, such person's close relatives and the companies in which such person or close relatives have significant share ownership or decision-making capability. According to current regulations, shareholders who own or control directly or indirectly at least one-tenth of a company's shares are considered significant shareholders. Significant decision-making capability is deemed to be present when, among other factors, a person or group can exercise material and continuous influence upon the decisions of a company, when a person or company holds seats on the board of directors or has principal officers in another company, or when it can be assumed that one company or person is the beneficial recipient of credit facilities granted to another company.

The limit on credit that may be extended to one borrower vary according to the type of borrower and the collateral received. The limit applicable to credit for any Peruvian borrower is 10% of the bank's regulatory capital, applied to both unconsolidated and consolidated records, which may be increased to up to 30% if the loan is collateralized in a manner acceptable under Law 26702. If a financial institution exceeds these limits, the SBS may impose a fine on the institution. As of December 31, 2010, the 10.0% credit limit per borrower of BCP, unconsolidated, was US$197.4 million for unsecured loans, and the 30.0% limit was US$592.2 million for secured loans.

Pursuant to Article 52 of the organic law of the Central Bank, in certain circumstances, the Central Bank has the authority to establish limits on interest rates charged by commercial banks and other financial institutions. No such limits are currently in place; however, there can be no assurance that the Central Bank will not establish such limits on interest rates in the future.

Related Party Transactions

Law 26702 regulates transactions with related parties and affiliates of financial institutions. SBS and CONASEV have also enacted regulations that define indirect ownership, related parties and economic groups, which serve to limit transactions with related parties and affiliates. These regulations also provide standards for the supervision of financial and mixed conglomerates formed by financial institutions.

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. All loans made to any single related party borrower may not exceed 0.35% of such regulatory capital (i.e., 5% of the overall 7% limit).

Pursuant to Law 26702, as amended by Law 27102, the aggregate amount of loans to related party borrowers considered to be part of an economic group (as defined above) may not exceed 30% (previously 75%) of a bank's regulatory capital. For purposes of this test, related party borrowers include (i) any person holding, directly or indirectly, 4% or more of a bank's shares, (ii) directors, (iii) certain principal executive officers of a bank or (iv) persons affiliated with the administrators of the bank. Loans to individual related party borrowers are also subject to the limits on lending to a single borrower described under "—Lending Activities" above. All loans to related parties must be made on terms no more favorable than the best terms that BCP offers to the public.

Ownership Restrictions

Law 26702 establishes certain restrictions on the ownership of a bank's shares. Banks must have at least two unrelated shareholders at all times. Restrictions are placed on the ownership of shares by persons that have committed certain crimes, as well as by public officials who have supervisory powers over banks or who are majority shareholders of an enterprise of a similar nature. All transfers of shares in a bank must be reported by the bank to the SBS after the transfer. Transfers involving the acquisition by any individual or corporation, whether directly or indirectly, of more than 10% of a bank's capital stock require prior authorization from the SBS. The SBS may deny authorization to such transfer of shares if the purchasers (or their shareholders in the case of juridical persons) are legally disabled, have engaged in illegal activity in the area of banking, finance, insurance or reinsurance, or if objections are raised on the basis of the purchaser's moral fitness or economic solvency. The decision of the SBS is final, and cannot be overturned by the courts. If a transfer is made without obtaining the prior approval of the SBS, the purchaser may be fined an amount equivalent to the value of the securities transferred. In addition, the purchaser is required to sell the securities within 30 days, or the fine will double, and the purchaser is disqualified from exercising its voting rights at shareholders' meetings. Foreign investors receive the same treatment as Peruvian nationals and are subject to the limitations described above.

Finally, under Peruvian law, individuals or corporations that acquire more than 3% of a bank's shares or 1% in a period of 12 months are required to provide information to the SBS upon request.

Risk Rating

Law 26702 and SBS Resolution No. 672 require that all financial companies be rated by at least two risk rating companies on a semi-annual basis (in March and September), in addition to the SBS's assessment. Criteria to be considered in the rating include risk management and control procedures, loan quality, financial strength, profitability, liquidity and financial efficiency. Five risk categories are assigned, from "A" (lowest risk) to "E" (highest risk), allowing for sub-categories within each category. As of September 2009, BCP was assigned the "A+" risk category by its two rating agencies, Equilibrium Clasificadora de Riesgo and Apoyo and Associates International.

Deposit Fund

Law 26702 provides for mandatory deposit insurance to protect the deposits of financial institutions by establishing the Fondo de Seguro de Depósitos (Deposit Insurance Fund or the Fund) for individuals, associations, not-for-profit companies, and demand deposits of non-financial companies. Financial institutions must pay an annual premium calculated on the basis of the type of deposits accepted by the entity and the risk classification of such entity, made by the SBS and at least two independent risk-rating agencies. The annual premium begins at 0.65% of total funds on deposit under the coverage of the Fund and increases to 1.45% applicable to banks in the highest risk category. BCP is currently classified in the lowest risk category. The maximum amount (defined on a monthly basis) that a customer is entitled to recover from the Fund is S/.84,710 until as of December 31, 2010.

Intervention by the SBS

Pursuant to Law 26702, as amended by Law 27102, the SBS has the authority to seize the operations and assets of a bank. These laws provide for three levels of action by the SBS: a supervisory regime, an intervention regime and the liquidation of the bank. Any of these actions may be taken if certain events occur, including if the bank: (i) interrupts payments on its liabilities, (ii) repeatedly fails to comply with the regulations of the SBS or the Central Bank, (iii) repeatedly violates the law or the provisions of the bank's bye-laws, (iv) repeatedly manages its operations in an unauthorized or unsound manner or (v) has its regulatory capital fall or be reduced by more than 50%.

During the intervention regime, rather than seizing the operations and assets of a bank, the SBS may adopt other measures, including (i) placing additional requirements on the bank, (ii) ordering it to increase its capital stock or divest certain or all of its assets, or (iii) imposing a special supervision regime during which BCP must adhere to a financial restructuring plan.

The SBS intervention regime stops a bank's operations and may last for a maximum of 45 days, which may be extended for an additional 45 days. During this time, the SBS may institute measures such as: (i) canceling losses by reducing reserves, capital and subordinated debt, (ii) segregating certain assets and liabilities for transfer to another financial institution and (iii) merging the intervened bank with an acquiring institution according to the program established by Urgent Decree No. 108-2000, enacted in November 2000. After the intervention, the SBS will liquidate the bank unless it is merged with an acquiring institution, as described in (iii) above.

Regulation from the United States Federal Reserve Bank and from the State of Florida Department of Banking and Finance

Banco de Credito del Peru, Miami Agency ("BCP Miami Agency") is licensed to operate as an International Agency in the State of Florida and was authorized to transact business by the Comptroller of Florida on September 3, 2002. The Office of Financial Regulation of the State of Florida shares regulatory responsibility with the Federal Reserve Bank of Atlanta.

Regulation from the Superintendency of Banks in Panama

BCP Panama is a branch of BCP that is registered in the Republic of Panama. It began operating in June 2002 under an International License issued by the Panamanian Superintendence of Banks, in accordance with Law Decree No. 9 of February 26, 1998, as amended. BCP Panama is subject to an inspection every two (2) years made by auditors and inspectors of the Panamanian Superintendence of Banks, to determine, among other things, its compliance with the Decree Law No. 2 and No. 42 Law on the Prevention of Money Laundering.

(iii) ASB

General

Atlantic Security Bank (ASB), a subsidiary of ASHC, is a Cayman Islands bank with a branch in Panama. ASB is regulated by the regulatory authorities of the Cayman Islands while its Panama branch is regulated by the banking authorities of Panama. The supervision of ASB by Cayman Islands and Panamanian regulatory authorities is less extensive than the supervision and regulation of U.S. banks by U.S. banking authorities. In particular, ASB does not have a lender of last resort and its deposits are not guaranteed by any government agency.

ASB is registered as an exempt company and is licensed in the Cayman Islands pursuant to the Banks and Trust Companies Law. ASB holds an unrestricted Category B Banking and Trust License, as well as a Mutual Fund Administrator License. As a holder of a Category B License, ASB may not take deposits from any person residing in the Cayman Islands other than another licensee, an exempt company or an ordinary non-resident company which is not carrying on business in the Cayman Islands.

ASB may not invest in any asset which represents a claim on any person residing in the Cayman Islands, except a claim resulting from: (i) a loan to an exempt or an ordinary non-resident company not carrying on business in the Cayman Islands; (ii) a loan by way of mortgage to a member of its staff or to a person possessing or being deemed to possess Caymanian status under the immigration law, for the purchase or construction of a residence in the Cayman Islands to be owner-occupied; (iii) a transaction with another licensee or (iv) the purchase of bonds or other securities issued by the government of the Cayman Islands, a body incorporated by statute, or a company in which the government is the sole or majority beneficial owner. In addition, ASB may not, without the written approval of the Cayman Islands Monetary Authority (the “Authority”), carry on any business in the Cayman Islands other than permitted by the Category B License.

There are no ratio or liquidity requirements under the Cayman Banking Law, but the Authority expects observance of prudent banking practices. As a matter of general practice, the ratio of liabilities to capital and surplus should not exceed 40-to-1 and the ratio of risk-weighted assets to capital and surplus should not exceed 8.33-to-1 (approximately 12%). There is a statutory minimum net worth requirement of US$480,000, but the Authority generally requires a bank or trust company to maintain a higher paid-in capital appropriate to its business. The Authority requires compliance with the guidelines promulgated by the Basel Accord on Banking Regulations and Supervisory Practices although, in special circumstances, different gearing and/or capital risk asset ratios may be negotiated. Compliance with the Cayman Banking Law is monitored by the Authority.

Continuing Requirements

Under the law of the Cayman Islands, ASB is subject to the following continuing requirements: (i) to remain in good standing under the Cayman Islands Companies Law, including the filing of annual and other returns and the payment of annual fees; (ii) to file with the Registrar of Companies any change in the information or documents required to be provided and to pay annual fees; (iii) to file certain prescribed forms with the Authority on a quarterly basis; (iv) to file with the Authority audited accounts within three months of each financial year (in the case of a locally incorporated bank which is not part of a substantial international banking group, a senior officer or board member discusses these accounts each year at a meeting with the Authority) and (v) to file an annual questionnaire.

ASB is required by the Cayman Banking Law to have at least two directors. Additionally, ASB must receive prior approval from the Authority (i) for any proposed change in the directors or senior officers, though in exceptional cases a waiver can be obtained enabling changes to be reported after the event or annually in the case of a branch of a substantial international bank; (ii) for the issue, transfer or other disposal of shares (it is rare for a waiver to be granted with respect to shares except in the case of a branch of a substantial international bank and where the shares are widely held and publicly traded); (iii) for any significant change in the business plan filed on the original license application or (iv) to open a subsidiary, branch, agency or representative office outside the Cayman Islands. Finally, ASB must obtain the prior approval of the Authority to change its name and must notify the Authority of any change in the principal office and authorized agent in the Cayman Islands.

(iv) BCB

Until March 2010, the Bolivian banking system operated under the Ley de Bancos y Entidades Financieras (the Law of Banks and Financial Entities) No. 1488, enacted on April 14, 1993, which was modified by Law 3076 of June 20, 2005, which granted supervisory powers to the Superintendency of Banks and Financial Entities (now referred to as the Financial System Supervisory Authority (Autoridad de Supervisión del Sistema Financiero), pursuant to Supreme Decree 29894). In addition, the law established that Banco Central de Bolivia (the Central Bank of Bolivia) would regulate financial intermediation and deposit activities, determine monetary and foreign exchange policy, and establish reserve requirements on deposits and capital adequacy, which banks and financial companies were required to follow. Also, the Autoridad de Supervisión del Sistema Financiero (the Financial System Supervisory Authority) supervised brokerage activities and mutual fund management that was conducted through BCB’s subsidiaries Credibolsa S.A. and Credifondo S.A. These subsidiaries operated under the Ley del Mercado de Valores (the Securities Markets Law) No. 1834, enacted on March 31, 1998.

The new constitution of Bolivia, which was approved by referendum in February 2009, established that the Bolivian financial system is to be regulated as follows:

- The Central Bank of Bolivia is responsible for maintaining the stability of the internal monetary value and has authority to regulate monetary policy, control foreign exchange policies, regulate the payment system, authorize the issuance of money and administrate international reserves in coordination with the Economic Policy stated by the Public Sector.

- All financial entities (banks, mutual funds, securities, insurance and others) are regulated by the Financial System Supervisory Authority (or FSSA). The FSSA (or ASFI in Spanish) has assumed all regulatory functions held previously be the Superintendency of Banks and Financial Entities and the Superintendency of Pensions, Securities and Insurance.

The changes to existing laws by the new Bolivian constitution have not materially impacted BCB’s business.

(v) PPS

Overview

PPS’s operations are regulated by Law 26702 and the SBS. Peruvian insurance companies must submit regular reports to the SBS regarding their operations. In addition, the SBS conducts on-sight reviews on an annual basis. The SBS conducts these reviews primarily to review a company’s compliance with solvency margin and reserve requirements, investment requirements and rules governing the recognition of premium income. If the SBS determines that a company is unable to meet the solvency margin or technical reserve requirements, or is unable to pay claims as they come due, it may either liquidate the company or permit it to merge with another insurance company.

Under Peruvian law, insurance companies may engage in certain credit risk operations, such as guarantees, bonds and trusteeships, but are prohibited from offering other banking services, operating mutual funds or offering portfolio management services. In addition, insurance companies may not conduct brokerage operations for third parties.

Peruvian insurance companies are also prohibited from having an ownership interest in other insurance or reinsurance companies of the same class or in private pension funds.

Establishment of an Insurance Company

Insurance companies must be authorized by the SBS to commence operations. Peruvian law establishes certain minimum capital requirements for insurance and reinsurance companies, which must be satisfied by cash investments in the company. The statutory amounts are expressed in constant value.

Solvency Requirements

Pursuant to Law 26702, the SBS regulates the solvency margin of Peruvian insurance companies. The solvency margin calculations take into account the amount of premiums written and losses incurred during a specified period prior to the date of the calculation.

Insurance companies must also maintain solvency equity, which must be the greater of (i) the solvency margin and (ii) the minimum capital requirement, as established by law. The required amount of solvency equity is recalculated at least quarterly. If an insurance company has outstanding credit risk operations, part of the solvency equity must be set aside for its coverage.

Legal Reserve Requirements

Peruvian law also requires that all insurance companies establish a legal guarantee reserve for policyholders by setting aside 10% of income before taxes until the reserve reaches at least 35% of paid-in capital.

Reserve Requirements

Pursuant to Law 26702 and regulations issued by the SBS, Peruvian insurance companies must establish technical reserves. See "—(6) Pacífico Peruano Suiza—(ii) Claims and Reserves." Law 26702 also requires insurance companies to create a reserve for IBNR claims, which are reflected as a liability, net of recoveries and reinsurance, in the Credicorp Consolidated Financial Statements. Reserves for IBNR claims are estimated by using generally accepted actuarial reserving methods. See Note 3(e) to the Credicorp Consolidated Financial Statements. Finally, PPS is required by the SBS to establish pre-event reserves for risk of catastrophes, which, in accordance with IFRS principles, are not considered in our financial statements. See "—(6) Pacífico Peruano Suiza—(ii) Claims and Reserves."

Investment Requirements

Pursuant to Law 26702, the total amount of an insurance company's solvency equity and technical reserves must be permanently supported by diversified assets, which may not be pledged or otherwise encumbered. The investment regulations further state that deposits in and bonds of one financial institution together cannot exceed 10% of the total of an insurer's solvency equity and technical reserves combined. In general, no more than 20% of an insurance company's combined solvency equity and technical reserves may be invested in instruments (including stocks and bonds) issued by a company or group of companies. In order for an insurance company to invest in non-Peruvian securities, the securities must be rated by an internationally recognized credit rating company and the asset class must be authorized by Peruvian SBS regulations. Securities owned by insurance companies must be registered in the Public Registry of Securities of Peru or the comparable registry of their respective country.

Related Party Transactions

Law 26702 generally provides that insurance companies may not extend credit to or guarantee the obligations of employees or members of the board of directors, except for certain home mortgage loans to employees.

Ownership Restrictions

Law 26702 sets forth the same types of restrictions regarding the ownership and transfer of insurance company shares as it does regarding the ownership and transfer of shares in banks. See "—(11) Supervision and Regulation—(ii) BCP—Overview."

(vi) Prima AFP

Prima AFP's operations are regulated in Peru by the Consolidated Sole Text of the Private System for the Administration of Funds Act, approved by Supreme Decree No. 054-97-EF. Operations are controlled and supervised by the SBS. In addition, AFPs are under the supervision of the CONASEV. AFPs must submit reports to the SBS, members and beneficiaries in general, with regard to the administration of retirement funds and any information linked to the AFP's operations.

Under Peruvian legislation, AFPs can only have one type of business activity, that is, they can only offer services linked to the administration of pension funds under the category of Individual Capital Accounts. Also, AFPs must pay benefits provided by Law and administer retirement, disability, death benefit and funeral expense risks. AFPs must submit audited financial information, in accordance with SBS regulations. There are certain limitations on the ownership and transfer of AFP shares

SBS authorization is required for an AFP to begin operations. Peruvian law establishes a minimum capital requirement, paid in cash by the shareholders.

SBS establishes general investment limits:

- The total amount invested in instruments issued or guaranteed by the Peruvian State cannot exceed 30% of the fund value.
- The total amount invested on instruments issued or guaranteed by BCRP cannot exceed 30% of the fund value.
- The total amount jointly invested under the two aforementioned points cannot exceed 40% of the fund value.
- The total amount invested in instruments issued by the Government, financial institutions, and non-financial institutions whose commercial activities are mostly abroad, cannot exceed 30% of the fund value.

In addition, the Central Bank can set maximum operating percentages and/or sub-limits to the aforementioned investment limits.

SBS requires a guaranteed minimum profitability for the administered funds. Part of the guarantee is the Encaje Legal, an obligatory reserve, which must be created with AFP funds. The amount will depend on the type of instruments that make up the fund. In addition, Peruvian law establishes that companies must set up a legal reserve equivalent to 10% of net profits, until the reserve is at least 20% of the capital.

(12) Selected Statistical Information

In the following tables, we have set forth certain selected statistical information and ratios regarding our business for the periods indicated. You should read the selected statistical information in conjunction with the information included in “Item 5. Operating and Financial Review and Prospects—(A) Operating Results” and the Credicorp Consolidated Financial Statements (and the notes that accompany the financial statements). The statistical information and discussion and analysis given below for the years 2006, 2007, 2008, 2009 and 2010 reflect our consolidated financial position as well as that of our subsidiaries, as of December 31, 2006, 2007, 2008, 2009 and 2010 and our results of operations for 2006, 2007, 2008, 2009 and 2010.

(i) Average Balance Sheets and Income from Interest-Earning Assets

The tables below set forth selected statistical information based on our average balance sheets prepared on a consolidated basis. Except as otherwise indicated, we have classified average balances 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, the average balances are based on the quarterly ending balances in each year. Any of these quarter-end balances that were denominated in Nuevos Soles have been converted into U.S. Dollars using the applicable SBS exchange rate as of the date of such balance. Our management does not believe that the stated averages present trends materially differ from those that would be presented by daily averages.

Average Balance Sheets
Assets, Interest Earned and Average Interest Rates

	Year ended December 31,						
	2008			2009			
ASSETS:	Average Balance	Interest Earned	Nominal Avg. Rate	Average Balance	Interest Earned	Nominal Avg. Rate	Average Balance
	(U.S. Dollars in thousands, except percentages)						
Interest-earning assets:							
Deposits in Central Bank							
Nuevos Soles	US$221,485	US$10,055	4.54 %	US$64,870	US$1,425	2.20 %	US$1,056,38
Foreign Currency	1,737,797	27,859	1.60	2,099,395	3,446	0.16	2,147,57
Total	1,959,282	37,914	1.94	2,164,265	4,871	0.23	3,203,96
Deposits in other banks							
Nuevos Soles	68,990	2,821	4.09	111,006	5,733	5.16	54,525
Foreign Currency	778,822	34,531	4.43	920,030	5,314	0.58	855,555
Total	847,812	37,352	4.41	1,031,036	11,047	1.07	910,080
Investment securities							
Nuevos Soles	2,453,796	187,156	7.63	1,536,677	38,313	2.49	2,212,17
Foreign Currency	3,355,232	110,865	3.30	3,288,724	148,316	4.51	3,277,30
Total	5,809,028	298,021	5.13	4,825,401	186,629	3.87	5,489,48
Total loans (1)							
Nuevos Soles	2,987,721	400,394	13.40	3,893,475	537,357	13.80	4,957,67
Foreign Currency	6,533,987	563,546	8.62	6,810,072	524,689	7.70	7,965,57
Total	9,521,708	963,940	10.12	10,703,547	1,062,046	9.92	12,923,2
Total dividend-earning assets							
Nuevos Soles	174,356	6,672	3.83	160,185	2,057	1.28	228,216
Foreign Currency	107,567	5,517	5.13	114,074	7,658	6.71	208,061
Total	281,923	12,189	4.32	274,259	9,715	3.54	436,277
Total interest-earning assets							
Nuevos Soles	5,906,348	607,098	10.28	5,766,213	584,885	10.14	8,508,97
Foreign Currency	12,513,405	742,318	5.93	13,232,295	689,423	5.21	14,454,0
Total	18,419,753	1,349,416	7.33	18,998,508	1,274,308	6.71	22,963,0
Noninterest-earning assets:							
Cash and due from banks							
Nuevos Soles	308,321			327,127			362,846
Foreign Currency	259,761			275,276			317,649
Total	568,082			602,403			680,495

Reserves for loan losses							
Nuevos Soles	(68,072)			(133,303)			(211,053
Foreign Currency	(156,850)			(156,364)			(184,307
Total	(224,922)			(289,667)			(395,360
Premises and equipment							
Nuevos Soles	269,221			303,170			338,446
Foreign Currency	26,805			19,242			15,518
Total	296,026			322,412			353,964
Other non-interest-earning assets and gain from derivatives instruments and other interest income							
Nuevos Soles	527,364	1,193		820,740	12,728		1,068,83
Foreign Currency	747,978	32,235		814,175	25,889		698,261
Total	1,275,342	33,428		1,634,915	38,617		1,767,09
Total non-interest-earning assets							
Nuevos Soles	1,036,834	1,193		1,317,734	12,728		1,559,07
Foreign Currency	877,694	32,235		952,329	25,889		847,121
Total	1,914,528	33,428		2,270,063	38,617		2,406,19
Total average assets							
Nuevos Soles	6,943,182	608,291	8.76	7,083,947	597,613	8.44	10,068,0
Foreign Currency	13,391,099	774,553	5.78	14,184,624	715,312	5.04	15,301,1
Total	20,334,281	1,382,844	6.80	21,268,571	1,312,925	6.17	25,369,2

(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 interest is included.

Average Balance Sheets
Liabilities, Interest Paid and Average Interest Rates

	Year ended December 31,						
	2007			2008			200
LIABILITIES	Average Balance	Interest Paid	Nominal Avg. Rate	Average Balance	Interest Paid	Nominal Avg. Rate	Average Balance
	(U.S. Dollars in thousands, except percentages)						
Interest-bearing liabilities:							
Demand deposits							
Nuevos Soles (1)	US$1,685,905	US$22,986	1.36%	US$1,723,108	US$15,378	0.89%	US$2,251,493
Foreign Currency (1)	2,603,193	15,099	0.58	2,685,555	6,036	0.22	3,018,053
Total	4,289,098	38,085	0.89	4,408,663	21,414	0.49	5,269,546
Savings deposits							
Nuevos Soles (1)	1,143,032	13,511	1.18	1,283,529	8,610	0.67	1,719,869
Foreign Currency (1)	1,560,084	13,654	0.88	1,952,183	9,899	0.51	2,104,084
Total	2,703,116	27,165	1.00	3,235,712	18,509	0.57	3,823,953
Time deposits							
Nuevos Soles (1)	2,659,712	156,137	5.87	1,988,784	86,312	4.34	2,875,041
Foreign Currency (1)	3,640,246	154,719	4.25	4,191,628	119,806	2.86	3,980,385
Total	6,299,958	310,856	4.93	6,180,412	206,118	3.34	6,855,426
Due to banks and correspondents							
Nuevos Soles	190,227	8,763	4.61	201,718	4,851	2.40	201,360
Foreign Currency	1,366,553	57,729	4.22	849,004	22,477	2.65	1,630,662
Total	1,556,780	66,492	4.27	1,050,722	27,328	2.60	1,832,022
Bonds							
Nuevos Soles	468,265	30,864	6.59	528,565	35,133	6.65	576,907
Foreign Currency	1,269,327	59,219	4.67	1,572,566	56,186	3.57	1,994,668
Total	1,737,592	90,083	5.18	2,101,131	91,319	4.35	2,571,575
Total interest-bearing liabilities							
Nuevos Soles	6,147,141	232,261	3.78	5,725,704	150,284	2.62	7,624,670
Foreign Currency	10,439,403	300,419	2.88	11,250,936	214,404	1.91	12,727,852
Total	16,586,544	532,680	3.21	16,976,640	364,688	2.15	20,352,522
Non-interest-bearing liabilities and net equity:							
Other liabilities and loss from derivatives instruments and other interest expenses							

Nuevos Soles	489,502	20,850		676,295	(11,177)		761,986
Foreign Currency	1,363,623	8,087		1,489,528	67,053		1,401,822
Total	1,853,125	28,937		2,165,823	55,876		2,163,808
Equity attributable to Credicorp equity holders							
Nuevos Soles							
Foreign Currency	1,770,400			1,980,856			2,688,367
Total	1,770,400			1,980,856			2,688,367
Minority Interest							
Nuevos Soles							
Foreign Currency	124,212			145,252			164,550
Total	124,212			145,252			164,550
Total non-interest-bearing liabilities and equity							
Nuevos Soles	489,502	20,850		676,295	(11,177)		761,986
Foreign Currency	3,258,235	8,087		3,615,636	67,053		4,254,739
Total	3,747,737	28,937		4,291,931	55,876		5,016,725
Total average liabilities and equity							
Nuevos Soles	6,636,643	253,111	3.81	6,401,999	139,107	2.17	8,386,656
Foreign Currency	13,697,638	308,506	2.25	14,866,572	281,457	1.89	16,982,591
Total	20,334,281	561,617	2.76	21,268,571	420,564	1.98	25,369,247

(1) Includes the amount paid - for the deposit insurance fund.

Changes in Net Interest Income and Expense: Volume and Rate Analysis

	2009/2008			2010/2009		
	Increase/(Decrease) due to changes in:			Increase/(Decrease) due to changes in:		
	Volume	Rate	Net Change	Volume	Rate	Net Change
			(U.S. Dollars in thousands)			
Interest Income:						
Interest-earning deposits in Central Bank						
Nuevos Soles	(7,110)	(1,520)	(8,630)	21,781	2,145	23,926
Foreign Currency	5,797	(30,210)	(24,413)	79	(206)	(127)
Total	(1,313)	(31,730)	(33,043)	21,860	1,939	23,799
Deposits in other banks						
Nuevos Soles	1,718	1,194	2,912	(2,917)	(1,681)	(4,598)
Foreign Currency	6,261	(35,478)	(29,217)	(372)	(2,410)	(2,782)
Total	7,979	(34,284)	(26,305)	(3,289)	(4,091)	(7,380)
Investment securities						
Nuevos Soles	(69,951)	(78,892)	(148,843)	16,842	9,577	26,419
Foreign Currency	(2,198)	39,649	37,451	(515)	(15,738)	(16,253)
Total	(72,149)	(39,243)	(111,392)	16,327	(6,161)	10,166
Total loans(1)						
Nuevos Soles	121,383	15,580	136,963	146,875	14,763	161,638
Foreign Currency	23,812	(62,669)	(38,857)	89,027	(93,983)	(4,956)
Total	145,195	(47,089)	98,106	235,902	(79,220)	156,682
Total dividend-earning assets						
Nuevos Soles	(542)	(4,073)	(4,615)	874	3,878)	4,752
Foreign Currency	334	1,807	2,141	6,310	(9,163)	(2,853)
Total	(208)	(2,266)	(2,474)	7,184	(5,285)	1,899
Total interest-earning assets						
Nuevos Soles	(14,404)	(7,809)	(22,213)	278,207	(66,070)	212,137
Foreign Currency	42,646	(95,541)	(52,895)	63,656	(90,627)	(26,971)
Total	28,242	(103,350)	(75,108)	341,863	(156,697)	185,166
Interest Expense:						
Demand deposits						
Nuevos Soles	508	(8,116)	(7,608)	4,716	(10,946)	(6,230)
Foreign Currency	477	(9,540)	(9,063)	747	(2,273)	(1,526)
Total	985	(17,656)	(16,671)	5,463	(13,219)	(7,756)
Savings deposits						
Nuevos Soles	1,660	(6,561)	(4,901)	2,927	(7,445)	(4,518)
Foreign Currency	3,432	(7,187)	(3,755)	770	(5,936)	(5,166)
Total	5,092	(13,748)	(8,656)	3,697	(13,381)	(9,684)
Time deposits						
Nuevos Soles	(39,387)	(30,438)	(69,825)	38,464	(55,515)	(17,051)
Foreign Currency	23,435	(58,349)	(34,914)	(6,038)	(29,113)	(35,151)
Total	(15,952)	(88,787)	(104,739)	32,426	(84,628)	(52,202)
Due to banks and correspondents and issued bonds						
Nuevos Soles	529	(4,441)	(3,912)	(9)	7,131	7,122
Foreign Currency	(21,863)	(13,389)	(35,252)	20,694	(11,612)	9,082

Total	(21,334)	(17,830)	(39,164)	20,685	(4,481)	16,204
Bonds						
Nuevos Soles	3,974	295	4,269	3,213	(3,895)	(682)
Foreign Currency	14,147	(17,180)	(3,033)	15,081	18,593)	33,674
Total	18,121	(16,885)	1,236	18,294	14,698	32,992
Total interest-bearing liabilities						
Nuevos Soles	(15,924)	(66,053)	(81,977)	49,842	(71,202)	(21,360)
Foreign Currency	23,354	(109,369)	(86,015)	28,145	(27,232)	913
Total	7,430	(175,422)	(167,992)	77,987	(98,434)	(20,447)

(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 interest 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:

	Year ended December 31,		
	2008	2009	2010
	(U.S. Dollars in thousands, except percentages)		
Average interest-earning assets			
Nuevos Soles	5,906,348	5,766,213	8,508,979
Foreign Currency	12,513,405	13,232,295	14,454,072
Total	18,419,753	18,998,508	22,963,051
Net interest income			
Nuevos Soles	374,837	434,601	668,097
Foreign Currency	441,899	475,019	447,135
Total	816,736	909,620	1,155,232
Gross yield (1)			
Nuevos Soles	10.28%	10.14%	9.37%
Foreign Currency	5.93%	5.21%	4.58%
Weighted-average rate	7.33%	6.71%	6.36%
Net interest margin (2)			
Nuevos Soles	6.35%	7.54%	7.85%
Foreign Currency	3.53%	3.59%	3.09%
Weighted-average rate	4.43%	4.79%	4.86%
Yield spread (3)			
Nuevos Soles	6.50%	7.52%	7.68%
Foreign Currency	3.05%	3.30%	2.89%
Weighted-average rate	4.11%	4.56%	4.66%

(1) Gross yield is 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.

Interest-Earning Deposits With Other Banks

The following table shows the short-term funds deposited with other banks. These deposits are denominated by currency as of the dates indicated. Deposits held in countries other than Peru are denominated in several currencies; however, the majority of these deposits are denominated in U.S. Dollars. These currencies were converted to U.S. Dollars using the applicable SBS exchange rate as of the dates indicated.

	Year ended December 31,		
	2008	2009	2010
	(U.S. Dollars in thousands)		
Nuevo Sol-denominated:			
Peruvian Central Bank	US$ -	US$ 56,753	US$ 3,649,809
Commercial banks	36,184	43,982	82,970
Total Nuevo Sol-denominated	US$ 36,184	US$ 100,735	US$ 3,732,779
Foreign Currency-denominated:			
Peruvian Central Bank (U.S. Dollars)	US$ 1,601,574	US$ 2,033,290	US$ 2,094,251
U.S. Dollars, other	1,030,665	763,631	1,131,102
Other	40,332	516	346
Total Foreign Currency-denominated	US$ 2,672,571	US$ 2,797,437	US$ 3,225,669
Total	US$ 2,708,755	US$ 2,898,172	US$ 6,958,478

(ii) Investment Portfolio

The following table shows the fair value of our trading and available-for-sale investment securities designated by type of security at the dates indicated (see Note 5 to the Credicorp Consolidated Financial Statements):

	On December 31,		
	2008	2009	2010
	(U.S. Dollars in thousands)		
Nuevo Sol-denominated:			
Peruvian government bonds	US$ 244,037	US$ 170,811	US$ 275,685
Equity securities	119,481	199,410	230,921
Bonds	115,232	150,917	210,392
Peruvian Central Bank certif. notes	1,138,214	1,548,715	363,850
Other investments	117,766	149,591	158,241
Total Nuevo Sol-denominated	1,734,730	2,219,444	1,239,089
Foreign Currency-denominated:			
Equity securities	US$ 93,208	US$ 131,327	US$ 299,245
Bonds	1,030,151	1,634,708	1,640,380
Investment in Peruvian Government Bonds	562,438	669,056	299,666
Peruvian Central Bank certif. notes	1,070,728	-	-
Other investment	452,347	443,493	353,615
Total Foreign Currency-denominated	US$ 3,208,872	US$ 2,878,584	US$ 2,592,906
Total securities holdings:	US$ 4,943,602	US$ 5,098,028	US$ 3,831,995

The allowance for decline in value of marketable securities is debited from the value of each individual security.

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The weighted-average yield on our Nuevo Sol-denominated interest-earning investment securities was 7.6% in 2008, 2.5% in 2009 and 1.9% in 2010. The weighted-average yield on our foreign currency-denominated portfolio was 3.3% in 2008, 4.5% in 2009 and 4.0% in 2010. The total weighted-average yield of our investment securities was 5.1% in 2008, 3.9% in 2009 and 3.6% in 2010.

The weighted-average yield on our Nuevo Sol-denominated dividend-earning assets was 3.8% in 2008, 1.3% in 2009 and 3.0% in 2010. The weighted-average yield on our foreign currency-denominated portfolio was 5.1% in 2008, 6.7% in 2009 and 2.3% in 2010. The total weighted-average yield of our dividend-earning assets was 4.3% in 2008, 3.5% in 2009 and 2.7% in 2010.

The following table shows the maturities of our trading and available-for-sale investment securities designated by type of security on December 31, 2010:

	Within 1 year	After 1 year but within 3 years	Maturing After 3 years but within 5 years	Maturing After 5 years but within 10 years	After 10 years	Total
			(U.S. Dollars in thousands)			
Nuevo Sol-denominated: (1)						
Peruvian government bonds	US$68,038	US$4,879	US$19,828	US$56,648	US$126,2925	US$275,685
Equity securities (1)	230,921	-	-	-	-	230,921
Bonds and debentures	16,950	31,882	36,043	64,171	61,346	210,392
Peruvian Central Bank certif. notes	363,850	-	-	-	-	363,850
Other investments	124,894	2,674	7,489	4,320	18,864	158,241
Total Nuevo Sol-denominated	US$804,653	US$39,435	US$63,360	US$125,139	US$206,502	US$1,239,089
Foreign Currency-denominated: (1)						
Peruvian government bonds	23,358	10,609	15,047	52,286	198,366	299,666
Equity securities (1)	299,245	-	-	-	-	299,245
Bonds	179,070	416,881	350,060	305,339	389,030	1,640,380
Peruvian Central Bank certif. notes	-	-	-	-	-	-
Other investments	247,616	4,684	11,757	33,658	55,900	353,615
Total Foreign Currency-denominated	US$749,289	US$432,174	US$376,864	US$391,283	US$643,296	US$2,592,906
Total securities holdings:	US$1,553,942	US$471,606	US$440,224	US$516,422	US$849,798	US$3,831,995
Weighted-average yield						3.10 %

(1) Equity securities in our account are categorized as maturing within one year.

The maturities of our investment securities classified by trading and available-for-sale, as of December 31, 2010, are described in "Item 11. Quantitative and Qualitative Disclosures about Market Risk."

Pursuant to the criteria described below, our management has determined that the unrealized losses as of December 31, 2009 and 2008 were temporary and intends to hold each investment for a sufficient period of time to allow for a potential recovery in fair value. This holding period will last until the earlier of the investment's recovery or maturity.

For equity investments (shares), management considers the following criteria to determine whether a loss is temporary:

- The length of time and the extent to which fair value has been below cost;
- The severity of the impairment;
- The cause of the impairment and the financial condition and near-term prospects of the issuer; and

- Activity in the market of the issuer which may indicate adverse credit conditions.

For debt investments (fixed maturity), management considers the following criteria to determine whether a loss is temporary:

- Management assesses the probability that the company will receive all amounts due (principal and interest) under the contract of the security. It considers a number of factors in identifying a credit-impaired security, including: (i) the nature of the security and the underlying collateral, (ii) the amount of subordination or credit enhancement supporting the security, (iii) the published credit rating and (iv) other analyses of the probable cash flows from the security. If recovery of all amounts due is not likely, management may determine that credit impairment exists and record unrealized losses in our consolidated income statement. The unrealized loss recorded in income represents the security's decline in fair value, which includes the decline due to forecasted cash flow shortfalls as well as widening market spread.

- For securities with unrealized losses not identified as a credit impairment, management determines whether it is desirable to hold the security for a period of time to allow for a potential recovery in the security's amortized cost. Management estimates a security's forecasted recovery period using current estimates of volatility in market interest rates (including liquidity and risk premiums). Management considers a number of factors to determine whether to hold an investment, including (i) a quantitative estimate of the expected recovery period (which may extend to maturity), (ii) the severity of the impairment and (iii) its strategy with respect to the security or portfolio. If management determines it is not desirable to hold the security for a sufficient period of time to allow for a potential recovery in the security's amortized cost, we record the unrealized loss in our consolidated income statement.

(iii) Loan Portfolio

Loans by Type of Loan

The following table shows our loans by type of loan, at the dates indicated:

	On December 31,				
	2006	2007	2008	2009	2010
	(U.S. Dollars in thousands)				
Loans	US$4,662,730	US$6,520,116	US$8,179,453	US$8,986,884	US$11,142,038
Leasing transactions	675,804	1,118,301	1,792,827	1,997,562	2,359,236
Discounted notes	256,534	325,047	368,648	349,126	477,709
Factoring	89,171	109,928	124,537	163,443	250,974
Advances and overdrafts	84,262	127,486	102,687	47,147	104,495
Refinanced loans	126,006	88,451	55,179	59,459	76,707
Past-due loans	76,770	61,488	82,867	184,567	209,908
Unearned interest	(93,916)	(166,972)	(249,914)	(282,869)	(343,003)
Total loans:	US$5,877,361	US$8,183,845	US$10,456,284	US$11,505,319	US$14,278,064
Total past-due loans amounts	(76,770)	(61,488)	(82,867)	(184,567)	(209,908)
Total performing loans	US$5,800,591	US$8,122,357	US$10,373,417	US$11,320,752	US$14,068,156

The loan portfolio categories set forth in the table above are based on SBS regulations, which apply to loans generated by BCP and ASHC. Pursuant to SBS guidelines, we categorize loans as follows:

- Loans: 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.

- Leasing Transactions: Transactions that involve our acquisition of an asset and the leasing of that asset to a client.

- 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.

- Factoring: The sale of title to a company's accounts receivables to a bank (or financial company). The receivables are sold without recourse, and the bank cannot recover from the seller in the event that the accounts are uncollectible. Under factoring loans, the seller receives funds from the bank prior to the average maturity date based on the invoice amount of the receivable, less cash discounts and allowances for estimated claims and returns, among other items.

- 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.

- Refinanced Loans: Loans that were refinanced because the client was unable to pay at maturity. A loan is categorized as a refinanced loan when a debtor is experiencing payment problems, unless the debtor is current on all interest payments and pays down at least 20% of the principal amount of the original loan. We have distinguished a sub-group titled "Restructured Loans," which is defined as loans extended under the bankruptcy protection procedures established in the Equity Restructuring Law.

- Past-Due Loans: Includes overdue loans. See "—Past-Due Loan Portfolio" for further detail.

Loans by Economic Activity

The following table shows our total loan portfolio composition, net of unearned interest, based on the borrower's principal economic activity:

	At December 31,					
	2006		2007		2008	
	(U.S. Dollars in thousands, except percentages)					
	Amount	% Total	Amount	% Total	Amount	% Total
Economic Activity						
Manufacturing	US$1,624,765	27.64 %	US$2,204,481	26.94 %	US$2,535,326	24.25 %
Consumer Loans (1)	1,729,682	29.43	2,480,916	30.31	3,146,698	30.09
Commerce	686,291	11.68	884,253	10.80	1,344,921	12.86
Realty Business and Leasing Services	236,445	4.02	387,180	4.73	488,202	4.67
Mining	303,238	5.16	463,577	5.66	675,460	6.46
Communication, Storage and Transportation	255,730	4.35	394,986	4.83	515,412	4.93
Electricity, Gas and Water	256,541	4.36	341,718	4.18	546,014	5.22
Agriculture	150,020	2.55	179,509	2.19	228,623	2.19
Fishing	152,538	2.60	134,235	1.64	77,060	0.74
Financial Services	163,946	2.79	219,850	2.69	439,234	4.20
Education, Health and Other Services	75,376	1.28	106,423	1.30	128,527	1.23
Construction	74,482	1.27	201,298	2.46	229,667	2.20
Others (2)	262,223	4.46	352,391	4.31	351,054	3.36
Sub total	5,971,277	101.59	8,350,817	102.04	10,706,198	102.40
Unearned interest	(93,916)	(1.59)	(166,972)	(2.04)	US$2,535,326	24.25 %
Total	US$5,877,361	100.00 %	US$8,183,845	100.00 %	3,146,698	30.09

(1) Includes credit card and mortgage loans, other consumer loans and small business.
(2) Includes personal banking and small business loans and other sectors.

	At December 31,			
	2009		2010	
	(U.S. Dollars in thousands, except percentages)			
	Amount	% Total	Amount	% Total
Economic Activity				
Manufacturing	US$2,557,847	22.23 %	US$3,003,465	21.04 %
Consumer Loans (1)	3,963,449	34.45	4,759,207	33.33
Commerce	1,330,023	11.56	1,931,441	13.53
Realty Business and Leasing Services	489,614	4.26	712,330	4.99
Mining	692,579	6.02	893,145	6.26
Communication, Storage and Transportation	559,025	4.86	720,749	5.05
Electricity, Gas and Water	782,289	6.80	969,437	6.79
Agriculture	271,912	2.36	293,685	2.06
Fishing	121,162	1.05	134,811	0.94
Financial Services	175,071	1.52	252,869	1.77
Education, Health and Other Services	156,496	1.36	177,206	1.24
Construction	175,508	1.53	132,517	0.93
Others (2)	513,213	4.46	640,205	4.48
Sub total	11,788,188	102.46	14,621,067	102.40
Unearned interest	(282,869)	(2.46)	(343,003)	(2.40)
Total	US$11,505,319	100.00 %	US$14,278,064	100.00 %

(1) Includes credit card and mortgage loans, other consumer loans and small business.
(2) Includes personal banking and small business loans and other sectors.

As of December 31, 2010, 69.0% of the loan portfolio was concentrated in Lima, 94.60% was concentrated in Peru, and 4.1% of the loan portfolio was concentrated in Bolivia.

Concentrations of Loan Portfolio and Lending Limits

We have loans and other contingent credits with 20 customers (considered economic groups), which, as of December 31, 2010, was US$3,229.8 million. The amount of outstanding loans, US$3,229.8 million, represents 22.1% of the total loan portfolio. See "—(11) Supervision and Regulation—(ii) BCP—Lending Activities" for the definition of "economic group." Our total loans and other contingent credits outstanding to these customers ranged from US$314.8 million to US$107.0 million, including 17 customers with over US$122.4 million. Total loans and other contingent credits outstanding to our 20 largest customers were ranked in the following risk categories as of December 31, 2010: Class A (normal)—99.8%; Class B (potential problems)—0.2%; Class C (substandard)—0%; Class D (doubtful)—0%; and Class E (loss)—0%. See "—Classification of the Loan Portfolio."

BCP's loans to a single borrower are subject to lending limits imposed by Law 26702. See "—(11) Supervision and Regulation—(ii) BCP—Lending Activities." The lending limits depend on the nature of the borrower involved and the type of collateral received. The sum of BCP's loans to and deposits in either another Peruvian universal bank or Peruvian financial institution, plus any guarantees of third party performance received by BCP from such institution, may not exceed 30% of BCP's regulatory capital (as defined by the SBS). The sum of BCP's loans to and deposits in non-Peruvian financial institutions, plus any guarantees of third party performance received by BCP from such institutions, are limited to 5%, 10% or 30% of BCP's regulatory capital, depending upon the level of government supervision of the institution and whether the institution is recognized by the Central Bank as an international bank of prime credit quality. The limits on lending to non-Peruvian financial institutions increases to 50% of BCP's regulatory capital if the amount by which such loans exceed the 5%, 10% or 30% limits is backed by certain letters of credit.

BCP's loans to directors and employees and their relatives have a global limit of 7% of capital stock and reserves and an individual limit of 5% of such global limit.

Loans to non-Peruvian individuals or companies that are not financial institutions have a limit of 5% of BCP's regulatory capital. However, this limit increases to 10% if the additional 5% is guaranteed by a mortgage or certain publicly-traded securities. The limit rises to 30% if the additional amount is guaranteed by certain banks or by cash deposits in BCP. Lending on an unsecured basis to individuals or companies residing in Peru that are not financial institutions is limited to 10% of BCP's regulatory capital. This limit rises to 15% if the additional 5% is guaranteed by a mortgage, certain securities, equipment or other collateral, and to 20% if the additional amount is either backed by certain debt instruments guaranteed by other local banks or 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 BCP's regulatory capital.

With an unconsolidated regulatory capital of S/.5,517.3 million (US$1,964.1 million) on December 31, 2010, BCP's legal lending limits varied from S/.551.7 million (US$196.4 million) to S/.2,758.7 million (US$982.1 million). Our consolidated lending limits, based on its regulatory capital on a consolidated basis of US$2,391.3 million on December 31, 2010, ranged from US$239.1 million to US$1,195.7 million. As of December 31, 2010, BCP was in compliance with Law 26702 lending limits.

As of December 31, 2009, we complied with the applicable legal lending limits in each of the jurisdictions in which we operate. These limits are calculated quarterly based upon our consolidated equity plus reserves for impaired loans not specifically identified at quarter-end. We have also set internal lending limits, which are more restrictive than those imposed by law. A limited number of exceptions to our internal limits have been authorized by our board of directors based on the credit quality of the borrower, the term of the loan, and the amount and quality of collateral provided. We may, in appropriate and limited circumstances, increase or choose to exceed these internal limits as long as our credit exposure does not exceed the legal lending limits.

We may experience an adverse impact on our financial condition and results of operations if (i) customers to which we have significant credit exposure are not able to satisfy their obligations to us, and any related collateral is not sufficient to cover these obligations, or (ii) a reclassification of one or more of these loans or other contingent credits results in an increase in provisions for loan losses.

Loan Portfolio Denomination

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

	At December 31,								
	2006			2007			2008		
	(U.S. Dollars in thousands, except percentages)								
Total loan portfolio:									
Nuevo Sol-denominated	US$1,503,306	25.58	%	US$2,461,787	30.08	%	US$3,351,720	32.05	%
Foreign Currency-denominated	4,374,055	74.42	%	5,722,058	69.92	%	7,104,564	67.95	%
Total loans (1)	US$5,877,361	100.00	%	US$8,183,845	100.00	%	US$10,456,284	100.00	%

	At December 31,					
	2009			2010		
	(U.S. Dollars in thousands, except percentages)					
Total loan portfolio:						
Nuevo Sol-denominated	US$4,385,965	38.12	%	US$5,415,352	37.93	%
Foreign Currency-denominated	7,119,354	61.88	%	8,862,712	62.07	%
Total loans (1)	US$11,505,319	100.00	%	US$14,278,064	100.00	%

(1) Net of unearned interest.

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Maturity Composition of the Performing Loan Portfolio

The following table sets forth an analysis of our performing loan portfolio on December 31, 2010, by type and by time remaining to maturity. Loans are stated before deduction of the reserves for loan losses.

	Amount at December 31, 2010	Maturing: 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
	(U.S. Dollars in thousands, except percentages)					
Loans	US$1,142,038	US$2,439,107	US$2,208,225	US$2,953,865	US$1,420,528	US$2,120,313
Leasing transactions	2,359,236	352,520	935,698	439,543	375,186	256,289
Discounted notes	477,709	448,105	29,552	52	-	-
Refinanced loans	76,707	28,013	16,543	10,661	10,046	11,444
Factoring	250,974	241,738	8,590	645	-	1
Advances and overdrafts	104,495	104,495	-	-	-	-
Total	US$14,411,159	US$3,613,978	US$3,198,608	US$3,404,766	US$1,805,760	US$2,388,047
% of total performing loan portfolio	100.00 %	25.08 %	22.20 %	23.63 %	12.53 %	16.57 %

Interest Rate Sensitivity of the Loan Portfolio

The following table sets forth the interest rate sensitivity of our loan portfolio on December 31, 2010, by currency and by the time remaining to maturity over one year:

	Amount at December 31, 2010	Maturing After 1 year
	(U.S. Dollars in thousands)	
Variable Rate		
Nuevo Sol-denominated	US$ 276,641	US$ 262,550
Foreign Currency-denominated	2,270,333	1,574,250
Total	2,546,974	1,836,801
Fixed Rate (2)		
Nuevo Sol-denominated	5,138,711	2,873,311
Foreign Currency-denominated	6,592,379	2,932,499
Total	11,731,090	5,805,810
Total (1)	US$ 14,278,064	US$ 7,642,611

(1) Net of unearned interest.

(2) Most of the financial products with fixed rates can be switched to variable rates according to market conditions as specified on the contracts with clients.

Classification of the Loan Portfolio

We classify BCP's loan portfolio (which includes the loan portfolio of BCB) and ASHC's loan portfolio in accordance with internal practices. According to these criteria, all loans and other credits are classified into one of four categories based upon the purpose of the loan. These categories are commercial, micro-business, consumer and residential mortgage. Commercial loans are generally those that finance the production and sale of goods and services, including commercial leases, as well as credit card debt on cards held by business entities. Micro-business loans, which are exclusively targeted for the production and sale of goods and services, are made to individuals or companies with no more than S/.300,000 in total loans received from the financial system (excluding mortgage loans). Consumer loans are generally loans granted to individuals, including credit card transactions, overdrafts on personal demand deposit accounts, leases, and financing goods or services not related to a business activity. Residential mortgage loans are all loans to individuals for the purchase, construction, remodeling, subdivision or improvement of the individual's home, in each case backed by a mortgage. Mortgage loans made to directors and employees of a company are also considered residential mortgage loans. Mortgage-backed loans are considered commercial loans. The classification of the loan determines the amount to reserve should the borrower fail to make payments as they become due.

Regulations promulgated by the SBS also require Peruvian banks to classify all loans into one of five categories depending upon each loan's degree of risk of nonpayment. We review our loan portfolio on a continuing basis, while the SBS reviews our portfolio as it deems necessary or prudent. In compliance with SBS guidelines, we classify our loans based upon risk of nonpayment by assessing the following factors: (i) the payment history of the particular loans, (ii) the history of our dealings with the borrower, (iii) the borrower's management, (iv) the borrower's operating history, (v) the borrower's repayment capability, (vi) the borrower's availability of funds, (vii) the status of any collateral or guarantee, (viii) the borrower's financial statements, (iv) the general risk of the sector in which the borrower operates, (x) the borrower's risk classification made by other financial institutions and (xi) other relevant factors. The classification of the loan determines the amount of the required loan loss provision.

The following table sets forth our loan portfolio by class at the date indicated.

	At December 31,				
	2006	2007	2008	2009	2010
	(U.S. Dollars in thousands)				
Commercial loans	US$4,390,547	US$6,055,206	US$7,808,671	US$8,283,790	US$10,417,764
Consumer loans	506,184	874,804	1,162,399	1,467,793	1,715,207
Residential mortgage loans	980,630	1,253,835	1,485,214	1,753,736	2,145,093
Total performing loans (1)	US$5,877,361	US$8,183,845	US$10,456,284	US$11,505,319	US$14,278,064

(1) Net of unearned interest.

We employ a range of policies and practices to mitigate credit risk. Our most traditional practice is taking security for fund advances. We implement guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are mortgages over residential properties, liens over business assets (such as premises, inventory and accounts receivable), and liens over financial instruments (such as debt securities and equities).

Long term finance and lending to corporate entities are generally secured, while revolving individual credit facilities are generally unsecured. In order to minimize credit loss, we seek additional collateral as soon as impairment indicators become apparent.

We determine the appropriate collateral to hold as security for financial assets (other than loans) according to the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured, with the exception of asset-backed securities and other similar instruments, which are secured by portfolios of financial instruments.

Our management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of the additional collateral obtained during its review of the allowance for impairment losses. Our policy is to dispose of repossessed properties in an orderly manner. We use the proceeds to reduce or repay the outstanding claim. In general, we do not use repossessed properties for our own business.

We classify our loan portfolio into one of five risk categories, depending upon the degree of risk of non-payment of each debtor. These categories are: (i) normal, (ii) potential problems, (iii) substandard, (iv) doubtful and (v) loss. The categories have the following characteristics:

Normal (Class A): Debtors with commercial loans in this category have complied on a timely basis with their obligations under the loan. At the time of evaluation, there is no reason to doubt the debtor's ability to repay interest and principal on the agreed dates, and there is no reason to believe that the status will change before the next evaluation. Before we place a loan in Class A, we must have a clear understanding of the use of the funds and the origin of the cash flows to be used by the debtor to repay the loan. Consumer loans are categorized as Class A when payments are current or up to eight days past due. Residential mortgage loans are categorized as Class A when payments are current or up to 30 days past due.

Potential problems (Class B): Debtors with commercial loans in this category demonstrate certain deficiencies at the time of evaluation, which, if not corrected in a timely manner, imply risks regarding the recovery of the loan. Common characteristics of loans or credits in this category include: (i) delays in loan payments which are promptly covered, (ii) a general lack of information required to analyze the credit, (iii) out-of-date financial information, (iv) temporary economic or financial imbalances on the part of the debtor which could affect its ability to repay the loan, (v) market conditions that could affect the economic sector in which the debtor is active. Consumer loans are categorized as Class B when payments are between nine and 30 days past due. Residential mortgage loans are categorized as Class B when payments are between 31 and 90 days past due.

Substandard (Class C): Debtors with commercial loans in this category demonstrate serious financial weakness. They often do not have sufficient operating results or available income to cover their financial obligations, and do not have reasonable short-term prospects for strengthening their financial capacity. Debtors demonstrating the same deficiencies that warrant Class B classification will warrant Class C classification if those deficiencies are such that if not corrected in the near term, they could impede the recovery of principal and interest on the loan on the agreed-upon terms. Commercial loans are classified in this category when payments are between 61 and 120 days past due. Consumer loans are categorized as Class C when payments are between 31 and 60 days past due. Residential mortgage loans are categorized as Class C when payments are between 91 and 120 days past due.

Doubtful (Class D): Debtors with commercial loans in this category demonstrate characteristics that make it doubtful that the loan will be recovered. Although recovery is doubtful, if there is a reasonable possibility that the creditworthiness of the debtor might improve in the near future, it is appropriate to categorize the loan as Class D. These loans are distinguished from Class E loans by the requirement that the debtor remain in operation, generate cash flow, and make payments on the loan, even if the payments are less than those required by the contract. Commercial loans are categorized as Class D if payments are between 121 and 365 days past due. Consumer loans are categorized as Class D when payments are between 61 and 120 days past due. Residential mortgage loans are categorized as Class D when payments are between 121 and 365 days past due.

Loss credits (Class E): Commercial loans or credits are categorized as Class E if the loans are considered unrecoverable or for any other reason the loans should not appear on our books as an asset based on the originally contracted terms. Commercial loans are categorized as Class E when payments are more than 365 days past due. Consumer loans are categorized as Class E when payments are more than 120 days past due. Residential mortgage loans are categorized as Class E when payments are more than 365 days past due.

We continually review our loan portfolio to assess the completion and accuracy of the grades awarded.

All loans considered impaired (those classified as substandard, doubtful or loss) are analyzed by management. Management will address the impairment in two areas, individually assessed allowances and collectively assessed allowances, as follows:

Individually Assessed Allowance

We determine the appropriate allowances for each individually significant loan or advance on an individual basis. In determining the allowance, we consider items such as (i) the sustainability of the party's business plan, (ii) its ability to improve performance once a financial difficulty has arisen, (iii) projected receipts and the expected dividend payout should bankruptcy ensue, (iv) the availability of other financial support and the potential realized value of collateral, and (v) the timing of the expected cash flows. Impairment losses are evaluated at each reporting date, unless unforeseen circumstances require more attention.

Collectively Assessed Allowance

We assess allowances collectively for (i) losses on loans and advances that are not individually significant (including consumer and residential mortgages) and (ii) individually significant loans and advances where there is not yet objective evidence of individual impairment (the Class A and B loans). We evaluate allowances on each reporting date, and each portfolio receives a separate review.

Our collective assessment takes into account an impairment that is likely to be present in the portfolio even though there is no objective evidence of the impairment in an individual assessment. We estimate impairment losses by considering the following information: (i) historical losses on the portfolio, (ii) current economic conditions, (iii) the approximate delay between the time a loss is likely to be incurred and the time it will be identified as requiring an individually assessed impairment allowance and (iv) expected receipts and recoveries once the impairment occurs. Local management is responsible for deciding the appropriate length of time, which can extend as long as one year. The impairment allowance is then reviewed by credit management to ensure it aligns with our overall policy.

We assess financial guarantees and letters of credit in the same way we assess loans.

When the borrower is located in a country where there is an increased risk of difficulty servicing external debt, we assess the political and economic situation, and an additional country risk provision is provided.

When we determine a loan is uncollectible, it is written off against the provision for loan impairment. We write off these loans after all necessary procedures are completed and the amount of the loss is determined. Subsequent recoveries of amounts previously written off decrease the amount of the provision for loan impairment in our consolidated income statements.

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

	At December 31,					
	2006		2007		2008	
	(U.S. Dollars in thousands, except percentages)					
Level of Risk Classification	Amount	% Total	Amount	% Total	Amount	% Total
A: Normal	US$ 5,296,653	90.1%	US$ 7,602,347	92.9%	US$ 9,991,559	95.5%
B: Potential Problems	US$ 337,497	5.7%	US$ 371,119	4.5%	US$ 264,890	2.5%
C: Substandard	US$ 62,192	1.1%	US$ 71,340	0.9%	US$ 70,268	0.7%
D: Doubtful	US$ 122,215	2.1%	US$ 88,540	1.1%	US$ 79,394	0.8%
E: Loss	US$ 58,804	1.0%	US$ 50,499	0.6%	US$ 50,173	0.5%
Total (1)	US$ 5,877,361	100.0%	US$ 8,183,845	100.0%	US$10,456,284	100.0%
C+D+E	US$ 243,211	4.2%	US$ 210,379	2.6%	US$ 199,835	2.0%

	At December 31,			
	2009		2010	
	(U.S. Dollars in thousands, except percentages)			
Level of Risk Classification	Amount	% Total	Amount	% Total
A: Normal	US$10,717,658	93.2%	US$13,564,435	95.0%
B: Potential Problems	US$ 431,356	3.7%	US$ 313,148	2.2%
C: Substandard	US$ 115,629	1.0%	US$ 128,445	0.9%
D: Doubtful	US$ 139,389	1.2%	US$ 121,342	0.8%
E: Loss	US$ 101,287	0.9%	US$ 150,691	1.1%
Total (1)	US$11,505,319	100.0%	US$14,278,064	100.0%
C+D+E	US$ 356,305	3.1%	US$ 400,481	2.8%

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(1) Net of unearned interest – The unearned interest from impaired classifications (C+D+E) amounts approximately to US$317,000 in 2006, US$201,000 in 2007, US$250,000 in 2008, US$44,000 in 2009 and US$159,000 in 2010.

All of our Class E loans and substantially all of our Class D loans are past due. Class C 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 loan repayment terms. The majority of our Class C loans are to companies in the Peruvian manufacturing sector and, to a lesser extent, the agricultural sector. Our manufacturing sector loans are primarily secured by warrants and liens on goods or by mortgages, and our agricultural loans tend to be secured by trade bills and marketable securities. The Class C loans reflect the financial weakness of the individual borrower rather than any trend in the Peruvian manufacturing or agricultural industries in general.

Classification of the Loan Portfolio Based on the Borrower's Payment Performance

We consider loans to be past due depending on their type. In accordance with SBS Resolution N°11356- 2008, BCP considers loans past due for corporate, large business and medium business loans after 15 days; for small and micro business loans after 30 days; and for consumer, mortgage and leasing loans after 90 days. On January 1, 2001, the SBS issued accounting rules that require Peruvian banks to consider overdrafts past due after 30 days. ASHC considers all overdue loans past due, except for consumer loans, which are considered past due when the scheduled principal and/or interest payments are overdue for more than 90 days. BCB considers loans past due after 30 days. For IFRS 7 disclosure requirements on past-due loans, see Note 29.1 to the Credicorp Consolidated Financial

Statements.

Interest income is suspended when the collection of loans is doubtful, such as when overdue by more than 90 days. When a borrower or securities issuer defaults earlier than 90 days, the income is excluded from interest income until it is received. Uncollected income on these loans is applied against income. When management determines that the debtor's financial condition has improved, we continue recording interest on an accrual basis. Therefore, we do not accrue interest on past-due loans, but interest on past-due loans is recognized only when and to the extent received.

Over the past five years, we have recognized interest income on these loans of US$4.8 million in 2006, US$3.6 million in 2007, US$5.2 million in 2008, US$7.2 million in 2009 and US$14.2 million in 2010. With the exception of discounted notes and overdrafts, accrued but unpaid interest is reversed for past-due loans.

The following table sets forth the repayment status of our loan portfolio as of the date indicated.

	At December 31,				
	2006	2007	2008	2009	2010
	(U.S. Dollars in thousands, except percentages)				
Current	US$ 5,800,591	US$ 8,122,357	US$ 10,373,417	US$ 11,320,752	US$ 14,068,156
Past due:					
Overdue 16 - 119 days	20,655	20,825	34,955	70,602	68,601
Overdue 120 days or more	56,115	40,663	47,912	113,965	141,307
Subtotal	US$ 76,770	US$ 61,488	US$ 82,867	US$ 184,567	US$ 209,908
Total loans	US$ 5,877,361	US$ 8,183,845	US$ 10,456,284	US$ 11,505,319	US$ 14,278,064
Past-due loan amounts as % of total loans	1.31%	0.75%	0.79%	1.60%	1.47%

With respect to consumer, mortgage and leasing loans, BCP (in accordance with SBS regulations) only recognizes payments as past-due installments if the loan is less than 90 days past due. The entire amount of the loans is considered past due if any amount is past due more than 90 days. For IFRS 7 disclosure requirements on past-due loans, see Note 29.1 to the Credicorp Consolidated Financial Statements.

Past-Due Loan Portfolio

The following table analyzes our past-due loan portfolio by the type of loan at the dates indicated.

	At December 31,				
	2006	2007	2008	2009	2010
	(U.S. Dollars in thousands)				
Past-due loan amounts:					
Loans	US$ 57,345	US$ 48,088	US$ 65,947	US$ 153,112	US$ 183,058
Discounted notes	596	636	1,242	2,151	2,906
Advances and overdrafts in demand deposits	1,844	3,974	2,112	4,015	3,717
Leasing transactions	5,237	2,110	3,468	9,653	1,443
Refinanced loans	11,748	6,680	10,098	15,636	18,784
Total past-due portfolio	US$ 76,770	US$ 61,488	US$ 82,867	US$ 184,567	US$ 209,908
Less: Reserves for loan losses (1)	US$ 210,586	US$ 229,700	US$ 248,063	US$ 376,049	US$ 448,597
Total past-due portfolio net of reserves	US$ (133,816)	US$ (168,212)	US$ (165,196)	US$ (191,482)	US$ (238,689)

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(1) Includes reserves for indirect credits (see "—Loan Loss Reserves").

We recognize interest on past-due loans and loans in legal collection when the loans are collected. The interest income that would have been recorded for these credits in accordance with the terms of the original contract is approximately US$38.5 million and US$27.9 million as of December 31, 2010 and 2009, respectively.

Loan Loss Reserves

The following table shows the changes in our reserves for loan losses and movements at the dates indicated.

	Year ended December 31,				
	2006	2007	2008	2009	2010
	(U.S. Dollars in thousands)				
Reserves for loan losses at the beginning of the year	US$218,636	US$210,586	US$ 229,700	US$ 248,063	US$ 376,049
Additional provisions (reversals)	(4,243)	28,439	48,760	163,392	174,682
Acquisitions and transfers	-	-	-	20,905	-
Recoveries of write-offs	44,284	34,084	31,279	23,928	34,605
Write-offs	(49,859)	(47,266)	(59,308)	(87,927)	(142,736)
Monetary correction and other	1,768	3,857	(2,368)	7,688)	5,997
Total reserves for loan losses at the end of the year	US$210,586	US$229,700	US$ 248,063	US$ 376,049	US$ 448,597

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." Also, as required by IFRS 7, the balance of the reserve for loan losses for the years 2008, 2009 and 2010 are included in Note 6(d) to the Credicorp Consolidated Financial Statements.

Our reserves for loan losses, as of December 31, 2010, included US$415.7 million for credit losses and US$32.9 million for indirect or contingent credit losses (US$354.4 million and US$21.7 million as of December 31, 2009, respectively). Our reserves for indirect credit losses are included in the "Other liabilities" caption of our consolidated balance sheet. See Notes 6(d) and 11(a) to the Credicorp Consolidated Financial Statements.

The charge-off process is performed with prior approval of our board of directors and the SBS. Potential charge-offs are considered by the board of directors and the SBS on a case-by-case basis.

We sell some of our fully provisioned past-due loans to wholly-owned subsidiaries (Solucíónes en Procesamiento) for a nominal amount with the same effect as if the loans had been charged off. Accordingly, we believe that our past-due loan amounts are not materially different from what they would be if we were permitted to charge-off loans prior to demonstrating the absolute non-collectability of the loan. BCP also sells employees' mortgage loans to its subsidiary Financiera de Crédito Solución.

Allocation of Loan Loss Reserves

The following table sets forth the amounts of our reserves for loan losses attributable to commercial, consumer and residential mortgage loans at the dates indicated (see also Note 6(d) to the Credicorp Consolidated Financial Statements):

	At December 31,				
	2006	2007	2008	2009	2010
	(U.S. Dollars in thousands)				
Commercial loans	US$183,374	US$184,584	US$161,170	US$243,796	US$289,564
Consumer loans	17,959	30,662	56,061	90,782	106,709
Residential mortgage loans	9,253	14,454	30,832	41,471	52,324
Total reserves	US$210,586	US$229,700	US$248,063	US$376,049	US$448,597

(iv) Deposits

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

	At December 31,					
	2008		2009		2010	
	(U.S. Dollars in thousands)					
Demand deposits:						
Nuevo Sol-denominated	US$	1,735,869	US$	1,944,404	US$	2,330,559
Foreign Currency-denominated		3,136,408		2,612,342		3,500,833
Total	US$	4,872,277	US$	4,556,746	US$	5,831,392
Savings deposits:						
Nuevo Sol-denominated	US$	1,193,639	US$	1,505,994	US$	2,050,136
Foreign Currency-denominated		1,775,100		2,033,671		2,194,614
Total	US$	2,968,739	US$	3,539,665	US$	4,244,750
Time deposits:						
Nuevo Sol-denominated	US$	1,768,893	US$	1,662,941	US$	3,230,374
Foreign Currency-denominated		3,087,219		3,088,920		3,234,395
Total	US$	4,856,112	US$	4,751,861	US$	6,464,769
Foreign Currency Bank Certificates						
Foreign Currency-denominated	US$	140,013	US$	114,401	US$	163,681
Severance Indemnity Deposits (CTS):						
Nuevo Sol-denominated	US$	229,716	US$	256,761	US$	421,240
Foreign Currency-denominated		810,171		812,745		891,882
Total	US$	1,039,887	US$	1,069,506	US$	1,313,122
Total deposits:						

Nuevo Sol-denominated	US$ 4,928,117	US$ 5,370,100	US$ 8,032,309
Foreign Currency-denominated	8,948,911	8,662,079	9,985,406
Total	US$ 13,877,028	US$ 14,032,179	US$ 18,017,714

The following table sets forth information regarding the maturity of our time deposits in denominations of US$100,000 or more on December 31, 2010:

	At December 31, 2010 (U.S. Dollars in thousands)
Certificates of deposit:	
Maturing within 30 days	US$ 7,113
Maturing after 30 but within 60 days	2,444
Maturing after 60 but within 90 days	2,431
Maturing after 90 but within 180 days	-
Maturing after 180 but within 360 days	-
Maturing after 360 days	39,115
Total certificates of deposits	US$ 51,103
Time deposits:	
Maturing within 30 days	US$4,020,584
Maturing after 30 but within 60 days	594,266
Maturing after 60 but within 90 days	281,121
Maturing after 90 but within 180 days	306,564
Maturing after 180 but within 360 days	350,374
Maturing after 360 days	295,381
Total time deposits	5,848,290
Total	US$5,899,393

(v)Return on Equity and Assets

	At December 31, 2008	2009	2010
Return on assets (1)	1.86%	2.19%	2.27%
Return on equity (2)	22.31%	24.07%	22.01%
Dividend payout ratio (3)	33.44%	28.81%	27.12%
Equity to assets ratio (4)	9.32%	10.00%	11.25%
Shareholders' equity to assets ratio (5)	8.71%	9.31%	10.60%

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(1) Net income attributable to our equity holders as a percentage of average total assets, computed as the average of period beginning and period ending balances.
(2) Net income attributable to our equity holders as a percentage of average net equity attributable to our equity holders, computed as the average of monthly balances.
(3) Dividends declared per share divided by net income attributable to our equity holders per share.
(4) Average equity attributable to our equity holders divided by average total assets, both averages computed as the average of month-ending balances.

(5) Average equity attributable to our equity shareholders divided by average total assets, both averages computed as the average of month-ending balances.

(vi)Short-Term Borrowing

Our short-term borrowing, other than deposits, amounted to US$601.5 million and US$673.2 million and US$351.8 million as of December 31, 2008, 2009 and 2010, respectively. Our average balances of borrowed amounts decreased in 2008 due to receiving smaller promotional credit lines. As of December 31, 2008, 2009 and 2010, no BCRP-Repo transactions exist in the outstanding balance.

The following table sets forth our short-term borrowing:

	At December 31, 2008	At December 31, 2009	At December 31, 2010
	(U.S. Dollars in thousands, except percentages)		
Year-end balance	US$ 601,464	US$ 673,234	US$ 351,816
Average balance	935,460	641,177	808,548
Maximum quarter-end balance	1,197,637	1,141,131	1,202,594
Weighted-average nominal year-end interest rate	4.47%	2.83%	1.43%
Weighted-average nominal interest rate	4.22%	3.40%	1.14%

(C) Organizational Structure

Historically, the shareholders of BCP, ASHC and PPS have overlapped. Due to reasons related to the regulatory, political and economic environment in Peru, however, they have been managed independently from one another. We were formed in 1995 by the management of BCP of a potential exchange offer for the purpose of acquiring the common shares of BCP, ASHC and PPS. In the exchange offer in October 1995, we acquired 90.1% of BCP (391,973,951 shares), 98.2% of ASHC (39,346,169 shares), and 75.8% of PPS (5,537,474 shares) in exchange for 60,815,152 of our common shares at a ratio of 0.10401, 0.33708 and 1.2249 of our common shares per common share of BCP, ASHC and PPS, respectively. Our common shares commenced trading on the New York Stock Exchange immediately upon consummation of the exchange offer, with a closing price on that day of US$11.61 (adjusted to reflect stock dividends through May 1999).

On March 19, 1996, pursuant to an exchange offer, we acquired the remaining 1.8% of the outstanding shares of ASHC (702,674 shares) in exchange for 237,859 of our common shares at a ratio of 0.33708 of our common shares per common share of ASHC. The closing price of our common shares on the New York Stock Exchange on the date that exchange offer was completed was US$10.98 (adjusted to reflect stock dividends). See "Item 9. The Offer and Listing—(A) Offer and Listing Details—Price History of Credicorp's Stock" and "Item 8. Financial Information—Consolidate Statements and Other Financial Information—Dividend Policy."

Our management consists of certain principal executive officers of BCP, ASHC and PPS. It believes that a unified financial group with a coordinated strategy is best able to take advantage of growth in the Peruvian economy and deregulation of the financial services sector as well as to achieve synergies from cross-selling financial services and products (e.g., through BCP's extensive branch network). Through our subsidiaries, we are the largest Peruvian provider of financial services in Peru.

BCP began operations in 1889 as Banco Italiano and changed its name to Banco de Crédito del Perú in 1941. BCP has been the largest commercial bank in Peru since the 1920s. Members of the Romero family have been shareholders of BCP since 1918 and became the controlling shareholders in 1979. Mr. Dionisio Romero Seminario, who was our Chairman of the Board of Directors and Chief Executive Officer, was a member of the Board of Directors of BCP from 1966 to 1987, becoming BCP's Chairman in 1979. In response to former President Alan García's attempt to nationalize the Peruvian banking industry in 1987, the majority shareholders of BCP, including Mr. Romero S., sold a controlling interest in BCP and transferred management to its employees. The sale successfully 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 holdings in BCP, and Mr. Romero S. and several former key managers returned to BCP. See "—(9) Peruvian Government and Economy—(i) Peruvian Government." Members of the Romero family exchanged their BCP shares in the October 1995 exchange offer, and as of February 14, 2011 hold 15.0% of our common shares. See "Item 7. Major Shareholders and Related Party Transactions—(A) Major Shareholders."

ASHC was incorporated in the Cayman Islands in December 1981 as a wholly-owned subsidiary of BCP, under the name Crédito del Perú Holding Corporation or BCP International. It became the first Peruvian bank to establish an offshore banking presence to serve its Peruvian customers. In 1983, BCP distributed its shares of BCP International to its shareholders as dividends to protect its privately held status in the event that BCP was nationalized. BCP International established its first physical presence offshore (previously having been operated through BCP's corporate offices) by opening an office in Panama in 1984, and opening an agency in Miami in 1986. In 1986, BCP International changed its name to ASCH. As a result of the attempted expropriation by the government in 1987, ASHC's operations and management were made independent of BCP. In 2002, ASHC closed its Miami agency at the same time that BCP opened its Miami agency. Also, Credicorp Securities was established in Miami as our wholly-owned subsidiary and began operating in early 2003 serviced by former ASHC personnel.

We own 75.98% of PPS directly and 21.28% through our subsidiary Grupo Credito. PPS was formed in 1992 as a result of the merger between El Pacífico Compañía de Seguros y Reaseguros S.A. and Compañía de Seguros y Reaseguros Peruano-Suiza S.A. PPS is the second largest Peruvian insurance company in terms of premium sold and health fees. PPS's major subsidiaries include Pacífico Vida, which specializes in life and pension fund insurance, and Pacífico Salud, which provides health insurance as an alternative to public social security.

We own 100% of Grupo Crédito S.A., which is the principal shareholder in Prima AFP. We also hold equity shares in Peruvian electric utilities and other non-financial companies.

BCB (formerly Banco Popular S.A., Bolivia) is a subsidiary that we acquired for US$6.2 million in November 1993. Since we transferred to BCP a 55.79% stake in November 2001, we have directly held 2.7% of BCB's equity while holding the rest through BCP. In December 2002, BCP acquired BSCH-Perú, which was merged into BCP on February 28, 2003.

In 2003, BCP converted BCOL, its offshore bank in the Bahamas, into an investment vehicle, and then sold it to ASHC. ASHC subsequently consolidated BCOL into its operations in 2004. BCOL's business, which is receiving offshore U.S. Dollar deposits and making U.S. Dollar-denominated loans to large Peruvian customers, was taken over by both BCP's Panama branch and ASHC.

Solución was spun off into two companies. The first company retained only cash and equity. The second company became a wholly-owned subsidiary of BCP in March 2003 as a result of BCP's acquisition of the remaining 45% of Solución's equity interests. Solución was merged into BCP's Peruvian banking operations in March 2004.

Although the transaction had an effective date of January 1, 2005, in March 2005, we sold Banco Tequendama to a Colombian bank. We did not record a material gain as a result of the sale. On December 31, 2004, Banco Tequendama had US$306.7 million in loans and US$290.5 million in deposits. We acquired Banco Tequendama in January 1997 from the Fondo de Garantía de Depósitos y Protección Bancaria, or FOGADE, the Venezuelan government entity responsible for the re-privatization of government-seized assets in connection with the widespread Venezuelan banking problems that began in 1994. We, along with FOGADE and FOGADE's financial adviser, were sued in Aruba by the former owners of Banco Tequendama. The judge in Aruba dismissed the claim, and the plaintiff appealed. In April 2004, the Court of Appeals in Aruba rejected all of the plaintiff's claims. The lawsuit followed a previous unsuccessful lawsuit brought by the former owners in Colombia.

On August 24, 2006, through our subsidiary Prima AFP, we acquired 99.97% of the capital stock of AFP Unión Vida S.A., a pension fund management company that operates in Peru, from Grupo Santander Perú S.A. We also made a tender offer to the minority shareholders in order to acquire the remaining 0.03% of capital stock. The total purchase price was approximately US$141.5 million. At the September 6, 2006 general shareholder's meeting of Prima AFP, the merger with AFP Unión Vida S.A. was approved, with an effective date of December 1, 2006.

In October 2009, through our subsidiary BCP, we acquired Empresa Financiera Edyficar S.A., a financial entity specialized in micro lending. As of December 31, 2009 we held 99.79% of the capital stock of Edyficar.

In November 2010, Credicorp's Board of Directors approved the transfer of 84.9% of BCP's total shares to Grupo Crédito S.A. (its Peruvian wholly owned subsidiary) through a capital contribution, in order to facilitate Credicorp's future investments in Perú without modifying the controlling structure of BCP. Under the new structure, Credicorp directly holds 12.7% of BCP's total shares and, in conjunction with its subsidiary Grupo Crédito, continues to control the same 97.6% of such shares.

(D) Property, Plants and Equipment

On December 31, 2010, we had 535 branches, of which 329 were branch offices of BCP in Peru. Our principal properties include the headquarters of BCP, at Calle Centenario 156, La Molina, Lima 12, Perú. There are no material encumbrances on any of our properties.

ITEM 4A. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 5.OPERATING AND FINANCIAL REVIEW AND PROSPECTS

(A) Operating Results

(1)Critical Accounting Policies

Foreign currency translation

Credicorp's functional and presentation currency is the United States Dollar (U.S. Dollar or US$) because it reflects the economic substance of the underlying events and circumstances relevant to the Company. In addition, Credicorp's main operations and transactions in the different countries where it operates are established and settled in U.S. Dollars.

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

- Monetary assets and liabilities are converted at the free market exchange rate at the date of the consolidated statements of financial position.
- Non-monetary accounts are converted at the free market exchange rate prevailing at the date of the transaction.
- Income and expenses, except for those related to non-monetary assets which are converted at the free market exchange rate prevailing at the date of the transaction, are converted monthly at the average monthly exchange rate.

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

Income and expense recognition from banking activities

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

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

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

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

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

Insurance activities

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

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

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