

CREDICORP LTD
Form 20-F
April 30, 2013

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

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

For the fiscal year ended December 31, 2012

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.

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

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

None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

None

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

share 94,382,317

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

Yes No

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

Yes No

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

Yes No

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

Yes No

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

Large accelerated filer Accelerated filer Non-accelerated
filer

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

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

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ABBREVIATIONS

Abbreviation	Meaning
ACII	Chartered Insurance Institute
AFM	Administradora de Fondos Mutuos or Mutual Fund Administrators
AFP	Administradora de Fondo de Pensiones or Pension funds private administrators
AGF	Administradora General de Fondos or General Funds Management
AIAF	Associate in Insurance Accounting& Finance
AIC	Associate in Claims
ALCO	Asset and Liabilities Committee
ALICO	American Life Insurance Company
ALM	Asset and Liabilities Management Service
AMIM	Associate in Marine Insurance Management
AMLCA	Anti-Money Laundering Certified Associate
AMV	Autorregulador del Mercado de Valores de Colombia or Colombia's Stock Market Self-regulator
APC	Agreement of Commercial Promotion
ARe	Associate in Reinsurance
ARM	Associated Risk Management
ASB	Atlantic Security Bank
ASBANC	Asociación de Bancos del Perú or Peruvian Banker Association
ASHC	Atlantic Security Holding Corporation
ATM	Automated Teller Machine (cash machine)
AU	Associate in Underwriting
AuMs	Assets under Management
BAH	Bachelor of Arts with Honors
BCI	Banco de Crédito e Inversiones
BCM	Business Continuity Management
BCP	Banco de Crédito del Perú
BCP Capital S.A.A.	BCP Capital
BCR	Banco Central de Reserva del Perú or Peruvian Central Bank
BIS I Accord	Basel Committee on Banking Regulations and Supervisory Practices of International Settlements
Bladex	Banco Latinoamericano de Comercio Exterior
BLMIS	Bernard L. Madoff Investment Securities LLC
BVI	British Virgin Islands
CAF	Corporación Andina de Fomento or Andean Development Corporation
CARE	Cooperative for Assistance and Relief Everywhere
CGU	Cash-Generating Unit
CID	Corporate and international Division
CIMA	Cayman Islands Monetary Authority
CITIP	Certificate in Information Technology for Insurance Professionals
CLU	Chartered Life Underwriter
COFIDE	Corporación Financiera de Desarrollo S.A. or Peruvian government-owned development bank
CONASEV	Comisión Nacional Supervisora de Empresas y Valores del Perú or National Commission for the Supervision of Corporations and Securities

COO

Chief Operating Officer

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COSO	Committee of Sponsoring Organization of the Tread way Commission
CPCU	Chartered Property Casualty Underwriter
CRAC	Caja Rural de Ahorro y Crédito or Rural saving and loan institution
CRISC	Certificated in Risk and Information Systems
CRM	Customer Relationship Management
CRMA	Certificated in Risk and Management Assurance
CSI	Credicorp Securities Inc.
CTS	Severance indemnity Deposits
Edyficar	Empresa Financiera Edyficar S.A.
EPS	Entidad Prestadora de Salud or Health Care Facility
ERM	Enterprise Risk Management
GDP	Gross Domestic Product
FATCA	Foreign Account Tax Compliance Act
FATF	Financial Action Task Force
FDI	Foreign Direct investment
FEB	Federación de Empleados Bancarios or Federation of Banking Employees
FIBA	Florida International Bankers Association
FINRA	Financial Industry Regulatory Authority
FSSA	Financial System Supervisory Authority
FTA	Free Trade Agreement
IASB	International Accounting Standards Board
IBD	Introducing Broker Dealer
IBNR	Incurred but not reported
ICBC	Industrial and Commercial Bank of China
IFRS	International Financial Reporting Standards
IGBVL	Índice General de la Bolsa de Valores de Lima or General Index of the Lima Stock Exchange
IIA	Institute of Internal Auditors
IMF	International Monetary Fund
IRB	Internal Ratings-Based
IRS	Interest Rate Swap
ISACA	Information Systems Audit and Control Association
KRI	Key Risk Indicators
LIBOR	London InterBank Offered Rate
LTV	Loan to Value
M&A	Mergers and Acquisitions
MALI	Museo de Arte de Lima or Lima's Fine Arts Museum
MILA	Mercado Integrado de Latinoamericano or Integrated Latin American Market -among Chile, Colombia and Peru
MMD	Middle-Market Division
MODASA	Motores Diesel Andinos S.A.
MRCR	Minimum Regulatory Capital Required
MRTA	Movimiento Revolucionario Tupac Amaru
NEP	Net Earned Premiums
NIM	Net Interest Margin
NYSE	New York Stock Exchange
OIS	Overnight Indexed Swap

OTC	Over-the-counter
RAM	Monthly Insurable Remuneration
RB&WM	Retail Banking Wealth Management Group
RIA	Registered Investment Advisor
RMV	Remuneración Mínima Vital or Minimum Vital Wage
ROAE	Return on Average Equity
RWA	Risk-Weighted Assets
S&P	Standard and Poor's
SAM	Standardized Approach Method
SARs	Stock Appreciation Rights
SBS	Superintendencia de Banca, Seguros y AFP or Superintendency of Banks, Insurance and Pension Funds
SCTR	Seguro Complementario de Trabajo de Riesgo or Complementary Work Risk Insurance
SEC	U.S. Securities and Exchange Commission
SIPG	Securities Investor Protection Corporation
SME	Small and medium enterprise
SMV	Superintendencia del Mercado de Valores or Superintendence of the Securities Market
SOAT	Seguro obligatorio para accidentes de tránsito or Obligatory assurance for accidents of traffic
Solucion EAH	Solución Empresa Aseguradora Hipotecaria or Mortgage insurer company
SPP	Sistema Privado de Pensiones or Private Pension System
SUNAT	Superintendencia Nacional de Aduanas y de Administración Tributaria or Superintendence of Tributary Administration
SVS	Superintendencia de Valores y Seguros de Chile or Superintendence of Securities and Insurance from Chile
SWIFT	Society for Worldwide Interbank Financial Telecommunications
TCS	Tata Consulting Services
U.S. GAAP	United States Generally Accepted Accounting Principles
VaR	Value at Risk
VRAE	Apurimac and Ene River Valley
WBG	Wholesale Banking Group

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, the Company, 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 (mainly wholesale banking and retail banking), investment banking, insurance, and pension funds. See information about operating segments in “Item 4.-Information on the Company: (A) History and Development of the Company, and (B) Business Overview”.

Our five principal operating subsidiaries are: (i) Banco de Crédito del Perú (which, together with its consolidated subsidiaries, is referred to as BCP and includes wholesale and retail banking); (ii) Atlantic Security Bank, which we hold through Atlantic Security Holding Corporation (which, are referred to as ASB and ASHC, respectively); (iii) El Pacífico-Peruano Suiza Compañía de Seguros y Reaseguros (which together with its consolidated subsidiaries, is referred to as Grupo Pacífico); (iv) Prima AFP; and (v) Credicorp Investments (which eventually will consolidate the companies of our investment banking business). As of and for the year ended December 31, 2012, BCP accounted for 87.7% of our total assets, 84.3% of our net income and 65.3% of our net equity. Unless otherwise specified, the individual financial information for BCP, ASB, Grupo Pacífico, Prima AFP and Credicorp Investments 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, Grupo Pacífico, Prima AFP and Credicorp Investments as our main operating subsidiaries, and we refer to 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, 2008, 2009, 2010, 2011 and 2012.

Our management’s criteria on foreign currency translation, for the purpose of preparing the Credicorp Consolidated Financial Statements, are 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/.2.55 = US\$1.00, which is the December 31, 2012 exchange rate set by the Peruvian Superintendency of Banks, Insurance and Pension Funds (SBS by its Spanish initials). The average of the bid and offered free market exchange rates published by the SBS for April 24, 2013 was S/.2.624 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 recent years. Our Bolivian subsidiary’s financial statements are also presented in U.S. Dollars. Our recently acquired companies, Correval S.A. Sociedad Comisionista de Bolsa in Colombia (Correval) and IM Trust S.A. Corredores de Bolsa in Chile (IM Trust), operate in Colombian Pesos and Chilean Pesos, respectively, and their financial statements are converted into U.S. Dollars for consolidation purposes.

**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 obligation to, update or alter any forward-looking statements contained in this Annual Report 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 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, 2008, 2009, 2010, 2011 and 2012 is derived from the 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 Consolidated Financial Statements as of December 31, 2011 and 2012 and for the years ended December 31, 2010, 2011 and 2012 appears elsewhere in this Annual Report.

SELECTED FINANCIAL DATA

	Year ended December 31,				
	2008	2009	2010	2011	2012
	(U.S. Dollars in thousands, except percentages, ratios, and per common share data)				
INCOME STATEMENT DATA:					
IFRS:					
Interest income	US\$ 1,382,844	US\$ 1,312,925	US\$ 1,471,708	US\$ 1,837,764	US\$ 2,310,441
Interest expense	(561,617)	(420,564)	(414,121)	(531,600)	(693,646)
Net Interest income	821,227	892,361	1,057,587	1,306,164	1,616,795
Provision for loan losses (1)	(48,760)	(163,392)	(174,682)	(214,898)	(377,841)
Net interest income after provision for loan losses	772,467	728,969	882,905	1,091,266	1,238,954
Fees and commissions from banking services	394,247	436,819	524,895	607,843	737,421
Net gains (loss) from sales of securities	51,936	120,932	80,326	61,927	101,269
Net gains on foreign exchange transactions	108,709	87,944	104,169	138,492	177,472
Net premiums earned	393,903	424,682	480,293	574,423	704,205
Other income	37,672	74,936	95,145	30,374	104,972
Claims on insurance activities	(341,910)	(286,458)	(315,572)	(377,759)	(465,460)
Operating expenses	(920,603)	(957,110)	(1,085,885)	(1,230,149)	(1,614,102)
Merger costs	0	0	0	0	0
Income before translation result and income tax	496,421	630,714	766,276	896,417	984,731
Translation result	(17,650)	12,222	24,120	37,881	75,079
Income tax	(109,508)	(138,500)	(187,081)	(210,508)	(251,583)
Net income	369,263	504,436	603,315	723,790	808,227
Attributable to:					
Net income attributable to Credicorp's equity holders	357,756	469,785	571,302	709,272	788,778
Non-controlling interest	11,507	34,651	32,013	14,518	19,449
Number of shares as adjusted to reflect changes in capital	79,761,475	79,534,485	79,440,484	79,407,360	79,391,258
Net income per common share attributable to Credicorp's equity holders (2)	4.49	5.90	7.19	8.93	9.93
Diluted net income per share	4.49	5.90	7.17	8.90	9.90

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Cash dividends declared per common share	1.50	1.70	1.95	2.30	2.60
BALANCE SHEET					
DATA:					
IFRS:					
Total assets	20,821,069	22,013,632	28,391,157	30,714,397	40,797,121
Total loans (3)	10,456,284	11,505,319	14,278,064	17,320,378	21,311,928
Reserves for loan losses (1)	(248,063)	(376,049)	(448,597)	(558,186)	(744,508)
Total deposits	13,877,028	14,032,179	17,767,714	18,643,999	23,964,953
Equity attributable to Credicorp's equity holders	1,689,172	2,316,856	2,873,749	3,395,799	4,167,969
Minority interest	106,933	186,496	56,502	66,841	197,366
Net Equity	1,796,105	2,503,352	2,930,251	3,462,640	4,365,335

Year ended December 31,
2008 2009 2010 2011 2012
(U.S. Dollars in thousands, except percentages, ratios,
and per common share data)

SELECTED RATIOS

IFRS:

Net interest margin (4)	4.46	%	4.70	%	4.60	%	4.88	%	4.96	%
Return on average total assets (5)	1.86	%	2.19	%	2.27	%	2.40	%	2.21	%
Return on average equity attributable to Credicorp's equity holders (6)	20.21	%	23.72	%	21.29	%	22.94	%	20.74	%
Operating expenses as a percentage of net interest and non-interest income (7)	40.27	%	46.18	%	45.75	%	41.68	%	44.07	%
Operating expenses as a percentage of average assets	4.78	%	4.47	%	4.31	%	4.16	%	4.51	%
Equity attributable to Credicorp's equity holders as a percentage of period end total assets	8.11	%	10.52	%	10.12	%	11.06	%	10.22	%
Regulatory capital as a percentage of risk weighted assets (8)	12.33	%	14.32	%	12.51	%	13.53	%	13.96	%
Total past-due loan amounts as a percentage of total loans (9)	0.79	%	1.60	%	1.47	%	1.50	%	1.75	%
Reserves for loan losses as a percentage of total loans	2.15	%	3.08	%	2.91	%	3.00	%	3.28	%
Reserves for loan losses as a percentage of total loans and other contingent credits (10)	1.84	%	2.53	%	2.39	%	2.47	%	2.71	%
Reserves for loan losses as a percentage of total past-due loans (11)	270.72	%	191.99	%	198.04	%	200.62	%	187.69	%
Reserves for loan losses as a percentage of substandard loans (12)	112.26	%	99.45	%	103.80	%	110.93	%	110.46	%

(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, 2012, we had 94.4 million common shares issued and outstanding, of which 15.5 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 Grupo Pacífico) of 79.7 million in 2002 to 2012. See Notes 17 and 26 to the Consolidated Financial Statements.

As of December 31, 2012, the Group had granted 706,000 shares of Credicorp as part of its stock awards compensation program, of which 599,000 had vested.

(3) Net of unearned interest, but prior to reserve for loan losses. In addition to loans outstanding, we had contingent loans of US\$1,755.9 million, US\$2,528.1 million, US\$3,135.2 million, US\$3,728.0 million and US\$4,520.1 million, as of December 31, 2008, 2009, 2010, 2011 and 2012, respectively. See Note 20 to the 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 30.1 to the 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 20 to the 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)			
2008	3.135	2.751	2.939	3.135
2009	3.251	2.881	3.005	2.888
2010	2.857	2.786	2.825	2.806
2011	2.827	2.696	2.753	2.696
2012	2.711	2.552	2.634	2.552

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)	
2012		
December	2.581	2.548
2013		
January	2.576	2.538
February	2.589	2.568
March	2.609	2.585

April (through April 24) 2.625 2.577
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 24, 2013 was S/.2.624 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. You should note that the risk factors described below are not only risks to consider. Rather, these are the risks that we currently consider material. There may be additional risks that we consider immaterial or of which we are unaware, and any of these risks could have similar effects to those set forth below.

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

Most of BCP's, Grupo Pacífico's and Prima AFP's operations and customers are located in Peru. In addition, although ASB is based outside Peru, most of its customers are located in Peru. Accordingly, our results of operations and financial condition are 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, economic and social developments in Peru, including government-influenced effects on inflation, currency 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. During the last 15 years, however, Peru has experienced a period of relative political and economic stability which has led to positive economic performance, including a GDP

compounded annual growth rate of 5.2% for the last ten years (2003 to 2012). The government of Alberto Fujimori, who took office in July 1990, initiated a series of reforms aimed at: (i) stabilizing the economy, (ii) restructuring the national government (by reducing bureaucracy), (iii) privatizing state-owned companies, (iv) promoting private investment, (v) eradicating corruption and bribery in the judicial system, (vi) developing and strengthening free markets, (vii) institutionalizing democratic representation; and (viii) enacting programs designed to strengthen basic services related to education, health, housing and infrastructure. While serving his third term, President Fujimori was forced to call for general elections under extreme protest in July 2000 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. The two administrations that followed the Fujimori administration, after the transitional government led by Valentin Paniagua (2000 - 2001), were the Toledo administration (2001 - 2006) and the García administration (2006 - 2011). Both governments followed similar economic policies, which focused on 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.

Peru's current president, Ollanta Humala from the Gana Perú political coalition, took office on July 28, 2011 for a five-year term through 2016, after winning a run-off election. President Humala has, since his inauguration, substantially maintained the moderate economic policies of former president Alan García, whose administration was characterized by business-friendly and open-market economic policies that sustained and fostered economic growth, while controlling the inflation rate at historically low levels. However, we cannot assure you that the current or any future administration will maintain business-friendly and open-market economic policies or policies that stimulate economic growth and social stability, in particular given President Humala's left-leaning political history and statements made during his presidential campaigns in 2006 and 2011. Any changes in the Peruvian economy or the Peruvian government's economic policies may have a negative effect on our business, financial condition and results of operations.

Peru also has a history of domestic terrorism and social unrest. The terrorist organizations that were particularly active in Peru during 1980s and the early 1990s were the *Movimiento Revolucionario Tupac Amaru* (MRTA) and the *Sendero Luminoso* (Shining Path). The leader of the Shining Path, Abimael Guzmán, was captured and imprisoned in 1992. In 2012, the most recent significant leader of this organization, Florindo Flores, commonly known as Artemio, was also captured. Nevertheless, terrorism, narcotrafficking and narco-terrorism remain key challenges for the Government. Remnants of the Shining Path rebel group have survived and the group is now split into two relatively independent factions; one in Peru's Upper Huallaga Valley and one in the Apurimac and Ene River Valley (VRAE). These regions constitute the largest areas of coca cultivation and the main centers of "narco-terrorism" in Peru. Any resumption in terrorist activity by the MRTA, the Shining Path or other organizations may adversely affect our operations and financial condition.

In recent years, Peru has experienced social unrest in geographic areas that contribute to the country's mining industry. Mining is an important sector of the Peruvian economy, representing approximately 60% of the country's exports and 20% of its tax revenues. However, while recent governments have concentrated on increasing the revenues and profitability of the mining industry, there has been less focus on improving the social and economic conditions of local communities affected by the industry, which has increased political tension. The most recent manifestation of this tension can be seen in social conflict around Conga, a gold-copper project located in northern Peru. The project, which included investments of between US\$4.2 billion and US\$4.8 billion, failed to launch because of social protests led by residents concerned about its potential impact on the local water supply. In December 2011, the Peruvian government declared a state of emergency in the area, which lasted for approximately 10 days, and afterwards requested a new environmental impact study from independent consultants. The results of the study were delivered on April 16, 2012, and the Peruvian government has established a series of new conditions to improve the project that the mining company would be required to accept to continue with the project. At the same time, however, four new copper mine projects (in Las Bambas, Cerro Verde, Constancia, and Quellaveco) are planned, which may multiply the production of copper in next four years. A possible cancellation of major projects may have an impact on present and future foreign investment decisions and plans, which in turn could negatively affect Peru's GDP growth and, as a result, the expansion of the Peruvian financial system.

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, Grupo Pacífico 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, Grupo Pacífico 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 Grupo Pacífico'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 Grupo Pacífico's clients' ability to repay loans or make premium payments. Despite any devaluation, and absent any change in foreign exchange regulations, BCP and Grupo Pacífico 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.

Finally, BCP Bolivia, Correval and IM Trust utilize the local currencies (Bolivian Pesos, Colombian Pesos and Chilean Pesos, respectively) of the countries in which they operate and therefore are also exposed to foreign exchange fluctuations and any exchange control imposed in these countries that may adversely affect their financial condition and results of operations.

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 by-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, Grupo Pacífico, 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, ASB, Grupo Pacífico or Prima AFP 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.

Also, we depend upon the receipt of dividends and other distributions from entities in which we, directly or indirectly, have an ownership interest. Any restriction on dividends applicable to Correval or IM Trust (our recently acquired companies in Colombia and Chile, respectively) may adversely affect our ability to make distributions.

Changes to banking regulations may adversely affect our operating performance and financial condition.

Because we are subject to regulation and supervision in Peru, Bolivia, Colombia, Chile, 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 del Perú (BCR), 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 including pension funds and insurance companies. 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.

In Colombia, we are subject to supervision and regulation through the Superintendencia Financiera de Colombia and the Autorregulador del Mercado de Valores de Colombia. In Chile, we are subject to supervision and regulation through the Superintendencia de Valores y Seguros. See "Item 4. Information on the Company—(B) Business Overview—(11) Supervision and Regulation—(v) Investment Banking."

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 (FSSA) that has assumed all regulatory functions held previously by 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.

In mid-2011, politicians outside of Peru's governing coalition introduced a bill in Congress that, if enacted, would set a cap on interest rates charged by the country's financial institutions. However, the SBS recently indicated that such a cap should only be used as a last resort for lowering rates if the SBS doesn't succeed in getting Peru's banks to voluntarily reduce interest rates in the next two to four years, the period in which several foreign banks are likely to establish or expand operations in Peru. Congress may nevertheless impose a cap, and an interest rate ceiling may adversely affect our Net Interest Margin (NIM) and consequently our operating performance.

On February 15, 2011, the Peruvian government enacted Law 29663. On July 21, 2011 Law 29663 was amended by Law 29757. This new Law 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 issued by a non-resident entity will be subject to taxation in Peru (30% or 5%) if at any point during the 12 prior months to such transfer:

a. 50% or more of the fair market value of the foreign shares –to be transferred—is derived from shares or participation rights representing the equity capital of one or more Peruvian entities. There is a rebuttable presumption that the threshold is met if the non-resident entity is a resident in a tax haven.

b. The shares to be transferred represent at least 10% or more of the equity capital of the non-resident entity.

At the same time, two new obligations were imposed on Peruvian domiciled companies:

(1) Each Peruvian domiciled company is now required to report to the Superintendency of Tributary Administration (SUNAT by its Spanish initials) transfers of its own shares or transfers of the shares of the non-Peruvian domiciled company that is the owner of its shares; and

(2) Each Peruvian domiciled company is jointly liable 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, except in the event that the purchaser or acquirer of the shares is a Peruvian individual or entity.

The effectiveness of the obligations mentioned in (1) and (2) above is subject to additional regulations which have not been enacted yet by the Peruvian government. Until definitive regulations are enacted by the Peruvian government, which may clarify any obligation by Credicorp to withhold income tax for non-Peruvian domiciled transferors, we do not know what impact, if any, this new law will have on our company, subsidiaries or shareholders.

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, which primarily consists of 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.

Our banking and capital market operations in neighboring countries expose us to risk related to political and economic conditions.

Banco de Crédito de Bolivia is BCP's commercial bank in Bolivia, and most of its operations and customers are located there. Accordingly, our results of operations and financial condition depend on economic activity in Bolivia. Bolivia's macroeconomic indicators have been generally positive over the last several years, including steady growth rates, positive fiscal balances, and increasing international reserves. Inflation for 2012 was 4.54%, below the Central Bank's target of 5%. However, Bolivia continues to lag other countries in the region in terms of foreign direct investment (FDI), despite an increase in FDI in 2012. The political environment in Bolivia also continues to be unstable and the country's legal framework is weak. During 2013 we expect an increase in Bolivia's consumer price index as a result of imported inflation due to a recovery in global economic activity, mainly in Brazil, and in China. Also, we expect the Bolivian government to enact new banking laws in 2013 and increase regulations throughout Bolivia's banking industry. New banking laws could lead to instability in Bolivia's financial system and adversely affect our results of operations.

Our recently acquired companies Correal and IM Trust expose us to risk related to Colombian and Chilean political and economic conditions, respectively.

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 Pacífico Seguros and Pacífico Vida which together with Pacífico Salud are part of Grupo Pacífico. The insurance business is subject to regulation by the SBS. New legislation or regulations may adversely affect Grupo Pacífico's ability to underwrite and price risks accurately, which in turn would affect underwriting results and business profitability. Grupo Pacífico is unable to predict whether and to what extent new laws and regulations that would affect its business will be adopted in the future. Grupo Pacífico 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 Grupo Pacífico's ability to underwrite and set premium rates accurately across a full spectrum of risks. Grupo Pacífico must generate sufficient premiums to offset losses, loss adjustment expenses and underwriting expenses in order to be profitable.

To price premium rates accurately, Grupo Pacífico 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
- predict both severity and frequency with reasonable accuracy.

If Grupo Pacífico 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 Grupo Pacífico 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 Grupo Pacífico could have a material adverse effect on our results of operations and financial condition.

Natural disasters in Peru could disrupt our businesses and affect our results of operations and financial conditions

We are exposed to natural disasters in Peru, such as earthquakes and mudslides. Earthquakes in Peru are common occurrences as the country is located in a seismic zone: the interface between the Nazca and South American tectonic plates. Peru has been adversely affected by earthquakes in the past, including an 8.0 magnitude earthquake that struck the central coast of Peru in 2007.

A natural disaster of this nature or any other type of disaster could impair. Our operational capacity, our business continuity plans, which are designed to sustain Credicorp's critical operations, include emergency response, disaster recovery, operations continuity, crisis management, data protection and recovery, and critical systems redundancy. Although we test our business continuity plans annually these plans may prove to be ineffective which could have a material adverse effect on our ability to carry out our businesses, especially if incidence disaster affects computer-based data systems or destroys customer or other data. In addition, if a significant number of our employees were affected by the natural disaster, our ability to conduct business could be impaired.

Our subsidiary Grupo Pacífico is further exposed to risks associated with natural disasters in Peru as an insurance business. To protect Grupo Pacífico's solvency and liquidity, our insurance business historically has obtained reinsurance for a substantial portion of its earthquake-related risks through automatic excess loss treaties; however, there can be no assurance that a major catastrophe would not have a material adverse impact on our results of operations or financial condition or that our reinsurance policies will be an effective hedge against our exposure to risks resulting from natural disasters.

Regulatory changes to the private pension fund and banking 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. In 2012, the Peruvian Government adopted the Law to Reform the Private Pension System, which modifies the commissions that fund managers, may collect from pension fund participants. Prior to the adoption of the Law to Reform the Private Pension System, Peruvian pension fund participants, known as "affiliates", were charged commissions based on their salaries. Under the Law to Reform the Private Pension System, pension fund managers, known as AFPs, will apply a mixed fee to manage funds. This new fee structure will be calculated based on monthly remuneration of the affiliate plus a fee on the fund that is set up with new contributions. By May 31, 2013, affiliates that are already in the private pension fund system must choose between (i) continuing to be subject to the fee structure based on remuneration that was in place prior to the adoption of the Law to Reform the Private Pension System; and (ii) changing to the new fee structure (mixed commission). All new affiliates will be subject to the mixed fee structure. The mixed fee structure will be in place for a 10-year transitional period after which an AFP's fees will be based sole on its funds under management. These changes in the fee structure of Peru's pension funds are designed, to align the interest of AFPs and their clients.

Other regulatory changes from the Law to Reform the Private Pension System include: (i) the establishment of an auction process to determine which AFP will manage the accounts of new affiliates; (ii) the packaging of insurance for survivors, disability and burial costs; (iii) the creation of a capital protection fund designed to establish a stable source of funds for seniors; and (iv) other measures designed to expand coverage. It also contemplates changes related to employers, outside service contracts and the operating processes. These regulatory changes may reduce the fees that we collect and adversely affect our results of operations. The Law to Reform the Private Pension System will be implemented in phases. Changes in 2013 will be focused on modifying processes and systems. See "Item 4. Information on the Company—(B) Business Overview—(11) Supervision and Regulation—(vii) Prima AFP."

In the case of the banking system, the last main changes in regulation were the elimination of fees related to our Retail Banking Business and higher standards in transparency regarding information offered to clients about interest rates and features of financial products. Although the impact on our banking business' fee income was not material, pressure from Congress may continue and the regulator could persist on increasing the regulation of fees.

Recent legislation regarding the financial services industry may subject us to significant and extensive regulation, which may have an impact on our operations.

Government measures to regulate the financial industry, including the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act) and the Foreign Account Tax Compliance Act (FATCA) of the United States are likely to increase our regulatory compliance burden and related costs. These and other regulatory developments are likely to impact Credicorp, and may require us to change certain aspects of our business practices and impose additional costs on us, ultimately having an impact on our operations. With respect to FATCA and Dodd Frank, Credicorp has hired outside consultants to help determine the impact that the implementation of these two laws will have on our institution. Based on our analysis to date, we do not expect the implementation of FATCA to have a material impact on our business given our limited number of U.S. accountholders. Also, we do not expect that the implementation of the Dodd-Frank Act, including the Volcker Rule and regulations related to swap transactions, will materially impact our business or cause us to incur material costs. However, until final implementations of the regulations under these new laws are issued, we cannot assure you of the extent of the impact these new laws will have on Credicorp.

We operate in a competitive banking environment that may limit our potential to grow, particularly in the medium term as more foreign banks establish or expand operations in Peru.

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 the 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 dedicate 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.

As a result of strong Peru's economic growth, which has outpaced growth by nearby countries, several banks have sought and obtained authorization to open representative offices in Peru. Itaú Unibanco, Banco Latinoamericano de Comercio Exterior (Bladex), Morgan Stanley Bank, Bank of Tokyo and the Industrial and Commercial Bank of China are among those banks receiving authorization. With the increased competition, more individuals will have access to credit, and the percentage of the population using banking services will likely climb. This will eventually put downward pressure on interest rates. Any negative impact on BCP could have a materially adverse effect on our results of operations and financial condition.

Economic and market conditions in other countries may affect the Peruvian economy and the market price of Peruvian securities.

Economic conditions in other countries may impact Peru's GDP growth. Peru's exports are highly concentrated in the oil and mining industry. This industry represents almost 25% of Peru's total income tax revenues, and gold and copper alone constitute around 45% of Peru's total exports. Therefore, an economic downturn in Peru's major importers of mining goods may adversely affect Peru's economic growth.

Nearly one quarter of the expected growth in Peru's economy over the next year depends on economic conditions in China, which generates considerable demand for basic metals mined in Peru. An economic slowdown in China over the next several years may adversely affect the growth of the Peruvian economy as a result of lower exports, lower levels of foreign investment and lower tax revenues. The aforementioned could affect the growth of our business as these reflect on the Peruvian economy.

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

We may suffer losses related to the investments by BCP, ASHC, Grupo Pacífico 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.

A failure in, or breach of, our operational or security systems could temporarily interrupt our businesses, increasing our costs and causing losses.

Although we have a strong IT infrastructure and high-skilled professionals managing IT operations, we are still vulnerable to failure of our operational systems. This could temporarily interrupt our business, increasing our costs and causing losses. Temporary interruptions or failures in hardware and software that support our business and customer's transactions could result mainly in regulatory fines, penalties, and reputational loss.

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

Acquisitions and strategic partnerships, as those made in our investment banking and insurance businesses, may not perform as expected since our assessment could be based on assumptions with respect to operations, profitability and other matters that may subsequently prove to be incorrect. Future acquisitions, investments and alliances may not

produce the anticipated synergies or perform in accordance with our expectations, which could have an adverse effect on our business, financial condition and results of operation.

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.

As of December 31, 2012, our total assets were US\$40.8 billion and our net equity was US\$4.4 billion. Our net income attributable to our equity holders in 2010, 2011 and 2012 was US\$571.3 million, US\$709.3 million and US\$788.8 million, respectively. See “Item 3. Key Information—(A) Selected Financial Data” and “Item 5. Operating and Financial Review and Prospects.”

We were formed in 1995 for the purpose of acquiring, through an exchange offer, the common shares of BCP, ASHC and Grupo Pacífico. We currently hold 97.7% of BCP, 97.8% of Grupo Pacífico and 100% of ASHC. See “Item 4. Information on the Company—(C) Organizational Structure.”

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. As of the date of the acquisition, Prima AFP was the second largest pension fund 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). Today, Prima AFP is the largest pension fund manager in Peru. The merger between Prima AFP and Unión Vida AFP was consummated in December 2006.

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 22.67% 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, 2012 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 Pacífico Seguros and Pacífico Vida, respectively. Pacífico Vida’s shares were acquired through Credicorp Ltd. and its subsidiary, Grupo Crédito, acquired Pacífico Seguros’s shares. Consequently, at the conclusion of this transaction, Credicorp and its subsidiary Grupo Crédito held 97.68% of Pacífico Seguros, and jointly controlled 100% of Pacífico Vida. The total investment amounted to approximately US\$174 million, making it the largest transaction ever completed in the Peruvian insurance market. We expect the acquisition to 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 Grupo Pacífico to improve its value proposition to customers, who seek integral insurance solutions. On April 28, 2011, Credicorp transferred its 24% stake in Pacífico Vida to Pacífico Seguros. As a result of that transfer, Pacífico Seguros now directly owns 86% of the shares of Pacífico Vida and Credicorp owns the remaining 14%. This transfer did not affect 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. 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 97.7% 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 company for some of Credicorp's investments in Peru (Prima AFP, Grupo Pacífico 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.

In the second half of 2011, Pacífico Salud invested approximately US\$ 82.7 million to create the largest private medical services network in Peru by acquiring majority shares to directly manage: (i) the El Golf, San Borja and Oncocare clinics in Lima, (ii) the Galeno clinic in Arequipa, (iii) Laboratorios ML, a clinical laboratory, and (iv) Doctor+, which is a house call/ambulance service. In 2012, Pacífico Salud invested US\$ 38.6 million to increase its integrated insurance and health providing services by acquiring: (i) Clínica Belén S.A., (ii) Centro Odontológico Americano, (iii) Prosemedic S.A., (iv) Clínica Sánchez Ferrer S.A. and Inversiones Marsfe S.R.L., and (v) Bio Pap Service S.A.C. We believe that these acquisitions enable Pacífico Salud to directly benefit from this sector's growth and to strategically defend against potential changes in the healthcare service supply chain, where vertical integration in the insurance business is becoming more frequent.

During 2012, Credicorp, as part of the strategic plan, initiated the creation of a regional investment bank. On April 27, 2012, Credicorp, through its subsidiary BCP, acquired a 51 percent stake in Correval S.A. Sociedad Comisionista de Bolsa, a brokerage entity established in Bogota, Colombia, for approximately US\$72.3 million. This entity will be transferred to Credicorp Investments Ltd.. On July 31, 2012, Credicorp, through its subsidiary BCP, acquired 60.6 percent of IM Trust S.A. Corredores de Bolsa (IM Trust), an investment banking entity established in Santiago, Chile, for approximately US\$131.5 million, of which US\$110.9 million were paid in cash consideration at the acquisitions date and US\$20.6 million will be paid in cash in August 2013. In November 2012, IM Trust was transferred to Credicorp Investments without any impact on Credicorp's financial statements. For the investment banking operations in Peru, we created BCP Capital S.A.A. (BCP Capital), a company incorporated in Peru that was established in April 2012 through the split of an equity block of BCP. This split resulted in a reduction of BCP's assets, liabilities and net equity in an amount of US\$71.2 million, US\$18.0 million and US\$53.2 million, respectively. Assets transferred included Credibolsa S.A.B., Creditítulos S.T., Credifondos S.A.F.M. and BCP's investment banking activities. The equity block split had no effect in Credicorp's consolidated financial statements; no gains or losses arose from it.

Finally, we established Credicorp Investments Ltd. (Credicorp Investments) in Bermuda to hold the Group's investment banking activities in Chile, Colombia and Peru and as of December 31, 2012, the consolidated financial statements of this subsidiary only include IM Trust operations from November to December 2012. We will also transfer Correval (at book value) to Credicorp Investments as soon as we obtain the approval from Colombian supervisors.

(B)

Business Overview

(1)

Introduction – Review of 2012

General

We are the largest financial services holding company in Peru. For management purposes, the Group is organized into four operating segments based on our 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 allocated 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. Banking also includes handling deposits, consumer loans and credit cards products for individual customers.

Insurance: including commercial property, transportation and marine hull, automobile, life, health and pension fund underwriting insurance. Private hospital services are also included under this operating segment.

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

Investment Banking: including corporate finance (structured lending, capital markets and M&A), sales & trading (equity, fixed income, and derivatives), and asset management (investment funds, mutual funds, advisory and mandates).

The following table provides certain financial information about our principal business segments as of and for the year ended December 31, 2012 (See Note 27 to the Consolidated Financial Statements):

	As of and for the Year ended December 31, 2012		
	Total Revenues (U.S. Dollars in millions)	Operating Income*	Total Assets
Banking	US\$ 3,062	US\$ 1,558	US\$ 36,227
Insurance	827	261	2,616
Pension fund	118	-	249
Investment Banking	128	37	1,705
Credicorp	US\$ 4,135	US\$ 1,856	US\$ 40,797
Assets Under Management	-	-	US\$ 22,146

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

We conduct our wholesale banking, treasury and retail banking and wealth management activities primarily through BCP, the largest (in terms of total assets, loans, deposits, net equity and net income) full-service Peruvian commercial bank, and our ASB private banking and asset management firm. We conduct our pension fund business through Prima AFP (the largest pension fund in terms of funds under management) and our insurance activities through Grupo Pacífico, which is the second largest Peruvian insurance company in terms of premiums, fees and net income. We conduct our investment banking business primarily through BCP Capital S.A.A. in Peru, Correval S.A. in Colombia, and IM Trust S.A. in Chile, each of which is a leading company in its respective market. It should be noted 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.

Primarily as a result of the strong microeconomic environment in Peru in 2012, we recorded net income after minority interest of US\$ 788.8 million in 2012, US\$709.3 million in 2011 and US\$571.3 million in 2010. The 2012 result reflected an increase of 11.2% in our net income, primary as a consequence of the strong performance of all our subsidiaries.

Our total assets amounted to US\$28.4 billion in 2010, US\$30.7 billion in 2011 and US\$40.8 billion in 2012. The 32.8% increase in total assets in 2012 was primarily a result of the continued growth of our loan portfolio, which grew by 23.1% in 2012 (compared to a growth of 21.3% in 2011 and 24.2% in 2010), in line with the expansion of the Peruvian economy, which had GDP growth rate of 6.3% in 2012. Our past-due loan ratio (which includes loans under legal collection) was 1.70% at the end of 2012 (compared to a ratio of 1.46% at the end of 2011 and 1.44% at the end of 2010). We had a coverage ratio (i.e., reserves for loans as a percentage of past-due loans) of 187.7% (compared to a

ratio of 200.6% at the end of 2011 and 198% at the end of 2010), and our return on average net equity (ROAE) reached 20.2% in 2012 (compared to 22.2% in 2011 and 21.3% in 2010).

Banking segment

BCP

BCP's year-end 2012 net income totaled US\$660.8 million, which resulted in a contribution to Credicorp of US\$645.8 million. This earnings contribution was 13.8% higher than the 2011 contribution (US\$564.1 million) and higher than the 2010 contribution of US\$464.4 million. This was mainly a product of our improved net interest income which was in turn attributable to a 22.5% increase in gross loans. As a result, BCP registered a ROAE of 25.6% in 2012.

Performance in 2012 was primarily a result of:

a 25.7% growth in net interest income, which was primarily due to the 22.5% expansion posted in gross loans (led by Retail Banking), which offset the significant increase in net provisions for loan losses (+75.7%) and interest expenses (+24.6%);

a 20.7% increase in non-financial income due to growth in banking service commissions (+17.5%) and higher net gains on sales of securities (+82.3%), which occurred as a result of the Bank's ability to take advantage of market opportunities, primarily in government and BCR instruments;

- an increase in earnings on foreign exchange transactions (+25.3%) due to higher trading volumes; and

high translation gains (US\$ 63.1 million vs US\$ 34.5 million in 2011) due to the fact that the Nuevo Sol appreciated more in 2012 (5.4% vs. 4% in 2011).

Performance in these areas enabled BCP to offset the company's 75.7% increase in provisions for loan losses and 21.6% increase in operating expenses. The increase in provisions did not indicate a deterioration of portfolio quality and instead reflected the relative growth of retail banking as a percentage of our total loan portfolio. Retail banking segments have historically had higher levels of past-due loans and higher margins than other banking segments.

BCP's higher operating expenses were a result of BCP's higher salary expenses and employee benefits and higher administrative and general expenses. These higher operating expenses were exacerbated by the 5.4% appreciation of the Nuevo Sol against the U.S. Dollar over the course of 2012, as a significant portion of BCP's operating expenses are denominated in local currency.

BCP's total assets reached US\$34.2 billion at the end of 2012 a 32.6% increase from the US\$26.8 billion of total assets that BCP had as of December 31, 2011. As of December 31, 2010 BCP's total assets were US\$25.3 billion. The increase in total assets in 2012 was a result of the 22.2% expansion of BCP's loans net of provisions, which totaled US\$20.1 billion at the end of 2012.

The loan portfolio constituted 58.5% of BCP's total assets at the end of 2012 (61.2% in 2011 and 55% in 2010). BCP's total past-due loans reached US\$370.4 million from US\$258.3 million registered in 2011 (a 43.4% increase from the previous year) and US\$209.1 million in 2010 while refinanced and restructured loans increased by 48.1%, from US\$96 million in 2011 to US\$142.2 million at the end of 2012 (US\$76.7 million in 2010). The composition of BCP's loan portfolio in 2012 changed significantly. As of December 2012, the average daily balances in our retail banking business accounted for 51.2% (compared to 46.9% in December 2011 and 42% at the end of 2010) and wholesale banking business accounted for 48.8% of BCP's total portfolio (compared to 53.1% in December 2011 and 58% at the end of 2010). This outcome is a result of BCP's strategic focus on increased market penetration in middle and lower segments, which are generally characterized by higher margins.

The average daily balances of BCP's wholesale banking loans grew by 12.1% in 2012 (8.1% in 2011) as a result of the financing provided for large investments, inventories and working capital to keep pace with Peru's dynamic economy. As a result, BCP continued to lead the Peruvian financial system with a market share of 47.2% for the corporate segment (44.3% in 2011) and 33.2% for the middle market (34.3% in 2011).

BCP's retail banking portfolio continued its upward trend and grew 32.8% in 2012 (average daily balance). In terms of growth and yields, BCP's small and medium enterprise (SME) loans were its best performing product, growing by 35.4% (measured in average daily balances) to a total volume of US\$4.1 billion, followed by credit cards which grew 27.7% to US\$1 billion, in each case as of December 31, 2012. Consumer loans grew 35.4% to US\$1.8 billion, while mortgages expanded 29.8%, totaling US\$3.2 billion.

On the liabilities side, BCP's deposits reached US\$22.8 billion on December 31, 2012 from US\$17.6 billion in 2011 (a 30% increase from the previous year) and US\$ 16.8 billion in 2010. This increase in deposits not only continues to reinforce BCP's funding structure, as deposits account for 72.3% of all funding sources, but also serves to maintain BCP's status as an industry leader with a market share of 33.7%. BCP's time deposits grew 58.7%. Demand deposits were BCP's largest deposit type, totaling US\$7.6 billion as of December 31, 2012. Savings deposits, BCP's second-largest deposit type, reached US\$6.1 billion. Time deposits totaled US\$6.7 billion while Severance Indemnity Deposits (CTS by its Spanish initials) totaled US\$2.2 billion.

BCP's issuance of bonds gained greater relevance within the funding structure. In April 2012, BCP completed a subordinated bond issuance for US\$350 million. This transaction was entered into to fully align BCP with new capital requirements established by local regulators. As of December 31, 2012, the aggregate outstanding principal amount of BCP's bonds totaled US\$3,605 million (15.5% higher than the level registered in 2011).

BCP maintains adequate provisioning and long-term risk management policies. Its coverage ratio decreased to 188.6% in 2012 from 200.8% in 2011, which in turn was higher than the coverage ratio of 198.5% in 2010. Total cumulative provisions reached US\$705.5 million as of December 31, 2012, which is 34.6% higher than provisions in the previous year.

In 2012, BCP continued expanding its channel network as part of its customer service focus. By providing quality and widespread customer access to BCP's financial services, BCP sought to increase its penetration of the Peruvian market. In 2012, the network expansion plan focused on cost-efficient channels, by opening ATMs and Agentes BCP locations, which grew by 24.2% and 22.2%, respectively. At the end of 2012, BCP had a total of 1,844 ATMs (1,485 in 2011 and 1,159 in 2010) and 5,713 Agentes BCP (4,674 in 2011 and 3,513 in 2010). Agentes BCP 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 2012 increased 17.8% compared to 2011 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 in line with the growth of Peruvian economy, which posted a 6.3% GDP growth in 2012 despite uncertainty about the global economy.

BCP Bolivia

BCP Bolivia's year-end 2012 net income totaled US\$20.6 million, a 7.7% decrease from its 2011 net income (US\$22.3 million). The decrease from 2011 to 2012 was attributable to a 363.4% increase in income tax expense associated with new taxes enacted in 2012. In 2011, net income was US\$ 22.3 million, a 41% increase from 2010 net income (US\$15.8 million). The increase in 2011 was primarily due to growth in interest income driven by growth in BCP Bolivia's loan portfolio, and a 38% increase in gains on foreign exchange transactions.

In 2012, 2011 and 2010 BCP Bolivia maintained its position as one of the leading banks in Bolivia. In 2012, BCP Bolivia reported a return on average assets of 1.6%, a past-due loan ratio of 1.2%, and a coverage ratio of 301.3%, compared to industry averages of 1.5%, 1.5% and 291.2% respectively. In 2011, the bank either outperformed or equaled industry average in the following ratios, return on average assets (1.7%), past-due loan ratio (1.2%) and coverage ratio (314%) compared to industry averages of 1.7%, 1.7% and 281.1%, respectively. In 2010, return on average assets (1.4%), past-due loan ratio (1.5%) and coverage ratio (272.6%) were also on par with or exceeded industry averages of 1.4%, 2.2% and 220.7%, respectively

BCP Bolivia's loan portfolio grew from US\$ 602 million in December 2010 to US\$ 758 million in December 2011 and US\$ 901 million in 2012. The increase in 2011 was driven primarily by a 33% increase in wholesale banking loans while the increase in 2012 was driven by a 25% increase in retail banking loans.

Although BCP Bolivia made a positive contribution to our results in each of the last three years, the bank's earnings generation capacity is increasingly under pressure due to a more stringent regulatory environment and a significantly higher tax burden.

Edyficar

Edyficar focuses on SME lending and, together with BCP, it held a 23.3%, 21.4% and 19.6% market share in terms of loans at year-ended 2012, 2011 and 2010, respectively. Edyficar closest competitor has a market share of 14.3% at the end of 2012. The consolidation of Edyficar's results into BCP's financial statements resulted in a total contribution to BCP of US\$36.5 million in 2012, compared to US\$26.2 million in 2011 and US\$22.1 million in 2010.

Edyficar registered total assets of US\$1,064.4 million, US\$591 million and US\$465.9 million at year-end 2012, 2011 and 2010, respectively; which consisted of US\$708.6 million, US\$479.1 million, US\$336.2 million from the company's net loan portfolio, its main asset, at year-end 2012, 2011 and 2010, respectively. Total liabilities increased to US\$966 million in 2012 (compared to US\$515.2 million in 2011 and US\$413.5 million in 2010), which included US\$301.6 million from banks. Net shareholders' equity reached US\$98.4 million, US\$75.8 million and US\$52.4 million at year-end 2012, 2011 and 2010, respectively.

As of December 31, 2012, Edyficar had a client base of 443,406 clients, representing an increase of 24.6 % compared to the client base reported in 2011. In 2011, Edyficar had a client base of 356,000 clients which represented an increase of 24.5% compared to the 286,000 clients reported in 2010. The average amount of an Edyficar loan was S/. 4,411 (approximately US\$1,730) in 2012, S/. 3,837 (approximately US\$ 1,423) in 2011, and S/.3,502 (approximately US\$1,247) in 2010. Edyficar registered a past-due loan ratio of 3.9% at the end of 2012, a reflection of its portfolio quality (compared to 4.0% obtained in 2011 and 2010). Edyficar reached a ROAE of 26.5%, 22.9% and 25.2% in 2012, 2011 and 2010, respectively (including goodwill of US\$ 50.7 million for each of the last three years) and an efficiency ratio of 54.2%, 55% and 56.1% in 2012, 2011 and 2010, respectively.

The acquisition of Edyficar was part of BCP's strategy to capture a significant portion of the growth of the Peruvian SME segment, 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 necessary capital and technology.

Atlantic Security Bank (ASB)

Despite low economic performance in the global economy, in 2012 ASB achieved an increase in net profit due to strategic allocation in its investment portfolio and an increase the volume of interest earning assets. ASB's net earnings for 2012 were US\$48.4 million, an increase of 17.8% compared to the US\$41.1 million reported in 2011 and US\$48.9 million reported in 2010. Credicorp received a contribution of US\$48.4 million from ASB in 2012.

Net interest and dividend income in 2012 totaled US\$38.6 million, which represented an increase of 21.0% compared to the US\$ 31.9 million reported in 2011, which in turn represented a 13.1% decline compared to the US\$36.7 million reported in 2010. This increase was primarily due to the ASB's investment strategies, and increasing volume of interest earning assets. ASB also benefited from lower funding cost, as a result of changing LIBOR in 2012. Short-term customer deposits, which have interest rates that reset frequently, permitted ASB to pay low rates on deposits accounts while earning higher interest income on assets engaged for middle and longer terms. ASB's financial income, which includes income from fees, the sale of securities, and foreign exchange operations, was US\$18.6 million in 2012.

ASB's total assets were US\$1,768.5 million as of December 31, 2012, an increase of 16.1% compared to 2011. ASB's total assets were US\$1,523.5 million in 2011 and US\$1,337.8 million in 2010. The increase in total assets from 2011 to 2012 was mainly a result of significant growth in the funds that ASB managed on behalf of its clients, which in turn is related to the positive performance of the Peruvian economy.

At the end of 2012, ASB's assets under management totaled US\$3,961 million, compared to US\$3,194 million in 2011 and US\$3,178 million in 2010. This growth was primarily a result of increases in the global positions of ASB's customers and the market value of ASB's portfolio.

Insurance segment

Grupo Pacífico

In 2012, Grupo Pacífico, which encompasses Pacífico Seguros, Pacífico Vida and Pacífico Salud , reported net income, after deducting minority interests, of US\$58.9 million (compared to US\$57.1 million of net income in 2011 and US\$ 55.4 million in 2010). The contribution we received from Grupo Pacífico increased, from a gain of US\$ 47.4 million in 2010 to US\$ 65.6 million in 2011 and US\$ 66.0 million in 2012. This contribution includes net income, after minority interest, as well as the participation of Grupo Crédito (a subsidiary of Credicorp) in the minority interest.

This increase in net income was primarily a consequence of Grupo Pacífico's total premiums, which increased 17% in 2012 (from US\$ 872.4 million to US\$ 1,019.9 million) and 16% in 2011 (from US\$ 751.9 million to US\$ 872.4 million). A 23% increase in net earned premiums (NEP) and a 17.2% increase in financial income also contributed to the increase in net income.

We believe that there is substantial 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 Grupo Pacífico's performance.

We believe that there is substantial 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 Grupo Pacífico's performance, as we believe that capitalizing on synergies between the insurance business and the distribution channels will lead Grupo Pacífico to greater penetration in the insurance market. Developing alternative sales channels, efficiently utilizing BCP's network, maintaining relationships and market share through traditional brokerage channels, and expanding services in underserved regions of Peru are essential components of Grupo Pacífico's growth strategy for 2013.

Additionally, during 2012, Pacifico Salud continued its initiative (which launched in 2011) to create the largest private medical services network in Peru by investing an additional US\$ 38.6 million to acquire entities that specialized in providing health and wellness programs, primary and specialized ambulatory services, and comprehensive acute care services. Entities acquired by Pacifico Salud as a part of this initiative include: (i) Clínica Belén S.A., (ii) Centro Odontológico Americano, (iii) Prosemedic S.A., (iv) Clínica Sánchez Ferrer S.A. and Inversiones Marsfe S.R.L., and (v) Bio Pap Service S.A.C. We believe that these acquisitions enable Pacifico Salud to directly benefit from this sector's growth and to strategically defend against potential changes in the healthcare service supply chain, where vertical integration in the insurance business is becoming more frequent.

Pension fund segment

Prima AFP

During 2012, the growth of the Peruvian economy resulted in positive results for the Private Pension System (SPP by its Spanish initials), which experienced growth in new affiliates, contributors and collections during the year.

These economic conditions led to an increase in the value of funds under management by the SPP during 2012, which reached US\$ 38.0 billion as of December 31, 2012 and represented a 25.1% year-over-year increase compared to December 31, 2011 (US\$30.4 billion). As of December 31, 2010, SPP had US\$31.1 billion in funds under management.

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 2012 was US\$ 35.0 million as compared to US\$ 32.4 million in 2011. In 2010, Prima AFP's contribution was US\$25.5 million.

Funds under management at Prima AFP increased from US\$ 9.5 billion in 2011 to US\$ 12.0 billion as of December 2012. In 2010, this indicator reached US\$ 9.8 billion. By year-end 2012, Prima AFP's market share of total funds under management was 31.5%, representing a year-over-year increase. Prima AFP is the largest pension fund management company in Peru by funds under management.

Prima AFP's revenues from commissions in 2012 totaled US\$ 117.2 million, a 12.2% increase from 2011 when revenues from commissions totaled US\$104.4 million. In 2010, revenues from commissions reached US\$ 85.2 million. This improvement was a result of a stable and high-quality portfolio of contributing members.

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 improved risk management, which is one of the company's highest priorities.

In 2012, a series of reforms to the SPP were implemented. These reforms are discussed in "Item 4. Information on the Company — (B) Business Overview— (11) Supervision and Regulation— (vii) Prima AFP."

Investment banking segment

A strategic focus for Credicorp involves the regionalization of Latin American markets. This has been reflected in the creation of the MILA (by its Spanish initials), a Latin American integrated market -among Chile, Colombia and Peru. The MILA opens up opportunities to further integrate asset management, brokerage and corporate finance operations which can offer benefits for companies that have a significant presence in these markets. Since the formation of the MILA, Credicorp's investment banking business is carried out through BCP Capital, Correval and IM Trust, which hold considerable market shares in the Peruvian, Colombian and Chilean markets, respectively. These three companies perform operations in three business lines: Asset Management, Sales & Trading and Corporate Finance.

Asset Management

In terms of asset management, BCP Capital posted a total of US\$ 4,593 million in assets under management in 2012, which represented a market share of 39% at the end of 2012. This figure includes US\$2,749 million of assets managed by BCP Capital's mutual funds, Correval posted a total of US\$ 1,534 million in assets under management, including mutual funds and investment funds managed. Correval's assets under management represented market share of 4.3% at the end of 2012. Finally, as of December 31, 2012 IM Trust had a total of US\$ 2,126 million in assets under management, including US\$ 460 million in mutual funds and investment funds managed.

Sales & Trading

In 2012, BCP Capital traded a total of US\$ 2,073 million in equity securities and US\$ 511 million in fixed income securities, which represented a market share of 16.8%, Correval traded a total of US\$ 9,505 million in equity securities and US\$ 139,748 million in fixed income securities, which represented market shares of 12.9% and 11.6% respectively. IM Trust traded a total of US\$ 5,620 million in variable income instruments and US\$ 31,599 million in fixed income instruments, which represented market shares of 7.13% and 11.3% respectively.

Corporate Finance

In 2012, BCP Capital's corporate finance business structured mid-term transactions totaling US\$ 1,660 million. The primary transactions were:

- a US\$ 595 million syndicated financing (where BCP's share was US\$ 67 million) for Cerro del Águila S.A. to build a 500 MW hydroelectric station;
- a US\$ 240 million syndicated financing (where BCP's share was US\$ 60 million) for Shougang Hierro Perú S.A.A. to expand its plant; and
- a US\$ 150 million syndicated financing (where BCP's share was US\$ 60 million) for Tecpetrol del Perú S.A.C. to refinance debt.

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:

	2010	2011	2012	Variation 2012/2011	
	(U.S. Dollars in millions, except percentages)				
BCP (1)	464.4	564.0	645.8	15	%
ASHC	48.8	42.5	48.4	14	%
Grupo Pacífico	47.5	65.6	66.0	1	%
PRIMA AFP and others (2)	10.6	37.2	28.6	-23	%
Total	571.3	709.3	788.8	11	%

(1) Includes Banco de Crédito de Bolivia, which contributed US\$20.6 million in 2012, US\$22.3 million in 2011 and US\$15.8 million in 2010; and Edyficar, which contributed US\$36.5 million in 2012, US\$26.2 million in 2011 and US\$21.5 million in 2010. This amount also includes BCP Colombia, Inversiones BCP Ltda., Inmobiliaria BCP, and Credifondo, Credibolsa and Creditítulos, as of October 2012.

(2) Includes Prima AFP (which recorded a net income of US\$38.2 million in 2012, US\$32.4 million in 2011 and US\$25.5 million in 2010), BCP Capital (which includes Credifondo, Credibolsa, Creditítulos and BCP Financial Services, for November and December, 2012), Credicorp Securities, Credicorp Investments (which includes IM Trust), 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 Grupo Pacífico) and others.

(2)

Strategy

Credicorp was established to create a financial group that would benefit from 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 four 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 financial crisis. In response to this, we took steps toward improving our long-term sustainability and worked to position our companies for growth as the Peruvian market continues to 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 strongest 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 include a focus on retail markets. Our strategy provides a launching pad for two points of financial inclusion: our Agente BCP covers the liabilities' side by promoting banking penetration and providing access to credit, which gives low income sectors the opportunity to improve standards of living and become part of the country's economic model for growth. 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, as well as cross-sell our products between our business segments. In addition, mobile banking, which is a combined effort of BCP, Movistar and Mastercard, is concentrating on reaching new clients by offering them a transactional platform that introduces them to the financial system through a technology that has become widely used: the mobile

phone. There are considerable opportunities to expand these initiatives and their ability to reach underserved segments of the Peruvian population positions us for growth.

Another strategic focus for Credicorp involves the regionalization of Latin American market, which has picked recently increased in relevance due to problem in developed markets. This has been reflected in the creation of the MILA, which we believe provides strong possibilities for growth. The integration of equity trading in Chile, Colombia and Peru has created the largest exchange in Latin America by number of issuers and the second-largest exchange in Latin America by market capitalization after the Brazilian BM&F Bovespa. Credicorp has seized this opportunity by acquiring Correval and IM Trust, which together with BCP Capital reflect our commitment to concretize our regional presence in the investment banking and capital markets sectors. We also continue to make strides toward greater integration of our companies by more extensively sharing our talents and experience.

(3)

Credicorp Operating Segments

Banking

The majority of our banking business is carried out through BCP, which is our largest subsidiary, BCP that held 30.4% of the Peruvian market share in loans as of December 31, 2012. 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 BCP Bolivia, a full service commercial bank which maintained an 11.2% market share of current loans and a 11.1% market share of total deposits as of December 2012. BCP Bolivia is third with respect to loan market share and fifth with respect to deposit market share in the Bolivian banking system.

Our banking business is organized into (i) wholesale banking activities, which are carried out by BCP's Wholesale Banking Group, and (ii) retail banking activities, which are carried out by BCP's Retail Banking Wealth Management Group (RB&WM)

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. Edyficar 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 Chief Operating Officer (COO) 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.

We also conduct our banking business through Atlantic Security Bank (ASB), which is a Cayman Islands licensed bank that engages in private banking, asset management and proprietary investment.

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

Insurance

We conduct our insurance operations exclusively through Grupo Pacífico and its subsidiaries, which provide a broad range of insurance products. Grupo Pacífico focuses on three business areas, property and casualty insurance through Pacífico Seguros, life and pension insurance through Pacífico Vida, and health care insurance through Pacífico Salud. Grupo Pacífico, 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 business lines.

Pension funds

Credicorp conducts all of its pension fund activities through its private pension fund administrator Prima AFP. During 2012, Credicorp through its subsidiary Prima AFP was able to strengthen its position in the market by adjusting its processes and organization to provide high-quality services, with timely and transparent information to its clients.

In early 2012, the pension fund market developed at a stable competitive level. Later in the year the adoption of a new law, the Law Reform the Private Pension, dominated the market. The Law to Reform the Private Pension System establishes a new process for integrating new affiliates into the SPP. See “Item 4. Information on the Company— (B) Business Overview— (11) Supervision and Regulation— (vii) Prima AFP.”

Growth in the Peruvian economy and emerging markets resulted in an increase of Prima AFP’s funds under management. Funds under management grew from US\$9.8 billion as of December 2010 to US\$9.5 billion as of December 2011 and US\$12.0 billion as of December 2012. Prima AFP’s RAM indicator (monthly insurable remuneration), increased from 32.2% in 2011 to 32.4%, achieving (31.6% in 2010). By RAM, Prima AFP has the largest market share in Peru.

Investment Banking

Credicorp’s regional investment banking platform is built mainly around three business units: Asset Management, Sales & Trading and Corporate Finance Investment Banking Business. These platforms are present in each of the companies through which we operate, BCP Capital, Correal and IM Trust (Peru, Chile and Colombia, respectively).

The following chart shows our organizational structure as of December 31, 2012:

- (1) The brand is Credicorp Capital.
- (2) BCP Chile owns 60.6% of IM Trust (Chile).
- (3) Investment bank business split from BCP.

(4) BCP Colombia owns 51% of Correval S.A. (Colombia). This entity will be transferred to Credicorp Investments after obtaining the approval from the Colombian supervisor.

The following chart shows our future organizational structure once the regional investment banking platform is consolidated under Credicorp Investments, a subsidiary of Credicorp:

BCP Capital

BCP Capital conducts our investment banking business in Peru and was established through the split of an equity block of BCP. This split resulted in a reduction of BCP's assets, liabilities and net equity in an amount of US\$71.2 million, US\$18.0 million and US\$53.2 million, respectively. Assets transferred included Credibolsa S.A.B., Creditítulos S.T., Credifondos S.A.F.M. and BCP's investment banking activities. Through each of these businesses, BCP Capital is a market leader in the investment banking segment and it offers a wide range of products and services to corporate and retail clients.

Correval

Correval is a brokerage firm formed in 1987. Over the last 25 years the Company has retained its leadership in the Colombian brokerage market, with all of its products accounting for almost 12% market share in Colombian brokerage industry over the last four years. Correval has a nationwide presence through its offices in Bogota, Medellin, Cali and Barranquilla. Correval also opened an office in Panama in early 2011.

The firm offers a wide array of products and services, including asset management (mutual and discretionary funds), sales and trading (foreign exchange, fixed income, stock, derivatives and hedging products, e-trading) and corporate finance (M&A and advisory, among others).

IM Trust

IM Trust is one of the leading financial corporations in Chile, with over 25 years of experience in the Chilean market. Since 2005, it has placed over US\$ 17 billion in transactions in capital markets, advising on complex operations such as M&A and on domestic and international investments. In early 2008, IM Trust expanded operations to Peru and Colombia.

The firm provides services in corporate finance (capital markets and M&A), sales & trading (equity, fixed income, and derivatives), and asset management (investment funds, mutual funds, advisory and mandates), servicing the retail, corporate, institutional and private segments.

Credicorp Securities Inc. (CSI)

CSI is a broker dealer which operates in the state of Florida in the United States and provides access to the global securities markets by providing a wide spectrum of brokerage services.

CSI began operations in March 2003 as an Introducing Broker Dealer (IBD) and Registered Investment Advisor (RIA). Its RIA license was canceled in July 2009, as CSI transferred the functions formerly performed under this license to the Asset Management Division at BCP. The objectives of CSI are to (i) canalize its affiliate's brokerage activities and those of its customers and products and (ii) new customers into the brokerage business. As an IBD, CSI can open custodial accounts on behalf of its customers only with a clearing broker. Pershing LLC, a subsidiary of The Bank of New York Mellon Corporation serves as CSI's clearing broker

CSI's core business includes purchasing and selling stocks, fixed income and money markets instruments. Its brokerage services involve corporate debt securities, U.S. Treasury bonds, equities, exchange-listed over-the-counter (OTC) securities, mutual funds (both domestic and international), hedge funds, options and structured products. Mutual fund sales are not actively solicited.

CSI also is approved to engage in trading for its own account in fixed income instruments. It is subject to a \$100,000 minimum net capital requirement and files a Focus Report on a monthly basis.

(4)

BCP and Subsidiaries

4.1

General

BCP's activities include wholesale banking, retail banking and wealth management and treasury. As of December 31, 2012, the consolidated operations of BCP ranked first among Peruvian banks in terms of total assets (US\$35.5 billion), total loans (US\$20.0 billion), deposits (US\$22.8 billion) and net equity (US\$2.8 billion). At the end of 2012, BCP's loans, on an unconsolidated basis, represented approximately 34.1% of total loans in the Peruvian banking system. BCP's loans represented 33% and 33.6% of total loans in the Peruvian banking system at the end of 2011 and 2010, respectively. BCP's deposits represented approximately 37.3% of total deposits in the Peruvian banking system (higher than the 34% and 36.3% registered at the end of 2011 and 2010, respectively).

As of December 31, 2012, BCP had the largest branch network of any commercial bank in Peru with 365 branches. BCP also operates an agency in Miami and a branch in Panama. In addition, as of December 31, 2012, BCP Bolivia

and Edyficar had 41 and 162 offices, respectively, through which they serve their clients.

As of and for the year ended December 31, 2012, BCP accounted for 87.7% of our total assets, 84.3% of our net income and 65.3% 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	
Business	Group	Income/Sales (<i>US\$MM</i>)	
	Corporate	Higher than 50	
Wholesale Banking Group (WBG)	Middle-Market	From 8 to 50	
	Affluent	At least an individual monthly income of S/. 5,000	
	Consumer	Focus on medium-low income individuals who receive their payroll through BCP	
Retail Banking Wealth Management Group (RB&WM)	Small Business	From 0.5 to 8 or total debt from 0.2 to 1.5	
	Micro-Business	Up to 0.5 or total debt up to 0.2	

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.

4.2

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, 2012 are as follows:

Banco de Crédito de Bolivia, or BCP Bolivia, is BCP's commercial bank in Bolivia. BCP owns 95.92% of BCP Bolivia (directly and indirectly) and we hold the remaining interest. BCP Bolivia maintained an 11.2% market share of current loans and 11.1% of total deposits, and has a network of 41 offices located throughout Bolivia. BCP Bolivia 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 Bolivia targets middle- and small-sized clients and offers a broad range of corporate, personal banking and leasing products. BCP Bolivia's results are consolidated in BCP's financial statements.

Empresa Financiera Edyficar S.A. was acquired in October 2009 and is 99.79 % owned by BCP. It is engaged in micro finance in Peru.

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 included 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.

- BCP Colombia is 100% owned by BCP. BCP Colombia, in turn, owns 51% of Correval (brokerage entity established in Bogota, Colombia). We intend to transfer this subsidiary to Credicorp Investments after obtaining approval from Colombian regulatory authorities.

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

Inversiones BCP was incorporated in Chile in 1997, with the special purpose of investing in the stocks of Banco de Crédito e Inversiones (BCI) Chile. Inversiones BCP is 99.99% owned by BCP.

4.3

Business Lines

(i)

Wholesale Banking Group (WBG)

BCP's WBG competes with local and foreign banks. BCP's traditional long term relationships with medium-sized and large corporate companies provide its WBG with a competitive advantage.

BCP's WBG maintained a positive trend in loan placements, posting average portfolio levels of US\$6,982 million in 2010 (a 18.7% year-over-year increase), US\$8,391 million in 2011 (a 20% year-over-year increase) and US\$9,225 million in 2012 (a 10% year-over-year increase). It also maintained its leadership in the wholesale banking market with a 39.1% market share in loans. BCP has established longstanding client relationships with virtually all of the major industrial and commercial groups in Peru. The WBG provides its customers with cash management solutions, short- and medium-term loans in local and foreign currencies, foreign trade-related financing and lease and project financing.

The WBG is divided into the following two divisions:

- Corporate and International Division (CID):

WGB's corporate banking subdivision, which provides loans and other credit and financial services, focuses 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 brands or product areas. Even if clients do not meet all of these criteria, BCP may service firms under category if they belong to large economic groups from industries that are important to Peru's economy.

WGB's international banking and leasing subdivision manages BCP's relationship with financial institutions (locally and abroad), trade products, international operational services and financial leasing products.

WGB's cash management and transactional services subdivision develops products and services to support clients' daily activities of cash management, collections, payments, and investments, among others.

- Middle-Market Division (MMD):

WGB's middle-market banking subdivision serves mid-sized companies. In determining which clients are best served by this subdivision, WBG considers a mix of different characteristics, such as annual revenues, financial leverage, overall debt and product penetration and complexity. BCP's middle-market clients' annual revenues generally vary from US\$8 million to US\$50 million, and are serviced nationwide by 13 BCP regional managers.

WGB's institutional banking subdivision focuses principally on serving profit and non-profit organizations, state-owned companies and other major institutions.

Net interest income from BCP's WBG reached US\$187.5 million in 2010, US\$260 million in 2011 and US\$284 million in 2012. Fee income was US\$141.5 million in 2010, US\$165.6 million in 2011 and US\$192.5 million in 2012.

Corporate and International Division (CID)

BCP continues to meet the needs of its corporate clients, assisting them with financial services, cash management solutions and short and medium-term financing through the CID. As a result, BCP's corporate banking loans grew from US\$5,155 million in 2010 to US\$5,477 million in 2011 and US\$5,870 million in 2012. These increases, coupled with a very low PDL ratio (less than 0.1%), enabled the CID to obtain a net interest and fee income of US\$ 217.3 million in 2012, which represents 45.6% of the total net income of the WBG. The CID obtained a net interest and fee income of US\$ 204.3 million in 2011 and US\$ 151.7 million in 2010.

The moderate pace of the CID's growth is due to (i) intense competition from foreign banks, which finance their operations at lower costs due primarily to the fact that the BCR has high reserve requirements for foreign currency for banks that operate locally, and (ii) the availability of alternative financing through capital markets. Nevertheless, BCP has an industry leading 46.24% of the market share for loans.

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

The majority of the CID's financing is provided to fund capital expenditures and investments, sales, international trade and inventories. The CID also offers medium and long term financing (in almost all cases backed by real guarantees), financial leasing, factoring, domestic collections and nationwide fund transfers.

Guarantees received by this division consist of (i) receivables in the case of sales financing, (ii) warrants or pledges over inventory, in the case of inventory financing and (iii) collateral, in the case of financing for fixed asset acquisitions and improvements to infrastructure.

International Banking Unit

The International Banking Unit focuses on obtaining and providing short-term funding for international trade. 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, organizing and sponsoring conferences and advising customers through a wide range of trade products.

Since September 2008, the International Banking Unit has also been supervising our trade back-office unit (International Operations). BCP maintains business relationship 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.

BCP's import letters of credit, collections and transfers amounted to US\$ 9.4 billion in 2010, US\$12.4 billion in 2011 and US\$14.3 billion in 2012, which represented 34.0% of total Peruvian imports. The growth in our import letters of credit corresponded with the growth in total Peruvian imports. According to SUNAT, total Peruvian imports grew from US\$29.9 billion in 2010, to US\$ 37.9 billion in 2011 and US\$ 41.9 billion in 2012. This trend was primarily due to higher demand for raw materials and capital goods.

BCP provided foreign trade financing for exports of a volume that reached US\$18.1 billion in 2012, a figure that represented 40.1% of total Peruvian exports and that increased from US\$ 19.8 billion in 2011 and US\$ 16.6 billion in

2010.

BCP has access to a wide network of foreign correspondent banks and can offer several internationally competitive products to its customers. It has correspondent banking relationships and uncommitted credit lines with more than 80 banks for foreign trade operations and financing of working capital as well as medium and long-term investment projects. BCP also has a direct presence abroad through its agency in Miami and its branch in Panama.

During 2012, Peru had a very active leasing market, which increased from US\$ 6.4 billion in 2010 to US\$7.7 billion in 2011 and US\$9.1 billion in 2012. Following this trend, BCP has consolidated its leadership in the leasing business by slightly increasing its market share from 38.8% in 2010 to 37.5% in 2011 and 39.2% in 2012.

Cash Management and Transactional Services Unit

Our Cash Management and Transactional Services Unit is in charge of developing transactional services that handle the exchange of information and money transfers among 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. Our electronic channels allow us to reduce costs and increase fee income. Services managed by this unit include collections (automated trade bill collection), automated payments (loans to personnel and suppliers’ accounts, reverse factoring and money transfers), electronic office banking, electronic lending solutions and cash management through checking accounts with special features.

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In 2012, our transactional services accounted for 15.5% of the BCP's overall earnings. The monthly average number of checking accounts increased by 4% during two consecutive years and fee revenue increased 7% in 2011 and 30.4% in 2012, due to an increase in commissions from our checking accounts. Other sources of income, such as bills of exchange and collection services have increased by 8.6% and 37.1%, respectively, compared to 2011, due to performance across all market segments. Additionally, the acquisition of new clients, together with the number of established clients in our office banking service (Telecredito), has generated a growth of 58.7% in the number of transactions (compared to 36.3% in 2011). Tax collections grew 35.1% in 2012 and 12.3% in 2011. We continue to introduce electronic products that will eventually replace the conventional promissory notes. Likewise, the transaction volume generated by reverse factoring increased 10% in 2012 and 16% in 2011.

Middle-Market Division (MMD)

BCP's MMD provides banking services targeted to medium-sized companies from various economic sectors. The products offered to middle-market clients are similar to those offered to corporate banking clients. The three major types of products are:

- Revolving credit lines to finance working capital needs and international trade financing;
 - Stand-by letters of credit and bond guarantees; and
- Structured long-term and medium-term financing, through loans or financial leasing.

BCP has identified several opportunities to engage middle-market companies, particularly in Peru's manufacturing, wholesale, retail, fishing, agribusiness and construction industries. BCP has created dedicated areas which focus on attending to the needs of these specific economic groups. BCP has a middle-market client portfolio of approximately 6,855 companies, including 1,180 economic groups. Generally, these clients are not listed on any stock exchange; however in certain cases they have accessed capital markets either for bonds or commercial paper. These companies are typically family-controlled but professionally managed, and their financial information is audited.

Since 2009, the MMD has revised its customer segmentation policies. The division includes mature companies that will eventually become part of our corporate segment, traditional mid-size companies and a group of growing small cap companies.

The MMD has continued to make progress toward implementing its strategic goals by:

- Creating dedicated points of contact to meet the needs of its customers more efficiently;
- Streamlining its lending processes 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 in order to implement a risk-based pricing model;
 - Focusing on fee income, and loan portfolio growth;
- Introducing a new commercial planning model that employs an efficient and standardized methodology; and
 - Maintaining risk controls using sophisticated tools created by BCP's Risk Management Unit.

According to internal reports, net interest income and fee income from the MMD reached US\$177.3 million in 2010, US\$221.7 million in 2011 and US\$259.3 million in 2012. This trend was consistent with the performance of the MMD loan portfolio, which reached US\$2,398 million in 2010, US\$3,032 million in 2011 and US\$3,601 million in 2012. As of December 31, 2012 BCP had a market share of 35% in this segment.

We believe that middle-market companies have benefited 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 Unit

BCP's Institutional Banking Unit, which operates within the MMD, serves 1,310 clients throughout Peru. In Lima, a specialized team in wholesale banking serves governmental entities, educational institutions, religious organizations, international bodies, non-governmental organizations, and microfinance institutions. In other 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 Unit (Lima and provinces) increased 7% reaching US\$2.4 billion in 2012 (compared to 5.9% from the previous year). The Institutional Banking Unit is important because its clients offer great potential for generating fee income and other cross-selling opportunities. BCP's strategy in this unit is focused on building customer loyalty by offering customized services at competitive rates and providing outstanding service quality. Our institutional banking typically requires remote office banking, collections and automated payroll payment services.

(ii) **Retail Banking and Wealth Management (RB&WM) Group**

At the end of 2012, RB&WM - related loans represented 45% of BCP's total loans, while deposits accounted for 60% of BCP's total deposits. Net income from RB&WM lending constituted 37.8% of BCP's net income, while income from related fees constituted 62.5% of BCP's total fee income.

In 2012, the RB&WM Group's loan volumes increased to US\$ 9,351 million in 2012 from US\$ 7,093 million in 2011 and US\$5,322 million in 2010. This 31.8% growth in 2012 is a result of sound increases in all lending businesses, which include home mortgages, installment loans and credit cards, and small and micro business loans. With respect to deposits, RB&WM - related deposits have also shown consistent growth. Deposits increased 27.8% in 2012, and totaled US\$13,342 million as of December 31, 2012. Deposits totaled US\$10,443 million as of December 31, 2011 and US\$ 9,061 million as of December 31, 2010.

With the segmentation of its retail client base, BCP is able to focus on cross-selling its products and improving per-client profitability. The RB&WM 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 RB&WM businesses to continue being one of the principal growth areas for BCP's activities.

BCP's RB&WM serves high net worth individuals and small-sized companies with annual sales levels of up to US\$8 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 branches, which in turn are organized on a geographic level. Each branch is responsible for servicing and selling products to three customer 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.

Since 2008, BCP has made an unprecedented investment in infrastructure and human resources to support its “banking the unbanked” market penetration strategy in Peru. As a result, between 2010 and 2012, BCP experienced substantial growth in its various channels, including 2,926 new customer contact locations (33 branches, 694 ATMs and 2,199 Agentes BCP). Demonstrating its leadership in attracting new customers, BCP now services over four million clients with its network of 365 branch offices, 1,844 ATMs and 5,713 Agentes BCP (these figures do not include the customer contact locations under Edyficar’s management, which we account for separately).

Affluent Banking

BCP is constantly improving the value proposition it offers to affluent customers to increase their loyalty and ultimately their profitability. In May 2012, BCP created a new super affluent segment called BCP Enalta. This segment and the Private Banking segment operate under the Wealth Management Group.

Private Banking is a segment composed of customers that have over US\$ 400,000 available for investment. Customers in private banking receive not only local but also global investment advice. Its value plan is composed of (i) high quality standards in client service by expert account managers, (ii) close and personalized service, (iii) special interest rates, and (iv) exclusive branches. Customers in this segment total approximately 3,000.

Customers served by the BCP Enalta segment must have monthly incomes in excess of US\$ 10,000 or have at least US\$200,000 available for investment. BCP Enalta customers have access to six exclusive branches in Lima, where they may perform financial transactions and obtain personalized advice from investment, insurance and loan experts based on their risk profiles and financial needs. BCP Enalta also offers customers: (i) access to exclusive products, (ii) specialized account managers and/or expert phone banking, (iii) preferential service by tellers at branches, and (iv) preferential interest rates on loans. BCP Enalta has approximately 12,000 customers. The Wealth Management Group generates 15% of the RB&WM Group's revenue, 10% of the RB&WM Group's loan volume and 18% of its deposit volume.

BCP's mass affluent customers must have a positive credit record and a monthly income of at least US\$2,000. 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 branches and (iv) preferential interest rates on loans. Approximately 102,000 of the mass affluent clients are serviced through specialized account 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. BCP has approximately 206,000 mass affluent customers. The mass affluent banking segment generates 25% of the RB&WM Group's revenue while managing 4% of the RB&WM Group's total customer base, 30% of its loan volume and 23% of its deposit volume.

Small Business Banking

BCP's Small Business Banking Segment accounts for approximately 514,000 clients. Customers are divided into two groups with different business models, services levels, and product access. The first group is top-end small business banking, which serves approximately 13,200 clients with debts between US\$0.2 million and US\$1.5 million and/or annual sales between US\$0.5 million and US\$8 million. The next group serves approximately 500,700 small business

clients, which have debts up to \$0.2 million and/or annual sales up to US\$0.5 million.

According to BCP's internal reports, the Small Business Banking loan portfolio grew from US\$1,707 million in 2010 to US\$2,310 million in 2011, and by the end of 2012 the loan portfolio was US\$3,092 million. In terms of deposits, this group increased deposits from US\$1,860 million in 2010 to US\$1,885 million in 2011 and US\$2,237 million by the end of 2012.

Through Edyficar, BCP also serves the microfinance market, and as of December 31, 2012, it registered 433,406 clients with a total loan portfolio equivalent to US\$750 million, which represented an increase of 48% compared to the level registered at the end of 2011. Comparing year end 2010 to 2011, loan balances also grew 47% from US\$345 million to US\$ 507 million. As of December 31, 2012, Edyficar had a client market share of 12%, making it second in terms of loans within the microfinance segment. The aggregate market share of Edyficar and BCP in the microfinance segment totaled 23.3% at the end of 2012, and combined, they have the highest market share in the microfinance segment (BCP's micro-finance operations are part of the Small Business Segment).

Consumer Banking

Our Consumer Banking Area is in charge of developing strategies for the retail customers who are not included in affluent banking or small business banking. Its customer base consists of approximately 4.1 million medium to low income individuals. Consumer Banking focuses on customers who receive their payroll through BCP (which represent slightly more than 1.1 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.

Mortgage Lending

As of December 31, 2012, BCP was the largest mortgage lender in Peru with a market share of 33.7% of total mortgage loans in the Peruvian banking system. This was largely the result of BCP's extensive marketing campaigns and its improvements 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;
- 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\$3,182 million in outstanding mortgage loans as of December 31, 2012 (as compared to US\$2,530 million at year-end 2011 and US\$2,012 million at year-end 2010).

All of our mortgage-financing programs are available to customers with minimum monthly income of US\$400. In the past, the Peruvian government sponsored a home ownership program known as the MiVivienda program, which provided assistance to purchasers of homes valued at up to US\$60,000. Under the program, BCP financed up to 90% of the appraised value of a property (in either U.S. Dollars or in local currency) where monthly mortgage payments did not exceed 30% of the client's stable net income. The maximum maturity of the mortgage loans BCP offered under the program was 25 years.

In May 2006, the original MiVivienda program was terminated. However, local banks (with government 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 all financing is in local currency. In June 2009, the Peruvian government re-launched the MiVivienda program with the objective of financing mortgages between US\$17,000 and US\$60,000 using government funds (the government offers guarantees to the lending bank or financial institution through Corporación Financiera de Desarrollo S.A., COFIDE). Simultaneously, they re-launched their product, Techo Propio, to finance mortgages between US\$7,000 and US\$17,000. Both programs are intended to develop affordable housing in the country. In 2012, nearly 9,926 MiVivienda loans were sold, 33.6% of which were sold through BCP.

In 2011, BCP stopped offering variable and LIBOR-based home mortgages. BCP now only offers fixed interest rates on home mortgage loans denominated in both U.S. Dollars and Nuevos Soles. BCP's mortgage portfolio is predominantly fixed rate and U.S. Dollar-denominated.

As of December 31, 2012, mortgage loans in the Peruvian banking systems totaled approximately US\$ 9,432 million, representing 14.8% of total loans in the Peruvian banking system and only 4.8% of the Peruvian GDP. Comparatively, as of December 31, 2012, mortgage loans accounted for 16.4% of Credicorp's total loan portfolio, with an average LTV (loan-to-value) of 66% and past-due-loan ratio of 1.3%. Through its subsidiary BCP, Credicorp has increased lending to lower socio-economic segments of the population in Peru through programs sponsored by the government (Mi Vivienda and Mi Hogar). Mortgage loans to this sector represent approximately 13.9% of Credicorp's total mortgage loans and 1.53% of total loans. The Company's total portfolio also includes mortgage loans granted in Bolivia, which represent 1% of its total loans and have an average LTV of 55.4%.

The real estate markets in Peru have been more active than markets in Bolivia in recent years, as a result of the shortage of housing in both countries and continued growth in GDP per capita. Along with this growth, Credicorp has experienced an increase in the volume of mortgage loans it grants per year. Mortgage loans are associated with low losses because of their high LTV, and they have the added benefit of generating opportunities for cross selling other banking products, which has had a positive impact on Credicorp's results of operations.

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 in Peru. BCP expects the strong demand for these products to continue. In addition to interest income, BCP derives income from customer application, maintenance, retailer transaction merchant processing, finance and credit card penalty fees.

Peru's economic growth has had a major impact on the consumer credit market, which grew by a total of 15% in 2010, 22% in 2011 and 15% in 2012. The outstanding balance of consumer loans (monthly average) in Peru is slightly under US\$12 billion, consisting of US\$4.5 billion in credit card loans and US\$7.3 billion in installment loans. BCP's market share in consumer lending has consistently increased since 2010, growing from 19.6% to 21.8% by year-end 2012. This growth in consumer lending was achieved while maintaining a PDL ratio (for over 30 days) of below 5%.

During 2010 and 2011 installment loans grew 12% and 27%, respectively. In 2012, these loans grew by another 23%. This result was due, in part, to a strategic change by BCP, which was designed to broaden its customer base.

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 related chain of gas stations. These programs, coupled with BCP's own travel program, enabled BCP to reach record levels, both in points that clients gained for using their credit cards and in points that clients spent to obtain products or services available under loyalty plans. To attract customers in the lower income segment, BCP is streamlining its risk assessment and card delivery processes and generating partnerships with other retailers.

In 2011, the RB&WM Group launched a new product called Movistar BCP MasterCard Credit Card, in partnership with Movistar, a global leader in the telecom business. The product is designed to strengthen BCP's position in Peru's low income market and it will be the first MasterCard credit card offered by BCP. In addition, the Movistar BCP MasterCard Credit Card will complement our existing AMEX and VISA products.

BCP has been improving its credit monitoring systems and optimizing its scoring models, which include, among others, behavior, payments and income forecasting. As a result, BCP achieved an increase of over US\$340 million in outstanding balances from credit cards from December 31, 2010 through December 31, 2012. According to BCP's internal records, the number of active credit cards has constantly increased from 510,000 in 2010, to 763,000 in 2011 and 910,000 in 2012.

In addition, BCP has developed sales capacities in alternative channels, such as sales through telephone contact centers, which now represent 40% of total credit card sales (compared to 23% in 2010).

(iii)

Treasury

Treasury, Foreign Exchange, Derivatives 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 denominated in Nuevos Soles and in other 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.

BCP's derivative group helps companies, ranging from SME to large corporations, hedge their market risks. This group offers forwards, FX options, interest rate swaps, cross currency swaps as well as tailor-made derivatives for its clients. The group also offers Overnight Indexed Swap (OIS) in local currency for local institutional clients. In addition to its local presence, the derivative group has a regional presence, serving clients in the Andean region. BCP's derivative group is closely supervised by BCP's treasury risk unit, which includes professionals trained in best risk practices in international markets. This allows BCP to minimize risk and provide competitive prices to its clients.

BCP adheres to international best practices in terms of cash management. In 2007, 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 BCP's treasury management and corporate finance efforts.

Additionally, as of December 31, 2012, investments available-for-sale and held-to-maturity totaled US\$7,671 million, which represented 18.8% of Credicorp's total assets. Approximately US\$4,207 million are financial instruments rated in Peru, of which nearly 70% are instruments from the Peruvian Central Bank (the Peruvian Government's current rating is BBB in both domestic and foreign currency, according to Moody's) and approximately 16% have local ratings equal to or above A-. Approximately US\$3,464 million of Credicorp's investments available-for-sale and held-to-maturity are financial instruments rated abroad, of which 74.7% hold international ratings equal to or above BBB-. Approximately 68.0% of Credicorp's total investments available-for-sale and held-to maturity are exposed to Peru country risk; and 11.8% are exposed to United States country risk.

4.4

Lending Policies and Procedures

The Bank has adopted a risk appetite framework and established objective metrics and thresholds to periodically monitor the Bank's evolving risk profile. The framework was approved by the Board of Directors, and will be managed and monitored by the Risk Management Unit within the Bank's Central Risk Management Group. The adoption of a risk appetite framework reflects the Bank's commitment to aligning its forward-looking business strategy with its corporate risk vision.

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 administered in accordance with 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 each borrower's repayment capacity and 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 the quality of any collateral to be provided.

For the evaluation of BCP's corporate borrowers, credit officers analyze the client's ability to repay obligations, determine the probability of default of the client using an internal risk rating model, and define the maximum credit exposure that BCP wants to hold with the client.

BCP's individual and small business borrowers are evaluated by considering the client's repayment capacity, a documented set of policies (including, among other issues, the client's financial track record), and, in most cases, credit scores, which assign loan-loss probabilities relative to the expected return of each market segment. In BCP, about 80% of credit-card and consumer-loan application decisions are made through automatic means. Mortgage and small business loan applications decisions are made by credit officers who use credit scores and profitability models as inputs for their evaluations and report to a centralized unit.

Our success in small business and personal lending areas depends largely on BCP's ability to obtain reliable credit information about prospective borrowers. The SBS has an extensive credit bureau which has expanded its credit exposure database service to cover businesses and individuals that have borrowed any amounts from Peruvian financial institutions. This database includes risk classifications for each borrower: "Normal," "Potential Problem," "Substandard," "Doubtful" and "Loss."

BCP has a strictly enforced policy that limits 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, which is operated by officers that have specific lending limits. In addition to the controls built into the loan approval workflow systems, the credit department and BCP's internal auditors regularly examine credit approvals to ensure that loan officers and credit analysis officers are complying with lending policies.

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 COO, 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\$ 350,166	US\$ 350,166
Chief Operating Officer	US\$ 60,000	US\$ 60,000
Risk Division Manager/ Credit Division 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

Preferred guarantees include deposits in cash, stand-by letters, securities and other liquid assets with market price, (1) 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 2012.

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, training is based on a three-month "Bank Specialization Program". Trainees in this program are taught all aspects of banking and finance. After the training program finishes, trainees are hired as loans officers and receive specialized training in credit risk. Loan officers also receive training in specific matters throughout their careers at BCP. Laterally-hired officers generally are required to have prior experience as loan officers.

BCP operates in substantial part as a secured lender. As of December 31, 2012, approximately US\$11.6 billion of our loan portfolio and contingent credits were secured by collateral, which represents 49.6% of the total loan portfolio based upon our unconsolidated figures, as compared to 48.9% in 2011 and 45.4% in 2010.

Liquid collateral is a small portion of BCP's total collateral. In general, when BCP requires collateral for the extension of credit, it requires collateral valued at between 110% and 150% of the principal amount of the credit facility granted. The appraisal of illiquid collateral, in particular real estate assets, machinery and equipment, is performed by independent experts when required for specific reasons.

Pursuant to a Peruvian regulation (Article 222° under Law 26702) that become effective in December 1998, the existence of collateral does not affect the loan classification process. For Peruvian accounting purposes, secured loans (or the portion of any loans covered by collateral) that are classified in Class "B," "C," or "D" risk categories considered as substandard loans (See "Item 4. Information on the Company- (B) Business Overview -(12) Selected Statistical Information -(iii) Loan Portfolio - Classification of the Loan Portfolio") have a lower loan loss provision requirement than similar unsecured loans. 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 borrowers' financial statements, consistent with the local banking regulations of the jurisdictions in which it operates.

4.5

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: 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 upon termination of employment, 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. Since the year 2011, employees have been able to dispose 70% of the excess of six gross monthly remunerations.

As of December 31, 2012, deposits represented 69.8% of BCP's total source funding. BCP's extensive branch network facilitates access to this source of stable and low-cost funding. BCP's corporate clients are also an important source of funding for BCP.

4.6

Support Areas

BCP's commercial banking operations are supported by its Risk Unit, 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 Unit 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 (IT)

BCP believes its technology platform as one of its main competitive strengths and continues to invest in this area to maintain its competitive position in the banking sector. During 2012, to continue improving efficiency, reduce time-to-market and strengthen our contingency and business continuity plan, BCP entered into agreements with strong technology companies such as IBM, Tata Consulting Services (Subsidiary of Peru - TCS) and Everis Peru S.A.C. (Everis). IBM supports the administration and operation of BCP's hardware and servers, IBM also supports BCP's continuity plan through the IBM IT center in Sao Paulo, Brasil. TCS and Everis provide services for the maintenance and development of some of BCP's applications.

BCP's expenses on IT totaled US\$136.2 million in 2010, US\$152 million in 2011 and US\$190.2 million, in 2012. The 25.1% increase in 2012 was primarily due to an expansion in the channel network and the related increased transactional activity. BCP's investments in IT totaled US\$51.9 million in 2010, US\$75.1 million in 2011 and US\$58.7 million in 2012.

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 financial market by offering the highest possible value for its clients and shareholders. During 2012, BCP continued its strategy which was based on generating value.

BCP also continues to develop strategies to approach different retail customer groups through our customized outreach strategy known as Customer Relationship Management (CRM). This has enabled BCP to reach customers proactively and provide them with personalized offers and terms, in a timely manner while using cost effective channels and maximizing efficiency.

Another key element for BCP in creating 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 is also constantly evaluating and improving its internal systems, operations and organizational structure in order to achieve leaner and more efficient processes which enhance the banking experience for our customers. Since 2009, BCP has streamlined processes by making adjustments to branch layouts, tellers, ATM cash management and mortgage lending practices. We have also implemented more standardized and sustainable commercial practices.

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

4.7

Anti-Money Laundering Policies

BCP has a Compliance System that consists of specific policies, processes and programs. Its objective is to ensure that the organization complies with and consistently applies local and international regulations while guaranteeing that the highest standards for ethics, integrity and professional conduct are observed at all times in all of its companies.

One of the programs in the Compliance System is the Anti-Money Laundering and Financing of Terrorism Effort, which aims to prevent and detect instances in which the bank's products and services are used to commit these types of crimes. The program also monitors compliance with legal regulations and best practices established by the Financial Action Task Force (FATF), an inter-governmental body that promulgates standards for combating money laundering, terrorist financing and other related threats to the integrity of international financial systems.

The Compliance System also includes a Regulatory Compliance Program, which identifies new regulations and evaluates current norms to ensure that they are implemented within the deadlines established by BCP. Most recently, the Normative Compliance Program has focused on the Foreign Account Tax Compliance Act (FATCA) and the Dodd Frank Act.

In addition, the Compliance System includes a risk focus that monitors BCP's capacity to address fines or other situations that may adversely affect the corporation's reputation. This focus allows us to identify possible compliance risks, determine relevant control mechanisms and levels of criticality, and determine the appropriate course of action.

Given that BCP's employees play a fundamental role in promoting a compliance culture across the organization, we hold specialized and on-going courses in both in-situ and virtual formats. These programs provide our employees with the tools they need to conduct operations in a manner consistent with BCP's policies.

BCP's Compliance System is constantly reviewed and updated. BCP has a Code of Ethics and good practices, which are complemented by guidelines for conduct and anti-corruption policies in the case of conflicts of interest. This helps guarantee that the Corporation's policies are in step with the best international standards, which generates a positive effect on the organization's reputation and increases client confidence.

4.8

Employees

As of December 31, 2012, BCP had 22,538 employees (including 1,536 employees from BCP Bolivia, and 3,129 employees from Edyficar) compared to 18,616 employees as of December 31, 2011 and 16,148 employees as of December 31, 2010.

(5)

Atlantic Security Bank (ASB)

ASB is a Cayman Islands licensed bank that engages in private banking, asset management and proprietary investment. It was incorporated in September 1984, in the Cayman Islands and principally serves Peruvian-based customers. ASB has an international licensee branch in Panama, through which it conducts all commercial business.

As of December 31, 2012, ASB had total assets of US\$1,768.5 million and shareholders' equity of US\$219.8 million. As of December 31, 2011, ASB total assets and shareholders' equity reached US\$1,523.5 million and US\$189.2 million, respectively (compared with US\$1,337.8 million and US\$205 million, respectively, as of December 31, 2010). ASB reported a net income of US\$48.4 million in 2012, compared with US\$41.1 million in 2011 and US\$48.9 million in 2010.

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, 2012, ASB had approximately 3,400 clients, 91% of whom were Peruvian. ASB deposits reached US\$1,117.7 million in 2010, US\$1,320.6 million in 2011 and US\$1,396.8 million in 2012.

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 less relevant. As of December 31, 2012, ASB's investment portfolio was US\$802.5 million, compared to US\$811.6 million in 2011 and US\$751.6 million in 2010.

Third-party asset management is an important activity for ASB. Total AuMs (Assets under Management) reached US\$3,961 million as of December 31, 2012, compared to US\$3,193.6 million as of December 31, 2011 and US\$3,177.7 million as of December 31, 2010. These assets range from direct unsolicited securities to ASB managed mutual funds.

ASB also maintains a sizable loan portfolio. Total loans outstanding were US\$801.1 million, US\$606.1 million and US\$468.1 million at year-ended 2012, 2011 and 2010, respectively. Between 94% and 96% of these loans were guaranteed by client's deposits or investments. At the year-end 2012, for example, only US\$36.9 million of this total represented unsecured loans. This level of securitization is reflected in ASB's level of non-performing loans, which is consistently less than 1% of its total loan portfolio. The majority of ASB's loans are granted to Peruvian individuals and companies, while those that are not are otherwise directed exclusively to Latin American borrowers.

ASB's overall investment strategy, the general profile of its investment portfolio and its 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)

Grupo Pacífico

We conduct our insurance activities through Pacífico Seguros and its subsidiaries, Pacífico Vida and Pacífico Salud, which we collectively refer to as Grupo Pacífico. We provide a broad range of insurance products (including property and casualty, life and health). In 2012, the eight most significant business lines collectively generated 85 % of total premiums written by Grupo Pacífico compared to 83.2% in 2011 and 82.7% in 2010 (see table below).

US\$ Dollars in Thousands	2012	2011	2010
TOTAL WRITTEN PREMIUMS(*)	1,023,373	874,957	756,534
Health Insurance (**)	315,691	253,067	219,757
Individual Annuity Line	106,234	99,228	92,018
Automobile	104,539	91,167	79,827
Disability and Surv.	79,096	57,338	45,785
Fire and Allied Lines	77,180	74,809	60,846
Individual Life	74,339	64,866	56,250
Credit Life	60,816	43,328	32,445
Group Life	53,610	43,746	38,525
Others	151,868	147,408	131,081

* Without eliminations.

** Includes Medical Assistance

Grupo Pacífico is the second leading Peruvian insurance company, with a market share of 28.5% based on direct premiums earned in 2012. This market share calculation includes premiums from Pacífico Seguros, PacíficoVida and Pacífico Salud and represents our total market share in the insurance market and the healthcare sector.

Pacífico Seguros total written premiums increased 10.8% in 2012 (from US\$ 378.6 million in 2011 to US\$ 419.5 million in 2012) and 13.5% in 2011 (from US\$ 333.5 million in 2010 to US\$ 378.6 million in 2011). NEP (written premiums net of reinsurance and of technical reserves) were US\$ 269.6 million in 2012, US\$ 228.9 million in 2011 and US\$ 201.6 million in 2010.

In 2012 Pacífico Seguros net income amounted to US\$ 13.7 million, compared to US\$ 14.2 million in 2011 and US\$ 28.2 million in 2010. The result observed in 2012 was due to an increase in the loss ratio from 54.4% in 2011 to 56.1% in 2012. This increase was mainly attributable to three severe claims in the first quarter of the year for a total of US\$ 11.1 million. Nevertheless, the effect of those claims was mitigated by an increase in NEP (+17.8%) and the company's excellent financial income, which increased 25.4% compared to 2011.

Pacífico Seguros			
US\$ Dollars in Million	2012	2011	2010
Total written premiums	419.5	378.6	333.5
Net earned premiums (NEP)	269.6	228.9	201.6
Financial Income	33.8	27.0	24.5
Net Income	13.7	14.2	28.2

Grupo Pacífico property insurance lines are sold through agents, brokers and Grupo Pacífico's own sales force, while life insurance is sold exclusively by Grupo Pacífico's sales force. The 10 largest brokers in the property and casualty as well as in the private health segment accounted for approximately 45.5% of total written premiums as of December 31, 2012 (compared to 44.7% as of December 31, 2011 and 44.4% as of December 31, 2010).

Pacífico Vida is Grupo Pacífico's life insurance subsidiary. In 2012, Pacífico Vida recorded total written premiums of US\$392.7 million a 21% increase in comparison with 2011. In 2011, Pacífico Vida total premiums increased 17.4% compared to 2010.

The change in total premiums during 2012 was primarily a result of higher premiums reported in Pacífico Vida's Credit Life (40.4%), Obligatory Insurance for Disability and Survivorship (37.9%), and Group Life (22.5%) lines. Pacífico Vida performance in these areas was consistent with the improved performance of the Peruvian life insurance market overall.

Pacífico Vida reported a 27.8 % market share based on direct premiums earned in 2012.

Credit Life written premiums, which involve credit cards and mortgage loans (through the obligatory credit life insurance that accompanies these type of credit products pursuant to corporate risk policies), increased by 39.8% in 2012 (compared to a 33.5% in 2011). The strong gains from these premiums are attributable to Pacífico Vida's partnership with Banco de Crédito as well as the opening of new sales channels like Edyficar and Cencosud.

Disability and survivorship written premiums increased by 37.9% in 2012 (compared to a 25.2% increase in 2011). The result observed in 2012 was due to: (i) higher insurance rates from January 2012 and (ii) an increase in monthly insurable amounts. We currently have the highest market share in this sector of the insurance industry with 30%.

Group Life total written premiums increased by 22.5% in 2012 (compared to an increase of 13.6% in 2011), mainly through increases in the premiums collected from our Complementary Work Risk Insurance (SCTR by its Spanish initials) which rose 31%, and our Vida Ley insurance product, which rose 18.6%. Employers in high-risk industries (SCTR) and employers whose personnel work over four years (Vida Ley) are required by law to purchase these types of insurance. This growth was primarily the result of microeconomic gains experienced across the country, the higher number of formal businesses in Peru and the strong development of Peru's mining and construction industries.

Individual Life written premiums increased by 14.6% in 2012 (compared to an increase of 15.3% in 2011), above the market growth. This result was mainly due to the increase in sales of Seguro de Vida Inversion Oro and Seguro de Vida Inversión, our improved quality of sales service and the steady development of our distribution channels, which include our main channel, our agencies, our Bancassurance unit, brokers, sponsors and part time channels. As a result, we had a 39.1% market share, leading this sector of the insurance industry.

Pacífico Vida's Individual Annuity line increased by 7.1% in 2012 compared to an increase of 7.8% in 2011), exceeding the market growth rate of -0.6%. This result was mainly due to our decision to increase our direct sales force in Lima and in other provinces throughout Peru.

Pacífico Vida generated a net income of US\$ 33.9 million in 2010, US\$ 50.0 million in 2011 and US\$59.6 million in 2012.

Total Written Premiums	Pacífico Vida		
US\$ Dollars in Thousands	2012	2011	2010
Personal Accident	18,611	16,285	11,528
Individual Life	74,339	64,866	56,250
Group Life	53,610	43,746	38,525
Credit Life	60,816	43,328	32,445
Individual annuity	106,234	99,228	92,018
Disability and Surv.	79,096	57,338	45,785
Net Income	59,645	50,009	33,875

Total written premiums in Health Insurance amounted to US\$315.7 million during 2012. This line is classified into the following contracts: (i) Medical Assistance policies whose written premiums amounted to US\$ 104.6 million and (ii) collective health policies whose written premiums amounted to US\$ 211.1 million as described the paragraph below.

Pacífico Salud reported total written premiums of US\$211.1 million in 2012, a 21.3% increase in comparison with 2011. In 2011, the total premiums of Pacífico Salud increased 17.2% compared to 2010. Nevertheless, the company registered a net loss of US\$5.7 million in 2012, compared to the gain of US\$ 2.8 million in 2011 and US\$ 6.4 million in 2010. This decline in 2012 was mainly due to the increase in the loss ratio from 80.4% in 2011 to 83.5%, which was a consequence of several factors, including (i) the increase in competition that exerted downward pressure premium on fees, (ii) the increase cost, driven by the economic growth, associated with client demand for health services more frequently and of a more complex nature and (iii) the increase in cost attributable to service providers that was generated the higher investment in the health sector. The necessary steps had been taken to control the net loss ratio going forward.

Pacífico Salud			
US\$ Dollars in Million	2012	2011	2010
Total Premiums	211.1	171.6	146.4
Net Loss Ratio	83.60%	80.40%	78.80%
Net (Loss) / Income	-5.7	2.8	6.4

One of the main strategies of Grupo Pacífico is to benefit from the fact that demand for health services in Peru has been growing in line with higher income per capita during recent years; while existing health service providers have been largely unable to keep pace as a result of the limitations implicit in their corporate and organizational structures. Through this strategy, we also seek to benefit in the long term from inflationary trends in the health services sector. To accomplish this, we invested approximately US\$82.7 million in the second half of 2011 to create the largest private medical services network in the country by acquiring majority shares to directly manage: (i) El Golf, San Borja and OncoCare in Lima; (ii) the Galeno clinics in Arequipa; (iii) Laboratorios ML, a clinical laboratory; and (iv) Doctor+, which is a house call/ambulance service.

In 2012, Grupo Pacífico has ended the first phase of the integration of its health service providers network, by the acquisition of controlling shares in the following entities: (i) Clínica Sánchez Ferrer, (ii) Clínica Belén, (iii) Centro Odontológico Americano, and (iv) Laboratorio Arias Stella.

Another reason for the decline in net income in 2012 was the increase in general expenses related to our newly acquired medical subsidiaries as described in the paragraph above. These expenses were related to improving infrastructure, attracting the required human talent employees and reorganizing current operations under Credicorp's standards. Expenses needed to consolidate the vertical integration process that started in 2011 and ended in 2012.

In 2012, Grupo Pacífico's collaboration agreement with John Hopkins took effect. This relationship has enabled Grupo Pacífico to advance in the implementation of processes, protocols and medical indicators added to its investment in infrastructure under the supervision of HKS (a leader in the design of medical facilities). This agreement also will enable Grupo Pacífico to develop the best network of health and medical services in Peru.

(i) Underwriting, Clients and Reinsurance

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

Pacífico Seguros transfers risks to reinsurers in order to limit its maximum aggregate potential losses and minimize exposures on large individual risks. Reinsurance is placed with reinsurance companies based on the evaluation of the credit quality of the reinsurer, terms of coverage and price. Pacífico Seguros's main reinsurers in 2012 were, among others, Lloyd's, Munich Re, Swiss Re, Hannover Re, Gen Re and Everest Re. Premiums ceded to reinsurers represented 17.8% of gross premiums in 2012. Pacífico Seguros acts as a reinsurer on a very limited basis, providing excess facultative reinsurance capacity to other Peruvian insurers that are unable to satisfy their reinsurance requirements.

Pacífico Seguros historically has obtained reinsurance for a substantial portion of its earthquake-related insurance portfolio through excess loss reinsurance treaties. In addition, in 2012 Pacífico negotiated proportional reinsurance support for this portfolio. Pacífico has property catastrophe reinsurance coverage in place that covers its probable maximum loss under local regulatory requirements. However, there can be no assurance that a major catastrophe would not have a material adverse impact on Pacífico's financial condition and/or its operations.

In respect of life insurance, underwriting decisions are made with the support of the subsidiary Pacífico Vida's Subscription Management and its technical staff. Underwriting guidelines are approved by reinsurer's policies if it is necessary. Pacífico Vida mainly holds excess of loss reinsurance contracts for Individual Life, Personal Accident, Group Life and Credit Life products; for the case of Work Compensation Risk Insurance holds a quota share contract. Catastrophic reinsurance contracts covers all company's lines (Individual Life, Personnel Accident, Group Life, Credit Life, Complementary Work Risk Insurance (SCTR) and Disability and Survivorship), except Individual Annuity. Pacífico Vida's reinsurers in 2012 were: Swiss Re, Hannover Re, Gen Re and Scor Vie. Premiums ceded to reinsurers represented 4.3% of gross premiums in 2012.

(ii) Claims and Reserves

Net claims paid by Grupo Pacífico as a percentage of net premiums written (i.e., the net loss ratio) in 2012 reached 63% a decrease compared to the net loss ratio of 64.2% and 63.6% recorded in 2011 and 2010, respectively.

Pacífico Seguros's net loss ratio increased from 54.4% in 2011 to 56.1% in 2012 (50.5% in 2010). This increase was mainly attributable to three severe claims in the first quarter of the year for a total of US\$ 11.1 million.

The net loss ratio in the life insurance lines increased from 62.3% in 2011 to 64.9% in 2012 (66.6% in 2010). The net loss ratio in the health businesses also increased from 80.4% in 2011 to 83.6% in 2012 (78.8% in 2010).

Grupo Pacífico is required to establish (i) claims reserves related to 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 related to that portion of premiums written that is allocated to the unexpired portion of the related policy periods (collectively, "Technical Reserves"). Grupo Pacífico establishes claims reserves with regard to claims when reported, as well as for incurred but not reported (IBNR) claims. Such reserves are reflected as liabilities in Grupo Pacífico financial statements.

Grupo Pacífico 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, Grupo Pacífico establishes pre-event reserves for catastrophic risks with respect to earthquake coverage. See “—(11) Supervision and Regulation—(v) Grupo Pacífico—Reserve Requirements”. In accordance with IFRS principles, the pre-event reserves and income charges for these catastrophic reserves are not considered in Credicorp’s consolidated financial statements.

Even though Grupo Pacífico maintains reserves to reduce its exposure, there is always some risk that claims might exceed Grupo Pacífico’s reserves. To address this issue we evaluate our reserves estimates on a periodic basis, by means of sensitivity analysis, IBNR’s sufficiency analysis and explanation of variations.

(iii)

Investment Portfolio

Grupo Pacífico’s investments are made primarily to meet its solvency equity ratio and to provide reserves for its claims. Grupo Pacífico manages its investments under three distinct portfolios, designed to contain sufficient assets to match the liabilities of the group’s property and casualty (Pacífico Seguros), life and annuities lines (Pacífico Vida), and health care lines (Pacífico Salud). Each portfolio is managed under the authority of its own committee, which reviews portfolio strategy on a monthly basis. Grupo Pacífico’s invests in local and international markets, emphasizing investments in Peru, the U.S. and Latin America. Grupo Pacífico’s has adopted strict policies related to investment decisions. Its investment strategies and policies are reviewed and approved by Grupo Pacífico’s Board of Directors. Senior management also takes a leading role in devising investment strategies.

Grupo Pacífico’s investment strategy also considers an appropriate match of currencies related to its assets and liabilities. A significant portion of Grupo Pacífico’s premiums is denominated in U.S. Dollars and most of the group’s assets are also invested in this currency. In 2012, 73.5% of the gross premiums received by Pacífico Seguros were denominated in U.S Dollars, compared to 77.3% in 2011 and 78.4% in 2010.

As part of its improvement process, Grupo Pacífico has been adjusting its investment policy in order to apply best international risk management practices and tools. Grupo Pacífico also has incorporated into its investment policy recommendations of Solvency II and Basel II, with a view to developing better hedges against the group’s liabilities; especially in connection with obligations vis-à-vis Grupo Pacífico’s insured customers.

As of December 31, 2012, the market value of Grupo Pacífico's portfolio (which includes Pacífico Seguros, Pacífico Vida and Pacífico Salud) was US\$1,834.25 million, which included mainly US\$135.6 million in equity securities and US\$1,660.7 million in fixed income instruments. The portfolio is well diversified and it follows an asset-liability management general strategy which is based on the assets (portfolio) regarding liabilities (reserves): (i) cash flow and duration matching (ii) currency matching and (iii) to improve the capital structure of the company.

Grupo Pacífico's consolidated financial income increased 17.3% in 2012 (from US\$ 103.4 million in 2011 to US\$121.3 million) and 24.1% in 2011 (from US\$ 83.3 million in 2010 to US\$ 103.4 million). These amounts are net of eliminations of transactions between entities that belong to Grupo Pacífico. The increase observed in 2012 is mainly attributed to the growth of Pacífico Vida's business lines (especially the life insurance business) and Pacífico Seguros's property and casualty businesses.

Pacífico Seguros had a market value portfolio of US\$135.6 million at year-end 2012 which included equity investments and fixed income instruments. Pacífico Vida's market value at year-end 2012 was US\$1,594.9 million and mainly consisted of high grade long-term debt instruments. Pacífico Salud had a small portfolio with a market value of US\$17.1 million.

Pacífico Seguros' 2012 financial income grew to US\$33.8 million, an increase of 25.2% compared to US\$27.0 million in 2011; a year earlier in 2010 financial income was US\$24.5 million. This improved performance was mainly due to US\$20.7 million in capital gains earned on investments mainly in equity and fixed income markets, which reflected our strategy of maximizing capital appreciation.

Pacífico Vida's 2012 financial income (before eliminations) grew to US\$89.0 million, an increase of 24.0% compared to US\$ 71.8 million in 2011; a year earlier in 2010 financial income was US\$ 66.9 million. This increase was mainly due to (i) growth in the annuities business line, (ii) growth of US\$ 10.8 million in capital gains earned on investments in equity and (iii) fixed income markets and the fact that the Peruvian consumer price index grew in 2012, which had a positive effect of US\$7.9 million on inflation adjusted bonds.

(7)

Prima AFP

In early 2012, Peru's pension fund market developed at a stable competitive level. Later that year, the Peruvian Government published the Law to Reform the Private Pension System. The law sets forth a new process by which individuals, which are called affiliates, may become beneficiaries affiliated with the SPP. Under the new law, auctions are held every 24 month to determine which company will have the exclusive right to manage the accounts of new SPP affiliates for a two year period, the first such period beginning in February 2013 and ending in January 2015. A competitive bidding process took place in September 2012 to determine which company would manage the accounts during a transitional period from September 2012 through the end of January 2013.

Prima AFP won the September auction and managed the accounts during the transitional period. In December 2012, Peru held its first auction to determine who would manage the accounts for the first full two year period. A new participant in the system won the tender, but the new participant did not have the operational capacity to manage new affiliate accounts as of February 1, 2013. As a result, Prima AFP will continue to manage the accounts of new affiliates until the new company is ready to begin operations. In the commercial field, Prima AFP is focused on recruiting new affiliates and maintaining its existing affiliate portfolio. When Prima AFP was awarded to the new affiliates in the fourth quarter of 2012 it reduced the commission fee applicable to all affiliates from 1.75% to 1.60%. In relations with the RAM indicator (Prima AFP's basis remuneration for revenues), Prima AFP obtained an increase from 32.2% to 32.4%, achieving, once again, the leadership in the market share.

Productivity by Prima AFP's sales management helped Prima AFP preserve a quality portfolio and increase its monthly insurable remuneration, which is the basis of its revenues.

In 2012, Prima AFP managed 1.3 million SPP affiliate accounts, an increase of 11.3% compared to and the number of accounts Prima AFP managed 2011. This represented 25.4% of market share. In 2010, Prima AFP managed accounts for 1.1 million affiliates.

Productivity also contributed to Prima AFP's market share. With regard to the collection of contributions, Prima AFP has the largest market share in Peru, at 32.8% as of December 2012.

In 2012, Prima AFP's pension fund investment portfolio increased as a result of solid improvements in key economic indicators from Peru and other emerging countries. The positive performance of local financial markets was reflected in the value of funds under management, which increased from US\$9.5 billion as of December 2011 to US\$12.0 billion as of December 2012. 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 on its three funds was 6.71%, 5.75% and 2.36%, respectively. In 2012, Prima AFP registered total revenues of US\$117.2 million and profits of US\$38.2 million, a 17.9% year-over-year increase. This was accomplished by expanding Prima AFP's revenue base and controlling its operating expenses.

(8)

Competition

(i)

Banking

Overview

In recent years, several foreign companies have showed interest in entering the Peruvian market while financial companies already in Peru have taken steps to expand operations and develop new business. In 2006, the Canadian bank with the largest international presence formed Scotiabank Peru pursuant to a merger between Banco Wiese Sudameris and Banco Sudamericano. In addition, in 2006, one of the largest financial organizations worldwide entered the Peruvian market for the first time by forming HSBC Bank Peru.

In 2007, a financial corporation with ten years of operating history received authorization to convert into a bank. That same year, Banco Santander re-joined the Peruvian banking segment and started operations in October. In 2008, two foreign-owned banks initiated operations in Peru: Banco Azteca and Deutsche Bank (Peru), a subsidiary of the German bank of the same name. In 2009, Banco del Trabajo, a subsidiary of Scotiabank, started operations as a finance corporation (Crediscotia Financiera). In 2010 and 2011 no major commercial banks entered the Peruvian financial system. Finally, in 2012, Banco Cencosud from the Chilean group of the same name in alliance with the Peruvian group Wong, started operations in the first semester of the year.

While new entries into the Peruvian banking system over the last two years have not been as pronounced as entries in previous years, there is evidence that foreign-owned banks are taking steps to begin operations in the Peruvian market. For example, Itaú Unibanco, Banco Latinoamericano de Comercio Exterior (Bladex), Morgan Stanley Bank, Bank of Tokyo Mitsubishi and Sumitomo Mitsui Banking opened representative offices in Peru. In addition, a merger is expected between the rural savings and loan institution, Nuestra Gente (CRAC by its Spanish initials), and the finance corporation Confianza. In connection with the merger, the surviving entity is expected to begin operations as a Bank (Banconfianza), in early 2013. Banconfianza will become the second bank focus on the micro and small enterprises, in addition to Mi Banco.

Peruvian Financial System Evolution (2012)

According to the SBS, as of December 31, 2012, there were 65 financial institutions, including 16 commercial banks, 13 municipal and 10 rural savings and loan associations, 10 small-business development non-bank institutions, 11 financial companies, two leasing companies and three state-owned banks (not including the Central Bank): Banco de la Nación, COFIDE and Banco Agropecuario. In 2010, the opening of representative offices of four foreign banks (Banco Itaú, Banco Latinoamericano de Comercio Exterior – Bladex, Morgan Stanley Bank N.A., and Bank of Tokyo – Mitsubishi UFJ) was authorized by the SBS. Finally, in 2011, the SBS authorized Industrial and Commercial Bank of China – ICBC to establish a banking subsidiary in Peru denominated ICBC Perú Bank.

Major Peruvian Banks as of December 31, 2012	Assets	Deposits	Loans
BCP	36.8 %	37.4 %	34.6 %
BBVA Banco Continental	22.2 %	22.9 %	23.3 %
Scotiabank Perú	14.1 %	12.5 %	14.5 %
Interbank	10.6 %	10.2 %	11.0 %
Banco Interamericano de Finanzas	2.7 %	2.9 %	2.9 %

Source: SBS

As of December 31, 2012, BCP ranked first among all Peruvian banks in terms of assets, deposits and loans with a market share of 36.8% of assets, 37.4% of deposits and 34.6% of loans.

The Peruvian banking system reported a balance of loans of S/.72,530 million and US\$28,092 million. These figures represented an annual expansion of 15.3% and 15.7%, respectively; as compared to 2011 (these balances expanded 20.3% and 18.8%, respectively, from December 31, 2010 to December 31, 2011). As a result, the dollarization of loans reached 49.7% at the end of 2012 (compared to 51% in 2011 and 52.3% in 2010). Nevertheless, as of December 31, 2012, the total amount of deposits was S/.140,325 million, which represented a dollarization rate of 41.6% (compared to 47.3% in 2011 and 47.8% in 2010).

The capital ratio (regulatory capital/risk-weighted assets) reached 14.1% as of December 2012, which was above 10% legal minimum that became effective in July 2011. This represented an increase of 5.7% from the capital ratio reported at the end of December 2011 (13.4%), when the ratio reduced 1.8% as compared to December 2010 (13.6%).

Peru's loan portfolio quality indicators deteriorated in 2012. Past due loans over total loans reached 1.75%, 28 basis points more than the ratio reported as of December 31, 2011 (1.47%). At the end of 2011, the ratio had improved 2 basis points compared to December 31, 2010 (1.49%). Also, the past-due refinanced and re-structured loans over total loans remained unchanged at 1% in 2012, as compared to the ratio reported in 2011, but it was nine basis points lower than the figure reported as of December 31, 2010 (1.09%). Similarly, coverage ratio of the past-due loan portfolio was 223.56% as of December 31, 2012 (compared to 251.14% as of December 31, 2011 and 245.62% as of December 31, 2010).

Finally, the liquidity of the banking system remained at high and comfortable levels. The local currency liquidity ratio and foreign currency liquidity ratio closed 2012 at 46.29% and 46.24% (39.23% and 45.02% in 2011 and 54.62% and 41.11% in 2010), respectively. These ratio levels were well above the minimums required by SBS regulations (8% in local currency and 20% in foreign currency).

(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\$38 billion as of December 31, 2012 (representing 25.1% increase) from US\$30.4 billion in 2011 and US\$31.1 billion in 2010. Total mutual funds reached US\$7 billion in 2012, compared to US\$5.1 billion in 2011 (an increase of 39.2%) and in 2010 mutual funds reached US\$5.6 billion due to the outflow of funds that occurred in the first half of 2011 and the uncertainty surrounding Peru's 2011 presidential elections.

(iii)

Other Financial Institutions

Other institutions in the Peruvian financial system tend to specialize in a given market sector. These institutions include: 11 financial companies, 13 municipal savings and loans institutions, 10 rural savings and loans institutions and 10 small and microenterprise development agencies. 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 consumer loans and small and micro-business loans. Small and micro-business loan providers lent US\$5.7 billion in 2012, compared to the US\$4.7 billion lent in 2011 (a 21.3%). In 2011, loans from small and micro-business loan providers increased 27.2% compared to the US\$ 3.7 billion lent in 2010. In 2012, small and micro-business loans represented 48.3% of the total in the financial system (compared to 48.1% in 2011 and 47.9% in 2010). Consumer loan providers lent US\$2.1 billion as of December 2012 (21.5% higher than 2011). In 2011, consumer loan providers lent US\$1.8 billion (a 26% growth compared to the US\$1.4 billion lent in 2010). In 2012, loans to consumers represented 17.1% of the total in the financial system (compared to 17.3% in 2011 and 17.4% in 2010).

BCP also faces strong competition from credit cards issued by retail stores.

(iv) Investment Banking

As mentioned above, Credicorp's Investment Banking Platform, which integrates BCP Capital (including the investment banking division that was in BCP), Chilean IM Trust, Colombian Correal and CSI, was formed to take advantage of the growing opportunities in the MILA. This market had the largest amount of issuers in Latin America (according to the World Federation of Exchanges there were 604 issuers as of December 31, 2011), and a market capitalization of US\$685 billion as of December 31, 2012.

Credicorp's Investment Banking Platform is a regional platform that is divided into 3 business units: Asset Management (over 43% of the business share in terms of operational income), Sales & Trading (over 37% of operational income) and Corporate Finance (over 13% of operational income), as well as the local fiduciaries (roughly 6% of operational income). As of December 2012, the Investment Banking Platform managed approximately US\$ 10 billion, and had more than 80 companies under coverage. In addition, and as of December 2011, it had over US\$ 8,400 million in advisory transaction value. In the MILA market Credicorp's Investment Banking Platform ranked first in Initial Public Offerings, Corporate Bond Issuance, and Fixed Income Trading, as well as third in Share Trading. We will seek to replicate this success throughout Latin America by consolidating operations in this market, and by looking for opportunities to expand into additional geographic areas.

(v)

Insurance

The Peruvian insurance market is highly concentrated. As of December 2012, four companies commanded 85.1% of the market share by premiums, and the leading two have a combined market share of 62.8%. Pacífico Seguros and Pacífico Vida together are the second largest insurance company in Peru with a 28.5% 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. Grupo Pacífico's insurance businesses believe that their competitive pricing, strong and positive image, and quality of customer service are significant aspects of their overall competitiveness. While increased foreign entry into the Peruvian insurance market may put additional pressure on premium rates, particularly for commercial coverage, Grupo Pacífico believes that in the long-term foreign competition will increase the quality and strength of the industry. Grupo Pacífico 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 Grupo Pacífico to competitors of even a small number of major customers or brokers could have a material impact on Grupo Pacífico's premium levels and market share.

(9)

Peruvian Government and Economy

While we are incorporated in Bermuda, substantially all of BCP's and Grupo Pacífico'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."

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, Alan García was elected for a five year-term, during which remained the main outlines of the economic model, promoting private investment to stimulate the economy.

Presidential elections were initially held in Peru on April 10, 2011 and a second round of elections was held on June 5, 2011. The winner of the elections was Ollanta Humala, who defeated Keiko Fujimori. While President Humala's initial proposals as a candidate were designed to radically change the economic model that was already in effect, his signing of a "road map", which promised to be moderate, was important for his electoral victory. Among his first acts as president-elect were the ratification of the Central Bank's president and the appointment of Luis Castilla, who served as Deputy Minister under the previous government, as Minister of Finance. Both of these appointees contributed to recover the investment climate that deteriorated during presidential campaigns period. However, the recovery has been affected by perceived risks abroad, where the Eurozone is under pressure. Despite the uncertainty generated during the first half of 2011 (due to the radical changes proposed by Humala) and the global economic slowdown in the second half of 2011, the Peruvian economy managed to close the year with an economic growth of 6.9%. In 2012, concerns about the health of the Chinese economy created a new source of uncertainty but China ultimately returned to more sustainable growth. During 2012, Peru grew 6.3%, mainly as a result of non-primary sectors highly linked with domestic demand, particularly construction and services.

Despite the economic strides achieved since 1990 and the high rate at which Peruvian economy has expanded in the last decade, poverty remains a persistent problem, with 30% 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.

(ii)

Peruvian Economy

During his second term (2006 - 2011), President Alan Garcia continued the market-oriented policies that started in the 1990s with President Fujimori's structural reforms. Nevertheless, some interventionist measures were passed due to surge of populist initiatives from Congress and social pressures from unions and regional movements. In 2011, presidential elections outcome (Ollanta Humala's victory) anticipated a shift in government political orientation, which had a negative impact on business confidence and growth perspectives. Although initial concerns on Humala's government have been mitigated in part by cabinet appointments and political arrangements aimed to reassure investor's confidence and reaffirm economy's direction, political risks have not disappeared entirely.

In addition to political changes and the application of sound macroeconomic policies, the positive external outlook allowed Peru to grow at an average of 5.7% in the last decade, reaching a positive growth rate even during the global financial crisis in 2009. In that year, 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 the following years of recovery Peru continued outperforming global economy and even developed regions, growing 8.8% in 2010, 6.9% in 2011, and 6.3% in 2012.

The Peruvian economy grew 6.3% in 2012, despite higher uncertainty about the Eurozone and a concerns about Chinese manufacturing production and exports. Private consumption and investment grew in the second half of the year. In addition, exports unexpectedly rose in the first quarter of 2012 and increased overall during 2011.

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 around US\$13 billion annually (15.7% 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 high flows of foreign direct investment. Progress was made toward reaching more trade agreements with Peru's most important trade partners like China (the FTA started in march 2010), which currently stands as the principal destination of Peruvian exports, mainly commodities and primary goods. In 2012, trade between both countries reached US\$15.5 billion (17.7% of Peru's total trade). Also, Peru concluded trade agreement negotiations with the European Union, Japan and Mexico. It is expected, these agreements will help boost growth in the export sector, which has been relatively flat since 2008 compared to the growth in domestic demand. These agreements have improved the competitive position of Peruvian exporters relative to exporters in other global markets.

Peru's trade surplus in 2012 was US\$3.1 billion, a lower result than in 2010 and 2011. This trade surplus was the result of lower prices for export products (particularly mineral products) and a strong domestic demand combined with higher prices for imports and food (soybean, corn, wheat). Although the trade surplus in 2012 was not as high as the surplus in 2011, relative to historical levels, trade remained high and produced a sizeable net surplus.

Peru has had a history of high and persistent current account deficits. Nevertheless, a process of gradual correction of external imbalances started in recent years. Between 2007 and 2010, Peru's current account balance reached an average deficit of US\$2.1 billion, which is equivalent to 1.3% of Peru's GDP. After a brief interruption in 2008, when the deficit again reached high levels (US\$5.3 billion, or 4.2% of GDP), and a small surplus in 2009 (0.2% of GDP) due to a decrease in imports and in investment income (during period of slow global economic growth), the correction resumed. In 2011 and 2012, Peru again recorded current account deficits, which were linked to a process of capital accumulation. These recent deficits (close to 2.5% of GDP in 2011 and 4.0% of GDP in 2012) were not a source of concern because they were completely financed by the financial account, which derives more than 70% of its total inflows from long-term capital.

Peru's financial account had an average surplus of US\$9.6 billion between 2008 and 2012, resulting largely from higher foreign direct investment and long-term loans that accompanied improved investor sentiment about the Peruvian economy. A notable exception to the sizeable surpluses Peru recorded during this period occurred in 2009. That year the financial account surplus declined to US\$1.5 billion, due to lower capital inflows and global economic uncertainty, mainly in the first half of the year. Surpluses during the second half of 2009 were sizeable enough to create a surplus for the year. Between 2010 and 2012, despite some volatility, growth in capital inflows gradually led to the return of high financial account surpluses, as investors adjusted their risk appetite and became more comfortable with investments in emerging countries. Nevertheless, stress associated with the ongoing Eurozone fiscal crisis, has had short-term negative effects on investment inflows into Peru.

Inflation in Peru, as measured by the Lima consumer price index, was 3.3% on average over the past five years. After reducing the Peruvian Central Bank's target of 2.5% to 2.0%, with a +/-1% range, inflation was above the target range in 2008, registering at 6.65%. The inflation rate during this period was influenced by higher international commodity prices. As of December 31, 2010 the inflation rate was 2.1%, compared to a 0.25% inflation rate at the end of 2009. Inflation in 2011 was 4.7%, significantly above the Central Bank's inflation range, driven by external supply shocks (higher commodity prices) as well as local supply shocks (less local food supply). In 2012, inflation was 2.65%, with a sharp correction, driven by a reduction in prices of imported food (especially grains) and oil, occurring in the last quarter of the year.

The exchange rate for Nuevos Soles in Peru has appreciated 18.8% over the past five years, from S / . 3.141 per US\$1.00 on December 31, 2007 to S / . 2.551 per US\$ 1.00 on December 31, 2012. The Nuevo Sol posted gains of 2.8% in 2010, 3.9% in 2011, and 5.4% in 2012. Appreciation of the Nuevo Sol was substantially due to capital inflows received by emerging economies as a result of economic troubles in the European Union (EU). In 2012, the Nuevo Sol strengthened overall, but underwent periods of depreciation as a result of political uncertainty associated with international markets, both developed and emerging.

A sound policy framework put in place in recent years and an increase in Peru's international reserves have improved the business environment and contributed to the reduction of economic vulnerabilities and poverty in Peru (even though poverty still affects to over 30% of the population). Although Peru recorded a fiscal deficit of 0.3% of GDP in 2010, Peru recorded strong fiscal surpluses in subsequent years (around 2.0% of GDP in each in 2011 and 2012), which have supported a significant reduction in public debt and improved the maturity schedule of Peru's overall debt profile. In an uncertain global economy, these are important fiscal buffers. A sound monetary policy that targets inflation has also been instrumental in helping to Peru maintain macroeconomic stability and reduce dollarization. Other structural reforms also have reduced Peru's fiscal and financial vulnerabilities. Free trade agreements and demand for new trade markets, lower informality, and improvement in its business climate have helped Peru improve its long-term growth outlook, which is reflected in more investments in the Peruvian economy.

These achievements are believed to have strengthened Peru's ability to weather economic pressures originating outside of Peru. Building on Peru's strong fundamentals, including a resilient financial system, several measures have been implemented by the authorities that will help to, 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. Banking credit, which averaged 31.8% growth in 2007 and 2008, lost momentum, closing 2009 with only a 9.5% growth. The economic recovery in Peru has increased demand for banking credit, which grew by 14.3% in 2010, 18.5% in 2011, and 13.0% in 2012. Peru's Central Bank has indicated that continuous credit growth over 15% has eventually led to a financial crisis, in several countries, and the Central Bank is trying to avoid; such a crisis in Peru. In particular, the Central Bank's concerns are focused on foreign currency credit, and it has gradually increased reserve requirements over the course of the last year. As a consequence, average requirements have increased to 19.0% from 14.3% in local currency and to 41.7% from 38.7% in foreign currency during 2012.

Peruvian authorities have been implementing reforms to strengthen Peru's financial system and improve the country's international liquidity position. Peru's Central Bank is focused on maintaining healthy foreign currency credit levels, and therefore reserve requirements have continuously increased during 2012. Average reserve requirements increased to 19% from 14.3% in local currency and to 41.7% from 38.7% in foreign currency during 2012.

In periods of economic contraction, the Peruvian Central Bank could use its considerable foreign reserves, which have risen from 28.6% of GDP in December 2010 to approximately 32.0% in December 2012, and other mechanisms to provide liquidity to Peru's domestic financial system. Also, the increase in the capital ratio of Peru's banking system from 13.6% in December, 2010 to 14.1% in December 2012 indicates that solvency has improved.

Peru's short term domestic economic outlook continues to appear to be favorable, despite lingering uncertainty about the global economy. The Peruvian economy grew 6.3% in 2012, reflecting a strong domestic demand and sharp increase in mining investments. Inflation is expected to remain close to 2% (+/- 1%), at the center of Central Bank's target range.

The main risks to the Peruvian economy appear to be external and largely related to the results of the continued economic recovery in developed countries. We consider that Peru's current fiscal position, including the 2012 surplus, the amount of funds accumulated by the public sector (US\$ 7.2 billion as of December 31, 2012), and the fact that the country is now rated investment grade (BBB according to S&P and Fitch; Baa2 according to Moody's), have strengthened Peru's ability to face future crises. Peru's medium-term prospects are considered to be favorable, provided that the country continues to follow prudent macroeconomic policies and deal with longstanding 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, 2012, the Peruvian financial system consisted of the following principal participants: the Central Bank, the SBS, 16 banking institutions (not including Banco de la Nación, a Peruvian state-owned bank), 11 finance companies, and 2 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, 2012.

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.

(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 International Monetary Fund (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) The Superintendency of Banks, Insurance and Pension Funds (SBS)

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, Legislative Decree 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 FTA signed between Peru and the United States.

The main amendments defined in Law 1028 were designed to promote the development of Peruvian capital markets 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 generally have applied a standardized method to calculate their capital requirement related to credit, market and operational risk. As an alternative to the standardized method, financial institutions may request authorization from the SBS to use different models for calculating the reserve amount associated with any of these three risks. In July 2009, the SBS started receiving applications to use alternative models, referred to as Internal Models Methods. If the amount of an institution's reserve requirements would be higher using the standard model than it would be using the an approved Internal Models Method, then the institution will have to maintain between 80% and 95% of the standard amount during a phase in period, Even after the phase in period, institutions using an Internal Models Method will be subject to regulatory capital floors.

Law 1052 aims to include and synchronize Law 26702 and the FTA'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 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 for 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 SBS.

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. Over the past five years the entry of new participants, including foreign banks and non-bank financial institutions, has increased the level of competition in Peru.

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 2012.

(11) Supervision and Regulation

(i) Credicorp

Currently there are no applicable regulations under Bermuda law 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 are conducted primarily through our subsidiaries in Peru, the Cayman Islands, Bolivia, Chile, Colombia and Panama, a summary of the main regulations governing our businesses 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 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, 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 Superintendencia del Mercado de Valores, 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 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.

The Superintendencia del Mercado de Valores (SMV), formerly known as 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 SMV 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 SMV when it conducts operations in the local Peruvian securities market.

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 SMV), insurance and reinsurance companies, companies that receive deposits from the general public, 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 supervision. As a result of it, despite its supervision of 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. 37-2008, which encompasses the guidelines for enterprises risk management (ERM) frameworks, and 2116-2009 established guidelines for operational risk management, which includes a broad range of risks and defines operational risks as those resulting from the possibility of suffering financial losses due to inadequate or failed internal processes, people and systems, or from 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. Banks also are required to develop an information security model to guarantee physical and logical information integrity, confidentiality and availability.

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 responsible for operational risk management across our organization. This team reports regularly to our risk committee, top managers and Board of Directors.

In evaluating operational risks and potential consequences, we mainly assess risks related to critical processes, new products, critical suppliers, critical information assets and technological components. To support the operational risk management process we have developed a Business Continuity Management (BCM) discipline, which involves the implementation of continuity plans for critical business processes, incident management, and training and testing. In addition, our methodology and data processing team has developed procedures to register, collect, analyze and report operational risk losses, looking forward to the implementation of advanced models for operational risk capital allocation. Lastly, we have monitoring and reporting procedures, designed to monitor Key Risk Indicators (KRI) and other performance metrics.

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.

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, 2012. We have developed internal methods to identify and evaluate risk and controls over our critical processes to determinate how effective internal controls are over financial reporting.

BCP Capital Adequacy Requirements

Capital adequacy requirements applicable to us are set forth in the Peruvian Banking Law (Law 26702), as amended, and monitored and regulated by 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 was aimed at adapting the Peruvian Banking Law to the capital guidelines and 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, 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 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 were implemented as follows.

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

In November 2010, the SBS released a consultative document, which established the proposed methodologies for calculating additional capital requirements consistent with Pillar 2 of Basel II and certain aspects of Basel III. Comments on this document were due February 18, 2011. On July 20, 2011, the SBS issued SBS Resolution 8425-2011, establishing the final methodologies and the implementation schedule of the aforementioned additional capital requirements. The new capital requirements, which are aimed at covering risks not contemplated in Pillar I of Basel II, include requirements to cover concentration, interest rate and systemic risk. Additionally, pro-cyclical capital requirements were also established. These new requirements will be implemented over a period of five years starting in July 2012.

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, such as hybrid securities; and (iii) unrealized gains and retained earnings 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 Tier 2 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 IRB Method, 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 elements 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 (v) 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.

SBS Resolution 8548-2012, adopted in 2012, modified the regulatory capital requirements for credit risk weighted assets in SBS Resolution 14354-2009 and established a schedule for implementing the modifications.

As of December 31, 2012, BCP’s regulatory capital was 14.72% of its unconsolidated risk-weighted assets, indicating that BCP had risk-weighted assets that were 6.79 times the amount of regulatory capital. As of December 31, 2011 and December 31, 2010, BCP’s regulatory capital was 14.53% and 12.84% of its unconsolidated risk-weighted assets, respectively.

Legal Reserve Requirements

In accordance with Peruvian regulation - article 67 of Law 26702-, a reserve of up to at least 35 percent of paid-in capital of the Group’s subsidiaries operating in Peru is required to be established through annual transfers of at least 10 percent of their net income. In accordance with Bolivian regulation, a reserve of up to at least 50 percent of paid-in capital of the Group’s subsidiaries operating in Bolivia is required to be established through annual transfers of at least 10 percent of their net income. As of December 31, 2012, 2011 and 2010, these reserves amounted to approximately US\$620.3 million, US\$461.9 million and US\$441.5 million, respectively.

Provisions for Loan Losses

Credicorp’s allowance model is an IFRS compliant loss estimation model that comprises a number of methodologies which estimate losses per client for Wholesale Banking and losses per segment (pool) for Retail Banking, in line with IASC39. Depending on the portfolio analyzed, each methodology takes into consideration collateral recovery projections, outstanding debt, maturity and qualitative aspects that reinforce the estimate. Some examples of qualitative aspects are the complexity of the recovery processes, sector trends, and officers’ judgment of the estimated recovery values.

The methodology includes three estimation scenarios: base, upper threshold and lower threshold. These scenarios are generated by modifying some assumptions, such as collateral recovery values and adverse effects due to changes in the political and economic environments. The process to select the best estimate within the range is based on management's best judgment, complemented by historical loss experience and the Company's strategy (e.g. penetration in new segments).

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 institutions to maintain marginal reserve requirements 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. Among other exemptions, 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.

In 2011, the Central Bank, as a part of its monetary policy to restrict internal demand and the risk of inflation, maintained the minimum level of reserves for banks at 9%. Bank 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. Additionally, the marginal reserve requirement on foreign credits with a tenor of less than 2 years has remained at 60% since January 2011.

The Central Bank establishes a remuneration rate on marginal reserves that exceeds the minimum legal requirement of 9% but only in the instance that such reserves are deposited in the Central Bank's current account. Foreign currency cannot be used to comply with 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. In the mid-2010 the Central Bank changed its monetary policy to a more restrictive position to account for the rapid growth of domestic demand and the potential for dangerous levels of inflation. Since then, there have been consecutive increases in the reference interest rate, which was raised most recently in May 2011 from 4.00% to 4.25%. As of December 2012, the reference interest rate remained at that level.

In the past few years, the Central Bank has been actively changing the reserve requirement applicable to Peruvian financial institutions as part of its monetary policy, something that is not usual in other LatAm countries, with the notorious exception of Brazil. Regulations put in place during 2012 -in a context of avoiding a higher rate of appreciation- have increased the amount of reserves required in S/.3,859 million and US\$1,555 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 conditions and results of operations. Marginal requirement rates in Nuevos Soles and Dollars increased during 2012 four times, and as a consequence, the average rate increased to 18.8% from 14.3% in local currency and to 41.2% from 38.7% in foreign currency. In December 2012, the estimated reserve position of commercial banks was S/. 15,500 million and US\$ 10,500 million in local and foreign currency, respectively.

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. 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 varies 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, 2012, 2011 and 2010, the 10.0% credit limit per borrower of BCP, unconsolidated, was US\$350.1 million, US\$267.1 million and US\$197.4 million, respectively, for unsecured loans, and the 30.0% limit for secured loans was US\$1,050.5, US\$801.3 million and US\$592.2 million, respectively, for the last three years.

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 between financial institutions on the one hand and related parties and or affiliates on the other. SBS and SMV have also enacted regulations that define indirect ownership, related parties and economic groups, in order 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 director or employee borrower, considering his/her close relatives 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 a minimum of two shareholders. Among other restrictions, those convicted of drug trafficking, asset laundering, terrorism and other felonies, or those who are directors, employees and advisors of public entities that regulate and supervise the activities of banks, are subject to ownership limitations. All transfers of shares in a bank must be recorded at the SBS. 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, directors or employees 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, among others. 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 shall be fined with an amount equivalent to the value of the transferred shares and is obligated to sell the shares within 30 days, or the fine is doubled. In addition, the purchaser is not allowed to exercise its voting rights at the 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, directly or indirectly, 1% of the capital stock of a bank in a period of 12 months or acquire a 3% or more share participation, have the obligation to provide the information that the SBS may require to identify such individuals' or corporations' main economic activities and assets structure.

Risk Rating

Law 26702 and SBS Resolutions No. 672 and 18400-2010, require that all financial companies be rated by at least two risk rating companies on a semi-annual basis, 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 2012, BCP was assigned the "A+" risk category by its two rating agencies, Equilibrium Clasificadora de Riesgo and Apoyo and Associates International. As of December 2012, BCP maintained the risk category of "A+".

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/. 91,216 as of December 31, 2012.

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 for up to 45 days and 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 Crédito del Perú 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)

Atlantic Security Bank (ASB)

General

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.

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 business 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 its principal office or its authorized agent in the Cayman Islands.

(iv)

BCP Bolivia

Until March 2010, the Bolivian banking system operated under 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 (pursuant to Supreme Decree 29894, now referred to as the FSSA). In addition, the law established that the Central Bank of Bolivia (BCB by its Spanish initials) 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 Financial System Supervisory Authority has the mandate to supervise brokerage activities and mutual fund management that is conducted through BCP Bolivia's subsidiaries, Credibolsa S.A. and Credifondo S.A. These subsidiaries operate under the Securities Markets Law No. 1834, enacted on March 31, 1998.

Also Bolivia's new constitution, 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 which has assumed all regulatory functions held previously by 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 BCP Bolivia's business.

In 2012, the Bolivian government sanctioned an additional income tax of 12.5% of earnings before taxes applicable to all financial institutions with a ratio of earnings before taxes to equity in excess of 13%. Additionally, in November 2012, the government approved a new tax on sales of foreign exchange. This new tax levies all sales of foreign exchange with a 0.70% rate applicable on the amount of foreign currency sold.

Finally, in November 2012, the government announced the conversion of Banco Unión (formerly a private bank majority owned by the government) into a public bank. As of December 2012, Banco Unión ranked fifth when measured by gross loans.

(v)

Investment banking

BCP Capital

The company falls under the supervision of the SMV, a specialized technical body attached to the Ministry of Finance, aimed to ensure the protection of investors, efficiency and transparency of the markets, as well as the diffusion of the information required for such purposes. It enjoys functional, administrative, economic, technical and budgetary autonomy.

The Securities Market Law as amended, approved by Legislative Decree N° 861, governs the public offering and trading of securities, listed in the SMV and Lima Stock Exchange. The latter institution, as the only stock exchange in Peru, also provides internal regulations which form part of the regulations and administrative rulings that govern the offering and trading of securities.

Correval

Correval S.A. falls under the supervision of the Superintendencia Financiera de Colombia, an entity whose main function is to oversee the financial and insurance sectors. Although it has an important role monitoring and surveillance, it also has certain regulatory powers which permit it to issue laws and decrees.

Additionally, the Autorregulador del Mercado de Valores de Colombia (AMV) supervises and regulates the conduct of security intermediaries, as well as the certification of those who carry out such activities. AMV is a private entity, and is the product of a self-regulation scheme established after the termination of Law 964 of 2005.

Correval Panama S.A., is regulated and supervised by the Superintendencia del Mercado de Valores de Panama S.A.

IM Trust

IM Trust's principal legal framework comes from Law 18,046. All companies involved in the stock market are supervised directly by the Superintendencia de Valores y Seguros (SVS). The SVS ensures that persons or supervised institutions, from formation until liquidation, comply with laws, regulations, statutes and other provisions governing the functioning of these markets. The SVS also authorizes companies to manage mutual funds (AFM and AGF) and oversees these companies and funds to ensure compliance with laws and regulations by monitoring their legal, financial and accounting information.

In Chile, there are laws, regulations and rules that govern the various sectors of the stock market. One such law is the Securities Market Law, which governs the functioning of the Chilean market and the laws relating to corporations, management of third-party funds (investment funds, mutual funds, pension funds and others) and the deposit and custody of securities.

Credicorp Securities

The CSI operates from one location in Coral Gables, Florida, United States of America. All new accounts and all securities transactions are reviewed and approved at the Coral Gables office. All representatives are assigned to and supervised from the Coral Gables main office.

CSI is registered with the SEC and is a member of FINRA and the Securities Investor Protection Corporation (SIPC). As a member of SIPC, CSI protects customers' investment accounts up to \$500,000 of which \$100,000 may be in cash and \$400,000 may be in securities.

There are three principals at CSI all of which are Series 7 and Series 24 licensed (General Securities Principal). At the trading desk employees are Series 7 licensed (Registered Representative), Series 55 licensed (Equity Trader), and

Series 4 licensed (Registered Options and Security Futures Principal). We also have an in-house Series 27 (Financial and Operations Principal). Members of CSI's back-office staff are either Series 99 licensed (Operations Professional) or Series 7 licensed.

(vi)

Grupo Pacífico

Overview

Grupo Pacífico's operations are regulated by Law 26702 and the SBS. Peruvian insurance companies must submit regular reports to the SBS concerning their operations. In addition, the SBS conducts on-site reviews on an annual basis. The SBS conducts these reviews primarily to evaluate 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 Seguros Generales—(ii) Claims and Reserves”. Law 26702 also requires insurance companies to create a reserve for IBNR claims that are reflected as a liability, net of recoveries and reinsurance, in our consolidated financial statements. Reserves for IBNR claims are estimated by using generally accepted actuarial reserving methods. See Note 3(e) to our consolidated financial statements. Finally, Grupo Pacífico 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 Seguros Generales—(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”.

(vii)

Prima AFP

Prima AFP’s operations are regulated in Peru by the Unified 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 SMV. AFPs must submit reports to the SBS, members and beneficiaries in general, with regard to the administration of pension funds and any information linked to the AFP’s operations.

Under Peruvian legislation, AFPs can only have one type of business activity; 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 has put in place many investment limits, which, among others, restrict investments in certain asset classes, economic groups, and issuers. In addition, some of these limits vary according to the risk profile of the fund. Among these limits, the most general are as follows:

The total amount invested in instruments issued or guaranteed by the Peruvian State cannot exceed 30% of the fund value;

· The total amount invested in instruments issued or guaranteed by BCR cannot exceed 30% of the fund value;

· The total amount jointly invested under the two aforementioned points cannot exceed 40% of the fund value and;

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The total amount invested in instruments issued by the government, financial institutions, and non-financial institutions whose commercial activities are mostly abroad, cannot exceed 50% of the fund value. The Central Bank has set a maximum operating sub-limit at 32%.

As mentioned before, the Central Bank can set maximum operating percentages and/or sub-limits to the aforementioned investment limits.

SBS requires a guaranteed minimum profitability for funds under management. Part of the guarantee is an obligatory reserve, which must be funded by the AFP. The amount will depend on the instruments in the portfolio, but is, on average, 1% of funds under management. In addition, Peruvian law establishes that companies must set up a legal reserve equivalent to 10% of net income, until the reserve is at least 20% of the capital.

Private Pension System Reform:

Recent reforms have resulted in the following changes to Peru's private pension system:

1. Auctions for management of new affiliates:

Peru's Law to Reform the Private Pension System sets forth a new process by which individuals, which are called affiliates, may become affiliated with the SPP. Under the law, auctions are held every 24 months to determine which company will have the exclusive right to manage the accounts of new SPP affiliates for a two year period, the first such period beginning on February 1, 2013 and ending in January 31, 2015. Bid awards will be made to the AFP that offers the lowest administration fees. New affiliates to the SPP are required to affiliate with the AFP that obtains the bid award, and the new affiliates must remain with this fund manager for 24 months.

A competitive bidding process took place in September 2012 to determine which company would manage new affiliate accounts during a transitional period from September 2012 through the end of January 2013; Prima AFP won the September auction and managed new accounts during the transitional period. In December 2012, Peru held its first auction to determine who would manage the accounts for the first full two year period. A new participant in the system won the auction, but that participant did not have the operational capacity to manage new affiliate accounts as of February 1, 2013. As a result, Prima AFP continues to manage the accounts of new affiliates until the new company is ready to begin operations. This has allowed Prima AFP to temporarily continue to capture new affiliates, and thereby increase its client base.

2. Changes in the administration fees:

Prior to the adoption of the Law to Reform the Private Pension System, pension fund affiliates were charged commissions based on their salaries. Under the Law to Reform the Private Pension System, AFPs will receive a mixed commission for managing the accounts of affiliates. This commission will be calculated based on the monthly remuneration of the affiliates plus a commission on the total funds managed by the AFP for the affiliate. By May 31, 2013, affiliates that are already in the private pension system must choose between (i) continuing to be subject to the fee structure based on remuneration that was in place prior to the adoption of the Law to Reform the Private Pension System; and (ii) changing to the new fee structure (mixed commission). All new affiliates will be subject to the mixed fee structure. The mixed fee structure will be in place for a 10-year transitional period, after which an AFP's fee will be based solely on its funds under management. These changes in the fee structure of Peru's pension funds are designed to align the interest of AFPs and their clients.

At the end of December 2012, Prima AFP published its new commission's structure. Affiliates will be able to choose either of the following commission fee structures:

i) Commission by flow: 1.60% applied to the affiliates' monthly remuneration. This commission is currently in effect.

Mixed commission: composed of 1.51% commission on the affiliates' monthly remuneration, plus a 1.90% annual
ii) commission, which is applied to the total account balance of the affiliate (as of February 2013 for new affiliates and June 2013 for current clients).

Current affiliates must choose between the commission based solely on remuneration and the mixed commission. The deadline for making this choice is May 31, 2013.

An auction process will be held to determine which company may offer insurance for survivors, disability and burial costs in a single package for all AFPs via a collective policy. The right to sell the insurance package will be awarded to the insurance company that presents the best economic proposal.

4. The Law to Reform the Private Pension System provides for the creation of capital protection funds. These funds are designed to ensure that monies belonging to persons over the age of 65 maintain value. As a result, capital protection funds will offer stable growth and very low volatility. As of January 2013, capital protection funds were unregulated.

5. Measures are established to expand coverage, including:

- i) Obligatory affiliation with a pension system for independent workers under the age of 40.

ii) Creation of a Social Pension System for employees and owners of micro businesses under the age of 40 who receive monthly income up to 1.5 times Peru's minimum wage (RMV by its Spanish initials). Under this system, workers will receive a contribution from the state of up to a certain rate or for an amount equivalent to the contributions made by the affiliate.

Other changes modified laws governing employers, the management of outside service contracts and the efficiency of the AFPs' operating process. Noteworthy aspects of these reforms include those that aim to expand coverage and promote operating efficiencies to ensure that benefits are provided to the appropriate stakeholders.

(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 Consolidated Financial Statements (and the notes that accompany the financial statements). The statistical information and discussion and analysis given below for the years 2008, 2009, 2010, 2011 and 2012 reflect our consolidated financial position as well as that of our subsidiaries, as of December 31, 2008, 2009, 2010, 2011 and 2012 and our results of operations for 2008, 2009, 2010, 2011 and 2012.

(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 different from those that would be presented by daily averages.

Average Balance Sheets

Assets, Interest Earned and Average Interest Rates

ASSETS:	Year ended December 31, 2010			2011			2012	
	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\$1,056,389	US\$25,351	2.40 %	US\$962,291	US\$33,041	3.43 %	US\$1,487,104	
Foreign Currency	2,147,576	3,319	0.15	2,804,304	3,277	0.12	3,180,717	
Total	3,203,965	28,670	0.89	3,766,595	36,318	0.96	4,667,821	
Deposits in other banks								
Nuevos Soles	54,525	1,135	2.08	80,058	4,004	5.00	95,376	
Foreign Currency	855,555	2,532	0.30	894,865	2,564	0.29	800,635	
Total	910,080	3,667	0.40	974,923	6,568	0.67	896,011	
Investment securities								
Nuevos Soles	2,223,416	64,732	2.91	2,607,309	126,683	4.86	3,933,321	
Foreign Currency	3,314,529	132,063	3.98	2,853,192	101,026	3.54	3,152,744	
Total	5,537,945	196,795	3.55	5,460,501	227,709	4.17	7,086,065	
Total loans (1)								
Nuevos Soles	4,957,672	698,995	14.10	6,325,230	1,069,628	16.91	8,031,968	
Foreign Currency	7,967,501	519,733	6.52	9,749,989	463,723	4.76	11,327,777	
Total	12,925,173	1,218,728	9.43	16,075,219	1,533,351	9.54	19,359,745	
Total dividend-earning assets								
Nuevos Soles	228,216	6,810	2.98	254,027	8,347	3.29	288,259	
Foreign Currency	208,061	4,805	2.31	256,661	6,974	2.72	283,773	
Total	436,277	11,615	2.66	510,688	15,321	3.00	572,032	
Total interest-earning assets								
Nuevos Soles	8,520,218	797,023	9.35	10,228,915	1,241,703	12.14	13,836,028	
Foreign Currency	14,493,222	662,452	4.57	16,559,011	577,564	3.49	18,745,646	
Total	23,013,440	1,459,475	6.34	26,787,926	1,819,267	6.79	32,581,674	
Noninterest-earning assets:								

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Cash and due from banks							
Nuevos Soles	362,846			478,035			647,822
Foreign Currency	317,649			368,180			328,425
Total	680,495			846,215			976,247
Reserves for loan losses							
Nuevos Soles	(211,053)			(257,621)			(364,017)
Foreign Currency	(184,307)			(212,862)			(263,098)
Total	(395,360)			(470,483)			(627,115)
Premises and equipment							
Nuevos Soles	338,817			383,131			487,679
Foreign Currency	15,518			15,112			44,779
Total	354,335			398,243			532,458
Other non-interest-earning assets and gain from derivatives instruments and other interest income							
Nuevos Soles	1,100,346	3,531		1,130,516	14,993		1,038,642
Foreign Currency	669,910	8,702		755,903	3,504		1,386,872
Total	1,770,256	12,233		1,886,419	18,497		2,425,514
Total non-interest-earning assets							
Nuevos Soles	1,590,956	3,531		1,734,061	14,993		1,810,126
Foreign Currency	818,770	8,702		926,333	3,504		1,496,978
Total	2,409,726	12,233		2,660,394	18,497		3,307,104
Total average assets							
Nuevos Soles	10,111,174	800,554	7.92	11,962,976	1,256,696	10.5	15,646,154
Foreign Currency	15,311,992	671,154	4.38	17,485,344	581,068	3.32	20,242,624
Total	25,423,166	1,471,708	5.79	29,448,320	1,837,764	6.24	35,888,778

(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

LIABILITIES	Year ended December 31, 2010			2011			2012		
	Average Balance	Interest Paid	Nominal Avg. Rate	Average Balance	Interest Paid	Nominal Avg. Rate	Average Balance	Interest Paid	Nominal Avg. Rate
<i>(U.S. Dollars in thousands, except percentages)</i>									
<i>Interest-bearing liabilities:</i>									
Demand deposits									
Nuevos Soles (1)	US\$2,251,493	US\$9,140	0.41 %	US\$2,503,311	US\$11,586	0.46 %	US\$3,038,002	US\$11,586	0.38 %
Foreign Currency (1)	3,018,009	4,510	0.15	3,773,232	5,544	0.15	4,555,943	5,544	0.12
Total	5,269,502	13,650	0.26	6,276,543	17,130	0.27	7,593,945	17,130	0.22
Savings deposits									
Nuevos Soles (1)	1,719,869	4,086	0.24	2,271,029	8,079	0.36	2,980,838	8,079	0.27
Foreign Currency (1)	2,104,084	4,733	0.22	2,367,401	5,462	0.23	2,533,566	5,462	0.21
Total	3,823,953	8,820	0.23	4,638,430	13,541	0.29	5,514,404	13,541	0.24
Time deposits									
Nuevos Soles (1)	2,890,800	69,275	2.40	3,361,966	136,932	4.07	4,710,953	136,932	2.91
Foreign Currency (1)	3,980,428	84,655	2.13	3,806,928	74,400	1.95	4,031,361	74,400	1.81
Total	6,871,228	153,929	2.24	7,168,894	211,332	2.95	8,742,314	211,332	2.36
Due to banks and correspondents									
Nuevos Soles	201,360	11,973	5.95	365,769	49,295	13.48	587,129	49,295	8.39
Foreign Currency	1,632,526	31,559	1.93	1,640,407	15,074	0.92	1,338,586	15,074	1.12
Total	1,833,886	43,532	2.37	2,006,176	64,369	3.21	1,925,715	64,369	3.27
Bonds									
Nuevos Soles	561,228	34,451	6.14	383,271	24,479	6.39	533,682	24,479	4.59
Foreign Currency	1,995,499	89,860	4.50	3,234,863	162,264	5.02	3,860,167	162,264	4.20
Total	2,556,727	124,311	4.86	3,618,134	186,743	5.16	4,393,849	186,743	4.89
Total interest-bearing liabilities									
Nuevos Soles	7,624,750	128,925	1.69	8,885,346	230,370	2.59	11,850,604	230,370	1.94
Foreign Currency	12,730,546	215,317	1.69	14,822,831	262,744	1.77	16,319,623	262,744	1.61
Total	20,355,296	344,242	1.69	23,708,177	493,115	2.08	28,170,227	493,115	1.77
<i>Non-interest-bearing liabilities and net equity:</i>									

Other liabilities and
loss from derivatives
instruments and
other interest
expenses

Nuevos Soles	805,690	1,859		847,862	2,035		955,441
Foreign Currency	1,416,339	68,020		1,740,041	36,450		2,856,381
Total	2,222,029	69,879		2,587,903	38,485		3,811,822
Equity attributable to Credicorp equity holders							
Nuevos Soles							
Foreign Currency	2,683,778			3,092,282			3,803,381
Total	2,683,778			3,092,282			3,803,381
Minority Interest							
Nuevos Soles							
Foreign Currency	162,063			59,958			103,348
Total	162,063			59,958			103,348
Total non-interest-bearing liabilities and equity							
Nuevos Soles	805,690	1,859		847,862	2,035		955,441
Foreign Currency	4,262,180	68,020		4,892,281	36,450		6,763,110
Total	5,067,870	69,879		5,740,143	38,485		7,718,551
Total average liabilities and equity							
Nuevos Soles	8,430,440	130,784	1.55	9,733,208	232,405	2.39	12,806,045
Foreign Currency	16,992,726	283,337	1.67	19,715,112	299,194	1.52	23,082,733
Total	25,423,166	414,121	1.63	29,448,320	531,600	1.81	35,888,778

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

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

	2011/2010			2012/2011		
	Increase/(Decrease) due to changes in Volume	Rate	Net Change	Increase/(Decrease) due to changes in Volume	Rate	Net Change
(U.S. Dollars in thousands)						
Interest Income:						
Interest-earning deposits in Central Bank						
Nuevos Soles	(2,745)	10,435	7,690	14,013	(18,703)	(4,690)
Foreign Currency	891	(933)	(42)	432	(133)	299
Total	(1,854)	9,502	7,648	14,444	(18,835)	(4,391)
Deposits in other banks						
Nuevos Soles	904	1,965	2,869	742	(276)	466
Foreign Currency	114	(82)	32	(397)	2,280	1,883
Total	1,018	1,883	2,901	345	2,004	2,349

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Investment securities						
Nuevos Soles	14,915	47,036	61,951	61,288	(15,485)	45,803
Foreign Currency	(17,358)	(13,679)	(31,037)	10,163	(8,889)	1,274
Total	(2,443)	33,357	30,914	71,452	(24,375)	47,077
Total loans(1)						
Nuevos Soles	212,038	158,595	370,633	286,912	(14,350)	272,562
Foreign Currency	100,526	(156,536)	(56,010)	79,744	62,815	142,559
Total	312,564	2,059	314,623	366,656	48,465	415,121
Total dividend-earning assets						
Nuevos Soles	809	728	1,537	1,090	(548)	542
Foreign Currency	1,221	948	2,169	725	(234)	491
Total	2,030	1,676	3,706	1,815	(782)	1,033
Total interest-earning assets						
Nuevos Soles	183,631	261,049	444,680	421,815	(107,132)	314,683
Foreign Currency	83,238	(168,126)	(84,888)	80,364	66,142	146,506
Total	266,869	92,923	359,792	502,179	(40,990)	461,189
Interest Expense:						
Demand deposits						
Nuevos Soles	1,094	1,352	2,446	2,536	638	3,174
Foreign Currency	1,119	(85)	1,034	1,189	409	1,597
Total	2,213	1,267	3,480	3,725	1,047	4,771
Savings deposits						
Nuevos Soles	1,635	2,357	3,992	3,100	4,252	7,351
Foreign Currency	600	129	729	390	202	593
Total	2,235	2,486	4,721	3,490	4,454	7,944
Time deposits						
Nuevos Soles	15,241	52,417	67,658	53,934	(6,046)	47,888
Foreign Currency	(3,540)	(6,714)	(10,254)	4,613	7,912	12,525
Total	11,701	45,703	57,403	58,546	1,867	60,413
Due to banks and correspondents and issued bonds						
Nuevos Soles	15,967	21,355	37,322	25,142	(20,194)	4,948
Foreign Currency	112	(16,597)	(16,485)	(4,604)	18,063	13,459
Total	16,079	4,758	20,837	20,538	(2,131)	18,407
Bonds						
Nuevos Soles	(11,145)	1,173	(9,972)	9,544	(380)	9,164
Foreign Currency	58,989	13,415	72,404	32,580	13,779	46,359
Total	47,844	14,588	62,432	42,124	13,399	55,523
Total interest-bearing liabilities						
Nuevos Soles	26,999	74,447	101,446	76,335	(3,810)	72,525
Foreign Currency	36,237	11,190	47,427	28,733	45,800	74,533
Total	63,236	85,637	148,873	105,068	41,990	147,058

- (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,					
	2010	2011	2012			
	(U.S. Dollars in thousands, except percentages)					
Average interest-earning assets						
Nuevos Soles	8,520,218	10,228,915	13,836,028			
Foreign Currency	14,493,222	16,559,011	18,745,646			
Total	23,013,440	26,787,926	32,581,674			
Net interest income						
Nuevos Soles	668,098	1,011,333	1,253,490			
Foreign Currency	447,135	314,820	386,792			
Total	1,115,233	1,326,153	1,640,282			
Gross yield (1)						
Nuevos Soles	9.35	% 12.14	% 11.25	%		
Foreign Currency	4.57	% 3.49	% 3.86	%		
Weighted-average rate	6.34	% 6.79	% 7.00	%		
Net interest margin (2)						
Nuevos Soles	7.84	% 9.89	% 9.06	%		
Foreign Currency	3.09	% 1.90	% 2.06	%		
Weighted-average rate	4.85	% 4.95	% 5.03	%		
Yield spread (3)						
Nuevos Soles	7.66	% 9.55	% 8.69	%		
Foreign Currency	2.88	% 1.72	% 1.80	%		
Weighted-average rate	4.65	% 4.71	% 4.73	%		

- (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. All currencies were converted to U.S. Dollars using the applicable SBS exchange rate as of the dates indicated.

	Year ended December 31,		
	2010	2011	2012
	<i>(U.S. Dollars in thousands)</i>		
Nuevo Sol-denominated:			
Peruvian Central Bank	US\$3,649,809	US\$825,975	US\$2,105,972
Commercial banks	82,970	93,389	30,996
Total Nuevo Sol-denominated	US\$3,732,779	US\$919,364	US\$2,136,968
Foreign Currency-denominated:			
Peruvian Central Bank (U.S. Dollars)	US\$2,094,251	US\$2,958,540	US\$4,099,640
Commercial banks (U.S. Dollars)	1,092,662	530,327	463,951
Other Commercial banks (other currencies)	346	63	1,589
Total Foreign Currency-denominated	US\$3,187,259	US\$3,488,930	US\$4,565,180
Total	US\$6,920,038	US\$4,408,294	US\$6,702,148

(ii) Investment Portfolio

The following table shows the fair value of our trading, available-for-sale and held to maturity investment securities without interest designated by type of security at the dates indicated (see Note 6 to the Consolidated Financial Statements):

	On December 31,		
	2010	2011	2012
	<i>(U.S. Dollars in thousands)</i>		
Nuevo Sol-denominated:			
Peruvian government bonds	US\$299,043	US\$473,868	US\$481,784
Equity securities	256,931	251,032	325,485
Bonds	231,514	232,330	380,549
Peruvian Central Bank certif. notes	314,999	2,059,780	2,965,313
Other investments	158,241	180,258	282,593
Total Nuevo Sol-denominated	1,260,728	3,197,268	4,435,724
Foreign Currency-denominated:			
Equity securities	US\$285,270	US\$228,527	US\$339,018
Bonds	1,609,443	1,795,614	2,004,864
Peruvian Government Bonds	252,043	210,776	264,743
Peruvian Central Bank certif. notes	48,851	-	-
Other investment	387,304	517,913	748,407
Total Foreign Currency-denominated	US\$2,582,911	US\$2,752,830	US\$3,357,032
Total securities holdings:	US\$3,843,639	US\$5,950,098	US\$7,792,756

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

The weighted-average yield on our Nuevo Sol-denominated interest-earning investment securities was 2.9% in 2010, 4.9% in 2011 and 4.4% in 2012. The weighted-average yield on our foreign currency-denominated portfolio was 4.0% in 2010, 3.5% in 2011 and 3.2% in 2012. The total weighted-average yield of our investment securities was 3.6% in 2010, 4.2% in 2011 and 3.9% in 2012.

The weighted-average yield on our Nuevo Sol-denominated dividend-earning assets was 3.0% in 2010, 3.3% in 2011 and 3.1% in 2012. The weighted-average yield on our foreign currency-denominated portfolio was 2.3% in 2010, 2.7% in 2011 and 2.6% in 2012. The total weighted-average yield of our dividend-earning assets was 2.7% in 2010, 3.0% in 2011 and 2.9% in 2012.

As of December 31, 2012, the investments available for sale and held to maturity pledged as collateral amounted to US\$760.5 million (see note 6 to the Consolidated Financial Statements).

The following table shows the maturities of our trading, available-for-sale and held to maturity investment securities designated by type of security on December 31, 2012:

	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
<i>(U.S. Dollars in thousands)</i>						
Nuevo Sol-denominated:						
Peruvian government bonds	US\$8,323	US\$ 33,933	US\$10,821	US\$208,537	US\$220,170	US\$481,784
Equity securities (1)	325,485	-	-	-	-	325,485
Bonds and debentures	34,276	41,134	48,982	111,991	144,166	380,549
Peruvian Central Bank certif. notes	2,519,447	445,866	-	-	-	2,965,313
Other investments	186,789	9,457	3,108	5,834	77,405	282,593
Total Nuevo Sol-denominated	US\$3,074,320	US\$ 530,390	US\$62,911	US\$326,362	US\$441,741	US\$4,435,724
Foreign						
Currency-denominated:						
Peruvian government bonds	-	48,302	28,935	43,944	143,562	264,743
Equity securities (1)	339,018	-	-	-	-	339,018
Bonds	253,933	380,366	344,673	490,320	535,572	2,004,864
Peruvian Central Bank certif. notes	-	-	-	-	-	-
Other investments	367,667	50,847	21,210	126,764	181,919	748,407
Total Foreign Currency-denominated	US\$960,618	US\$ 479,515	US\$394,818	US\$661,028	US\$861,053	US\$3,357,032
Total securities holdings:	US\$4,034,938	US\$ 1,009,905	US\$457,729	US\$987,390	US\$1,302,794	US\$7,792,756
Weighted-average yield						3.22 %

(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, 2012, 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, 2012 and 2011 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 a security with an unrealized loss 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,				
	2008	2009	2010	2011	2012
	(U.S. Dollars in thousands)				
Loans	US\$8,179,453	US\$8,986,884	US\$11,142,038	US\$13,793,797	US\$16,905,278
Leasing transactions	1,792,827	1,997,562	2,359,236	2,786,129	3,487,351
Discounted notes	368,648	349,126	477,709	552,233	557,328
Factoring	124,537	163,443	250,974	254,516	326,497
Advances and overdrafts	102,687	47,147	104,495	25,130	55,881
Refinanced loans	55,179	59,459	76,707	96,031	142,207
Past-due loans	82,867	184,567	209,908	259,050	372,431
Unearned interest	(249,914)	(282,869)	(343,003)	(446,508)	(535,045)
Total loans, net of unearned income and without accrued interest	US\$10,456,284	US\$11,505,319	US\$14,278,064	US\$17,320,378	US\$21,311,928
Total past-due loans amounts	(82,867)	(184,567)	(209,908)	(259,050)	(372,431)
Total performing loans	US\$10,373,417	US\$11,320,752	US\$14,068,156	US\$17,061,328	US\$20,939,497

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 financial 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,		2009		2010	
	2008					
	<i>(U.S. Dollars in thousands, except percentages)</i>					
<u>Economic Activity</u>	Amount	% Total	Amount	% Total	Amount	% Total

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Manufacturing	US\$2,535,326	24.25 %	US\$2,557,847	22.23 %	US\$3,003,465	21.04 %
Consumer Loans (1)	2,540,530	24.30	3,224,292	28.03	3,805,813	26.65
Small Business	606,168	5.80	739,157	6.42	953,394	6.68
Commerce	1,344,921	12.86	1,330,023	11.56	1,931,441	13.53
Realty Business and Leasing Services	488,202	4.67	489,614	4.26	712,330	4.99
Mining	675,460	6.46	692,579	6.02	893,145	6.26
Communication, Storage and Transportation	515,412	4.93	559,025	4.86	720,749	5.05
Electricity, Gas and Water	546,014	5.22	782,289	6.80	969,437	6.79
Agriculture	228,623	2.19	271,912	2.36	293,685	2.06
Fishing	77,060	0.74	121,162	1.05	134,811	0.94
Financial Services	439,234	4.20	175,071	1.52	252,869	1.77
Education, Health and Other Services	128,527	1.23	156,496	1.36	177,206	1.24
Construction	229,667	2.20	175,508	1.53	132,517	0.93
Others (2)	351,054	3.36	513,213	4.46	640,205	4.48
Sub total	10,706,198	102.39	11,788,188	102.46	14,621,067	102.40
Unearned interest	(249,914)	(2.39)	US\$(282,869)	(2.46)%	US\$(343,003)	(2.40)%
Total	US\$ 10,456,284	100.00 %	US\$ 11,505,319	100.00 %	14,278,064	100.00 %

	At December 31,		2012	
	2011			
	<i>(U.S. Dollars in thousands, except percentages)</i>			
<u>Economic Activity</u>	Amount	% Total	Amount	% Total
Manufacturing	US\$3,319,821	19.17	% US\$3,579,385	16.80 %
Consumer Loans (1)	5,003,353	28.88	6,452,922	30.27
Small Business	1,129,119	6.52	1,490,879	7.00
Commerce	2,503,810	14.46	3,108,662	14.59
Realty Business and Leasing Services	968,952	5.59	1,268,692	5.95
Mining	855,774	4.94	753,668	3.54
Communication, Storage and Transportation	713,947	4.12	733,939	3.44
Electricity, Gas and Water	1,114,788	6.44	1,365,188	6.41
Agriculture	329,408	1.90	451,309	2.12
Fishing	164,741	0.95	201,357	0.94
Financial Services	297,612	1.72	404,080	1.90
Education, Health and Other Services	226,055	1.31	326,019	1.53
Construction	255,555	1.48	490,470	2.30
Others (2)	883,951	5.10	1,220,403	5.73
Sub total	17,766,886	102.58	21,846,973	102.51
Unearned interest	(446,508)	(2.58)	(535,045)	(2.51)
Total	US\$17,320,378	100.00 %	US\$21,311,928	100.00 %

(1) These amounts comprise:

	2008	2009	2010	2011	2012
	(U.S. Dollars in thousands)				
Personal Loans	666,661	976,499	1,147,274	1,455,200	1,929,476
Mortgage Loans	1,484,495	1,752,460	2,058,403	2,723,830	3,487,648
Credit card	389,374	495,333	600,136	824,323	1,035,798
	2,540,530	3,224,292	3,805,813	5,003,353	6,452,922

(2) Includes community services, hotels and restaurants and other sector.

As of December 31, 2012, 74.7% of the loan portfolio was concentrated in Lima, 89.3% was concentrated in Peru, and 4.1% of the loan portfolio was concentrated in Bolivia.

Concentrations of Loan Portfolio and Lending Limits

As of December 31, 2012, loans and other contingent credits to our 20 largest customers (considered economic groups), equaled US\$4,115.3 million, and represented 18.84% of our 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 each of these customers ranged from US\$344.7 million to US\$111.6 million, including 18 customers with over US\$139.4 million. Total loans and other contingent credits outstanding to our 20 largest customers were ranked in the following risk categories as of December 31, 2012: Class A (normal)—98.8%; Class B (potential problems)—1.2%; 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 regulatory capital 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/.8,929.2 million (US\$3,501.7 million) on December 31, 2012, BCP's legal lending limits varied from S/.892.9 million (US\$350.1 million) to S/.4,464.6 million (US\$1,750.9 million). Our consolidated lending limits, based on our regulatory capital on a consolidated basis of US\$3,975.6 million on December 31, 2012, ranged from US\$397.6 million to US\$1,987.8 million. As of December 31, 2012, BCP was in compliance with the lending limits of Law 26702.

As of December 31, 2012, 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:

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	At December 31, 2008		2009		2010	
	(U.S. Dollars in thousands, except percentages)					
Total loan portfolio:						
Nuevo Sol-denominated	US\$3,351,720	32.05 %	US\$4,385,965	38.12 %	US\$5,415,352	37.93 %
Foreign Currency-denominated	7,104,564	67.95 %	7,119,354	61.88 %	8,862,712	62.07 %
Total loans (1)	US\$10,456,284	100.00 %	US\$11,505,319	100.00 %	US\$14,278,064	100.00 %

	At December 31, 2011		2012	
	(U.S. Dollars in thousands, except percentages)			
Total loan portfolio:				
Nuevo Sol-denominated	US\$6,982,086	40.31 %	US\$9,054,734	42.49 %
Foreign Currency-denominated	10,338,292	59.69 %	12,257,194	57.51 %
Total loans (1)	US\$17,320,378	100.00 %	US\$21,311,928	100.00 %

(1) Net of unearned interest and without accrued interest.

Maturity Composition of the Performing Loan Portfolio

The following table sets forth an analysis of our performing loan portfolio on December 31, 2012, by type and by time remaining to maturity. Loans are stated before deduction of the reserves for loan losses.

	Maturing											
	Amount at December 31, 2012	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\$16,905,277	US\$3,139,152	US\$3,177,597	US\$4,092,588	US\$2,287,472	US\$4,208,468						
Leasing transactions	3,487,351	611,839	1,440,352	641,844	470,746	322,570						
Discounted notes	557,329	515,294	39,493	2,506	36	-						
Refinanced loans	142,206	45,022	24,821	24,979	20,080	27,304						
Factoring Advances and overdrafts	326,497	326,417	80	-	-	-						
	55,882	55,881	-	-	-	-						
Total	US\$21,474,542	US\$4,693,606	US\$4,682,343	US\$4,761,917	US\$2,778,334	US\$4,558,342						
Past due Loans	372,431											
Unearned interest	(535,045)											
Total Loans (1)	US\$21,311,928											
% of total performing loan portfolio	100.00	%	21.86	%	21.80	%	22.17	%	12.94	%	21.23	%

(1) Net of unearned interest and without accrued interest.

Interest Rate Sensitivity of the Loan Portfolio

The following table sets forth the interest rate sensitivity of our loan portfolio on December 31, 2012, by currency and by the time remaining to maturity over one year:

	Amount at December 31, 2012	Maturing After 1 year
	(U.S. Dollars in thousands)	
Variable Rate		
Nuevo Sol-denominated	US\$290,825	US\$276,138
Foreign Currency-denominated	3,053,021	1,311,103
Total	3,343,846	1,587,241
Fixed Rate (2)		
Nuevo Sol-denominated	8,763,909	5,776,350
Foreign Currency-denominated	9,204,173	4,951,303
Total	17,968,082	10,727,653
Total (1)	US\$21,311,928	US\$12,314,894

(1) Net of unearned interest and without accrued 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 BCP Bolivia, Edyficar and Solucion EAH) and ASB'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.

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

	At December 31,				
	2008	2009	2010	2011	2012
	(U.S. Dollars in thousands) (1)				
Commercial loans (which includes micro-business)	US\$7,808,671	US\$8,283,790	US\$10,417,764	US\$12,360,362	US\$14,861,164
Consumer loans	1,162,399	1,467,793	1,715,207	2,234,871	2,965,277
Residential mortgage loans	1,485,214	1,753,736	2,145,093	2,725,145	3,485,487
Total loans	US\$10,456,284	US\$11,505,319	US\$14,278,064	US\$17,320,378	US\$21,311,928

(1) Net of unearned interest and without accrued 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 all loans into one of five categories depending upon each loan's degree of risk of non-payment. We review our loan portfolio on a continuing basis. 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, (ix) 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.

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 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 our loan classifications.

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 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 a borrower is located in a country where there is an increased risk of difficulty servicing external debt, we assess the political and economic conditions in that country, and factor additional country risk into our assessment.

When we determine that 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:

Level of Risk Classification	At December 31, 2008		2009		2010	
	Amount	% Total	Amount	% Total	Amount	% Total
A: Normal	US\$9,991,559	95.6 %	US\$10,717,658	93.2 %	US\$13,564,435	95.0 %
B: Potential Problems	US\$264,890	2.5 %	US\$431,356	3.7 %	US\$313,148	2.2 %
C: Substandard	US\$70,268	0.7 %	US\$115,629	1.0 %	US\$128,445	0.9 %
D: Doubtful	US\$79,394	0.8 %	US\$139,389	1.2 %	US\$121,345	0.8 %
E: Loss	US\$50,173	0.5 %	US\$101,287	0.9 %	US\$150,691	1.1 %
Total (1)	US\$10,456,284	100.0 %	US\$11,505,319	100.0 %	US\$14,278,064	100.0 %
C+D+E	US\$199,835	1.9 %	US\$356,305	3.1 %	US\$400,481	2.8 %

Level of Risk	At December 31, 2011		2012	
	Amount	% Total	Amount	% Total
(U.S. Dollars in thousands, except percentages)				

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Classification	Amount	% Total	Amount	% Total
A: Normal	US\$ 16,461,546	95.0	% US\$ 20,227,427	94.9 %
B: Potential Problems	US\$ 390,329	2.3	% US\$ 451,660	2.1 %
C: Substandard	US\$ 140,821	0.8	% US\$ 192,544	0.9 %
D: Doubtful	US\$ 156,525	0.9	% US\$ 232,168	0.9 %
E: Loss	US\$ 171,157	1.0	% US\$ 208,129	1.1 %
Total (1)	US\$ 17,320,378	100.0	% US\$ 21,311,928	100.0 %
C+D+E	US\$ 468,503	2.7	% US\$ 632,841	3.0 %

Net of unearned interest and without accrued interest. – The unearned interest from impaired classifications (1)(C+D+E) amounted to approximately US\$250,000 in 2008, US\$44,000 in 2009, US\$159,000 in 2010, US\$12,000 in 2011 and US\$69,000 in 2012.

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. 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

Past due and impaired loans are disclosed in accordance with SBS rules. Under SBS rules, the time periods used to determine whether an installment or an entire loan balance is past due depends on their type. 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; for and overdrafts after 30 days; and for consumer, mortgage and leasing loans after 90 days. In the case of consumer, mortgage and leasing loans, which have installments, from 30 to 90 days only the past due installments are considered past due, but after 90 days the outstanding balance of the loan is considered past due. 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. BCP Bolivia considers loans past due after 30 days. The entire loan balance under IFRS 7 is considered past due when debtors have failed to make a payment when contractually due. For more detail, see note 30.1 of the consolidated financial statements.

As of December 31, 2012, Credicorp did not have any loans that were overdue by more than 90 days but that were still accruing interest. 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 (a debtor's financial condition is only considered improved once the debtor has paid the principal and interest due on its loans), 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 if and to the extent received.

Over the past five years, we have recognized interest income on these loans of US\$5.2 million in 2008, US\$7.2 million in 2009, US\$14.2 million in 2010, US\$15.4 million in 2011 and US\$21.0 million in 2012. 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,				
	2008	2009	2010	2011	2012
	(U.S. Dollars in thousands, except percentages)				
Current	US\$ 10,373,417	US\$ 11,320,752	US\$ 14,068,156	US\$ 17,061,328	US\$ 20,939,497
Past due:					
Overdue 16 - 90 days (2)	26,235	51,701	46,087	64,362	106,495
Overdue 90 days or more	56,632	132,865	163,821	194,688	265,936
Subtotal	US\$ 82,867	US\$ 184,567	US\$ 209,908	US\$ 259,050	US\$ 372,431

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Total loans	US\$10,456,284	US\$11,505,319	US\$14,278,064	US\$17,320,378	US\$21,311,928
Past-due loan amounts as % of total loans	0.79 %	1.60 %	1.47 %	1.50 %	1.75 %

(1) Net of unearned interest and without accrued interest.

(2) The amount in 2012 would increase to US\$179,500 approximately, if the outstanding balance of consumer, mortgage and leasing loans overdue to 90 days or less are included.

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 30.1 to the 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,				
	2008	2009	2010	2011	2012
	(U.S. Dollars in thousands)				
Past-due loan amounts:					
Loans	US\$65,947	US\$153,112	US\$183,058	US\$222,133	US\$324,670
Discounted notes	1,242	2,151	2,906	2,944	2,672
Advances and overdrafts in demand deposits	2,112	4,015	3,717	2,576	3,271
Leasing transactions	3,468	9,653	1,443	8,127	8,814
Refinanced loans	10,098	15,636	18,784	23,270	22,003
Total past-due portfolio	US\$82,867	US\$184,567	US\$209,908	US\$259,050	US\$372,431
Less: Reserves for loan losses (1)	US\$248,063	US\$376,049	US\$448,597	US\$558,186	US\$744,508
Total past-due portfolio net of reserves	US\$(165,196)	US\$(191,482)	US\$(238,689)	US\$(299,136)	US\$(372,077)

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

As of December 31, 2012 total past-due loans were US\$ 372.4 million and refinanced and restructured loans were US\$ 142.2 million. Therefore, non-performing loans (past-due and refinanced and restructured loans) amounted to US\$ 514.6 million.

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\$72.2 million and US\$49.8 million as of December 31, 2012 and 2011, respectively.

Total Nonperforming Loans

Nonperforming loans include past due loans as well as refinanced and restructured loans. As of December 31, 2012, total past due loans were US\$372.4 million and refinanced and restructured loans were US\$142.2 million. Therefore, total nonperforming loans equaled US\$514.6 million. As of December 31, 2012 our delinquency ratio (past due loan ratio) was 1.75% and our nonperforming loan ratio (including past due, refinanced and restructured loans) was 1%. See “Item 4, Information on the Company — (B) Business Overview — (1) Introduction – Review of 2012 — Banking Segment—BCP.

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,				
	2008	2009	2010	2011	2012
	(U.S. Dollars in thousands)				
Reserves for loan losses at the beginning of the year	US\$229,700	US\$248,063	US\$376,049	US\$448,597	US\$558,186
Additional provisions (reversals)	48,760	163,392	174,682	214,898	377,841
Acquisitions and transfers	-	20,905	-	-	-
Recoveries of write-offs	31,279	23,928	34,605	41,442	46,301
Write-offs	(59,308)	(87,927)	(142,736)	(155,409)	(245,789)
Monetary correction and other	(2,368)	7,688	5,997	8,658	7,969
Total reserves for loan losses at the end of the year	US\$248,063	US\$376,049	US\$448,597	US\$558,186	US\$744,508

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.” The balance of the reserve for loan losses for the years 2009, 2010 and 2011 are included in Note 7(d) to the Consolidated Financial Statements.

Our reserves for loan losses, as of December 31, 2012, included US\$699.0 million for credit losses and US\$45.5 million for indirect or contingent credit losses (US\$519.7 million and US\$38.5 million, respectively, as of December 31, 2011). Our reserves for indirect credit losses are included in the “Other liabilities” caption of our consolidated balance sheet. See Notes 7(d) and 12(a) to the 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.

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 7(d) to the Consolidated Financial Statements):

	At December 31,				
	2008	2009	2010	2011	2012
	(U.S. Dollars in thousands)				
Commercial loans	US\$ 161,170	US\$ 243,796	US\$ 289,564	US\$ 357,422	US\$ 467,654
Consumer loans	56,061	90,782	106,709	135,335	196,417
Residential mortgage loans	30,832	41,471	52,324	65,429	80,437
Total reserves	US\$ 248,063	US\$ 376,049	US\$ 448,597	US\$ 558,186	US\$ 744,508

(iv) Deposits

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

	At December 31,		
	2010	2011	2012
	(U.S. Dollars in thousands)		
Demand deposits:			
Nuevo Sol-denominated	US\$ 2,330,559	US\$ 2,717,017	US\$ 3,554,403
Foreign Currency-denominated	3,250,833	3,897,470	4,510,728
Total	US\$ 5,581,392	US\$ 6,614,487	US\$ 8,065,131
Savings deposits:			
Nuevo Sol-denominated	US\$ 2,050,136	US\$ 2,616,314	US\$ 3,466,742
Foreign Currency-denominated	2,194,614	2,480,195	2,617,336
Total	US\$ 4,244,750	US\$ 5,096,509	US\$ 6,084,078
Time deposits:			
Nuevo Sol-denominated	US\$ 3,230,374	US\$ 2,626,015	US\$ 4,101,121
Foreign Currency-denominated	3,234,395	2,413,526	3,314,589
Total	US\$ 6,464,769	US\$ 5,039,541	US\$ 7,415,710
Foreign Currency Bank Certificates			
Foreign Currency-denominated	US\$ 163,681	US\$ 136,338	US\$ 167,542
Severance Indemnity Deposits (CTS):			
Nuevo Sol-denominated	US\$ 421,240	US\$ 729,009	US\$ 1,132,573
Foreign Currency-denominated	891,882	1,028,115	1,099,919
Total	US\$ 1,313,122	US\$ 1,757,124	US\$ 2,232,492
Total deposits:			
Nuevo Sol-denominated	US\$ 8,032,309	US\$ 8,688,355	US\$ 12,254,839

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Foreign Currency-denominated	9,735,405	9,955,644	11,710,114
Total deposits and obligations without interest payable	US\$17,767,714	US\$18,643,999	US\$23,964,953

The following table sets forth information regarding the maturity of our time deposits in denominations of US\$100,000 or more on December 31, 2012:

	At December 31, 2012	
	(U.S. Dollars in thousands)	
Certificates of deposit:		
Maturing within 30 days	US\$	1,054
Maturing after 30 but within 60 days		3,408
Maturing after 60 but within 90 days		8,675
Maturing after 90 but within 180 days		2,662
Maturing after 180 but within 360 days		7,270
Maturing after 360 days		25,914
Total certificates of deposits	US\$	48,983
Time deposits:		
Maturing within 30 days	US\$	4,031,844
Maturing after 30 but within 60 days		467,885
Maturing after 60 but within 90 days		355,610
Maturing after 90 but within 180 days		684,121
Maturing after 180 but within 360 days		751,521
Maturing after 360 days		431,917
Total time deposits		6,722,898
Total	US\$	6,771,881

(v) Return on Equity and Assets

	At December 31,		
	2010	2011	2012
Return on assets (1)	2.27 %	2.40 %	2.21 %
Return on equity (2)	21.29 %	22.94 %	20.74 %
Dividend payout ratio (3)	27.12 %	25.75 %	26.18 %
Equity to assets ratio (4)	11.19 %	10.70 %	10.89 %
Shareholders' equity to assets ratio (5)	10.56 %	10.50 %	10.60 %

(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, equaled US\$351.8 million, US\$762.9 million and US\$1,766.4 million as of December 31, 2010, 2011 and 2012, respectively. Our average balances of borrowed amounts increased in 2012 and 2011 due to growth in foreign trade transactions. As of December 31, 2010, 2011 and 2012, no repurchase transactions by Peru's Central Bank were included in the outstanding balance.

The following table sets forth our short-term borrowing:

	At December 31,					
	2010		2011		2012	
	(U.S. Dollars in thousands, except percentages)					
Year-end balance	US\$351,816		US\$762,910		US\$1,766,429	
Average balance	808,548		1,076,989		1,210,410	
Maximum quarter-end balance	1,202,594		1,701,877		1,766,429	
Weighted-average nominal year-end interest rate	1.43	%	1.68	%	2.09	%
Weighted-average nominal interest rate	1.14	%	1.51	%	2.00	%

(C) Organizational Structure

The following tables show our organizational structure and the organization of our principal subsidiaries as of December 31, 2012 and their relative percentage contribution to our total assets, total revenues, net income and net equity at the same date:

- (1) Credicorp Investments owns 61% of IM Trust through its subsidiary BCP Chile.
 (2) BCP owns 51% of Correval through its subsidiary BCP Colombia.
 (3) BCP Capital includes Credibolsa, Credifondo and Creditítulos.

	As of and for the Year ended December 31, 2012 (1)							
	Total Assets		Total Revenue		Net Income (Loss)		Net Equity	
Banco de Crédito del Perú (2)	86.5	%	71.8	%	77.4	%	66.6	%
Atlantic Security Holding Corporation	3.9	%	3.0	%	9.3	%	5.9	%
El Pacífico-Peruano Suiza Compañía de Seguros y Reaseguros (3)	6.3	%	20.3	%	10.7	%	15.0	%
Prima AFP	0.6	%	3.0	%	5.3	%	3.7	%
Others (4)	2.7	%	1.9	%	-2.7	%	8.8	%

(1) Percentages determined based on the Consolidated Financial Statements.

(2) Includes Correval.

(3) Includes Grupo Pacífico, Pacífico Vida, Pacífico EPS Consolidated and Private Hospitals.

(4) Includes Credicorp Ltd., BCP Capital (which includes Credifondo, Credibolsa, Creditítulos and BCP Financial Services, for November and December, 2012), Credicorp Investments (which includes IM Trust), CCR Inc., Credicorp Securities Inc. and others.

The following tables show the organizational structure of BCP and its principal subsidiaries as of December 31, 2012:

- (1) This subsidiary owns 51% of Correval, which we expect to transfer to Credicorp Investments (a subsidiary of Credicorp) after obtaining approval from the Colombian regulator.

We hold an additional 4.08% stake of BCP Bolivia directly through Credicorp Ltd.

	As of and for the Year ended December 31, 2012 (1)							
	Total Assets		Total Revenue		Net Income (Loss)		Net Equity	
Banco de Crédito del Perú	91.8	%	87.6	%	87.1	%	82.3	%
Banco de Crédito de Bolivia	4.1	%	3.3	%	4.1	%	4.9	%
Empresa Financiera Edyficar S.A.	3.1	%	6.5	%	6.9	%	4.0	%
Solución Empresa Administradora Hipotecaria S.A.	0.3	%	0.2	%	0.8	%	0.7	%
Others (2)	0.7	%	2.3	%	1.4	%	8.1	%

(1) Percentages determined based on BCP's consolidated financial statements as of and for the year ended December 31, 2012.

(2) Includes, Inmobiliaria BCP, Inversiones BCP Ltd and BCP Colombia.

(D) Property, Plants and Equipment

As of December 31, 2012, we owned 434 properties (421 throughout Peru, 7 in Bolivia and 6 in Chile) and rented 460 properties (405 throughout Peru, 46 in Bolivia, 1 in Miami – United States, 6 in Colombia and 2 in Panama), all of which we used for the operation of our network of branches and our business. We own the buildings where our headquarters are located in Lima, Peru and La Paz, Bolivia. We do not hold any lease agreements for these purposes. As of December 2012, we had 727 branches, of which 365 were branches of BCP in Peru. 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

Consolidation

(i)

Subsidiaries

Our subsidiaries are entities (including special purpose entities) for which the Group has the power to govern financial and operating policies. Such power is generally evidenced by our control of more than one half of the voting rights.

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

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

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

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

Starting January 1, 2010, acquisition of non-controlling interest is recorded directly in equity; the difference between the amount paid and the share of the net assets acquired is a debit or credit to equity. Therefore, no additional goodwill is recorded upon purchase of non-controlling interest; neither a gain nor a loss is recognized upon disposal of a non-controlling interest.

Business combinations and acquisitions of non-controlling interest prior to January 1, 2010, in comparison to the above-mentioned requirements, were accounted for using the purchase method and the parent entity extension method, respectively.

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

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

(ii)

Associates

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

Foreign currency translation

Credicorp’s functional and presentation currency is the U.S. Dollar 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.

Subsidiaries that have a functional currency different from the U.S. Dollar were translated for consolidating purposes using the methodology established by IAS 21, “The Effects of Changes in Foreign Exchanges Rates”, as follows:

- Assets and liabilities, at the closing rate at the date of each statement of financial position presented.
 - Income and expense, at the average exchange rate for each month of the year.

All resulting translation differences were recognized in the caption “Exchange differences on translation of foreign operations” of the consolidated statement of other comprehensive income.

Foreign currency transactions or balances are those realized in currencies different from functional currency. Transactions in foreign currencies are initially recorded in the functional currency rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are adjusted at the functional currency exchange rate ruling at the reporting date. Differences between the closing rate at the date of each consolidated statement of financial position presented and the exchange rate initially used to record the transactions are recognized in the consolidated statements of income in the period in which they arise, in the caption "Translation result". Non-monetary assets and liabilities acquired in a foreign currency are recorded at the exchange rate as at the dates of the initial transaction.

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 our 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 becomes 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. A debtor's financial condition is only considered improved once the debtor has paid the principal and interest due on its loans.

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.

Life insurance contracts offered by the Group include retirement, disability and survival insurance, annuities and individual life which includes unit linked insurance contracts. The non-life insurance contracts mainly include automobile, fire and allied and technical lines and healthcare.

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.

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

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

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

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

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

Financial Instruments: Initial recognition and subsequent measurement:

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

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

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

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

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

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

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

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring assets or liabilities or recognizing gains or losses on them on a different basis; or
- the assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- the financial instrument contains one or more embedded derivatives, which significantly modify the cash flows that otherwise would be required by the contract.

Changes in fair value of designated financial assets through profit or loss are recorded in the consolidated income statement caption “Net gain on financial assets and liabilities designated at fair value through profit and loss”. Interest earned or incurred is accrued in the consolidated income statement in the captions “Interest and dividend income” or “Interest expense”, respectively, according to the terms of the contract.

Dividend income is recorded when the collection right has been established.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that the entity intend to sell immediately or in the short term, those that the entity upon initial recognition designates as available for sale, or those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

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

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

An allowance for loan losses is established if there is objective evidence that the Group will not be able to collect all amounts due according to the original contractual terms of the loans. The allowance for loan losses is established based on an internal risk classification, with consideration given to any guarantees and collaterals received. See Note 3(i) and 30.1 to the Consolidated Financial Statements.

(iii) Available-for-sale financial investments

Available-for-sale financial investments include equity investments and debt securities. Equity investments classified as available-for-sale are those that are neither classified as held for trading nor designated at a fair value through profit

or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions.

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

Interest and dividends earned are recognized in the consolidated income statement in the caption “Interest and dividend income”. Interest earned is reported as interest income using the effective interest rate and dividends earned are recognized when collection rights are established. Estimated fair values are based primarily on quoted prices or, if quoted market prices are not available, discounted expected cash flows using market rates commensurate with the credit quality and maturity of the investment.

The Group may elect to reclassify these financial assets only in rare circumstances, such as when the Group is unable to sell the assets due to markets inactivity and management’s intent to sell the assets in the foreseeable future has changed significantly. Reclassification to loans and receivables is permitted when the financial asset meets the definition of loans and receivables and management has the intent and the ability to hold these assets for the foreseeable future or until maturity. The reclassification to held-to-maturity category is permitted only when the entity has the ability and intent to hold the financial asset until maturity.

As of December, 31, 2012 and 2011, we did not reclassify any of our available-for-sale financial investments.

(iv) Held-to-maturity financial investments

Held-to-maturity financial investments are non-derivative financial assets with fixed or determinable payments and fixed maturities, which Credicorp has the intention and ability to hold to maturity. After initial measurement, held-to-maturity financial investments are subsequently measured at amortized cost using the effective interest rate less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortization is included in the caption "Interest and dividend income" of the consolidated statements of income. The losses arising from impairment of such investments are recognized in the consolidated statements of income.

As of December, 31, 2012, the Group has not recognized any impairment loss on held-to-maturity investments.

If the Group were to sell or reclassify more than an insignificant amount of held-to-maturity investments before maturity (other than in certain specific circumstances), the entire category would be tainted and would have to be reclassified as available-for-sale. Furthermore, the Group would be prohibited from classifying any financial asset as held-to-maturity during the following two years.

As of December, 31, 2012, the Group did not sell or reclassify any of its held-to-maturity investments.

(v) Repurchase and reverse repurchase agreements and security lending and borrowing transactions

Securities sold under agreements to repurchase at a specified future date are not derecognized from the consolidated statements of financial position as the Group retains substantially all of the risks and rewards of ownership. The cash received is recognized as an asset with a corresponding obligation to return it, including accrued interest, as a liability within "Payables from repurchase agreements and security lending", reflecting the transaction's economic substance as a loan to the Group. The difference between the sale and repurchase price is treated as interest expense and is accrued over the life of the agreement using the effective interest rate. When the counterparty has the right to sell or repledge the securities, the Group reclassifies those securities in its consolidated statement of financial position to Investments available-for-sale pledged as collateral or Investments held-to-maturity pledged as collateral, as appropriate.

Conversely, securities purchased under agreements to resell at a specified future date are not recognized in the consolidated statements of financial position. The consideration paid, including accrued interest, is recorded in the

consolidated statements of financial position caption “Receivables from reverse repurchase agreements and security borrowing”, reflecting the transaction’s economic substance as a loan by the Group. The difference between the purchase and resale price is recorded in the caption “Financial income” of the consolidated statements of income and is accrued over the life of the agreement using the effective interest rate.

If securities purchased under agreement to resell are subsequently sold to third parties, the obligation to return the securities is recorded as a short sale in the consolidated statements of financial position caption “Financial liabilities designated at fair value through profit or loss” and measured at fair value, with any gains or losses included in the consolidated statements of income caption “Net gain on sale of securities”.

Securities lending and borrowing transactions are usually collateralized by securities. The transfer of the securities to counterparties is only reflected on the consolidated statements of financial position if the risks and rewards of ownership are also transferred.

(vi) Put and call options over non-controlling interest

Put and call options do not give the Group present access to the benefits associated with the ownership interest.

Put options granted to non-controlling interests give rise to a financial liability for the present value of the redemption amount. When the financial liability is recognized initially, the present value of the amount payable upon exercise of the option is reclassified from equity. All subsequent changes in the carrying amount of the liability, due to a re-measurement of the present value of the amount payable on exercise, are recognized in the consolidated statements of income.

Call options are initially recognized as a financial asset at their fair value, with any subsequent changes in their fair value recognized in profit or loss. If the call options are exercised, the fair value of the option at that date is included as part of the cost of the acquisition of the non-controlling interest. If the call options lap unexercised, any carrying amount for the call option is expensed in profit or loss. Management has determined that the call had an insignificant fair value.

(vii) Other financial liabilities

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

De-recognition of financial assets and financial liabilities

Financial assets:

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

Financial liabilities:

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

Offsetting financial instruments:

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

Impairment of financial assets:

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

(i)

Loans and receivables

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

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

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

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

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

Future cash flows from a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with similar credit risk characteristics to those in the group. Historical loss

experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the years on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist. The methodology and assumptions used are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

(ii) Available-for-sale financial investments

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

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

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

(iii) Renegotiated loans

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

Goodwill:

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or. Goodwill is tested annually for impairment to assess whether the carrying amount is fully recoverable. An impairment loss is recognized if the carrying amount exceeds the recoverable amount. Goodwill is allocated to cash-generating units for impairment testing purposes.

Impairment of non-financial assets:

The Group assesses at each reporting date, or more frequently if events or changes in circumstances warrant, whether the carrying value of non-financial assets may be impaired. If any indication of impairment exists, the Group estimates the asset’s recoverable amount. An asset’s recoverable amount is the higher of an asset’s or cash generating unit’s (CGU) fair value less costs to sell and its value in use. Goodwill is tested annually for impairment. Where the carrying amount of an asset (or CGU) exceeds its recoverable amount, the asset (or CGU) is considered impaired and is written down to its recoverable amount.

For non-financial assets, excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication

exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized; if that is the case, the reversal is limited so that the carrying amount of the asset neither exceeds its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the income statement.

Impairment losses relating to goodwill cannot be reversed for subsequent increases in its recoverable amount in future periods.

Due from customers on acceptances:

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

Financial guarantees:

In the ordinary course of business, the Group grants financial guarantees, such as letters of credit, guarantees and acceptances. Financial guarantees are initially recognized at fair value (which is equivalent at that moment to the fee received) as “Other liabilities” in the consolidated statements of financial position. Subsequent to initial recognition, the Group’s liability under each guarantee is measured as the higher of the amortized fee and the best estimate of expenditure required to settle any financial obligation arising as a result of the financial guarantee.

Any increase in the liability relating to a financial guarantee is included in the consolidated statement of income. The fee received is recognized in the consolidated statement of income in the caption “Banking services”.

Provisions:

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

Contingencies:

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

Share-based payment transactions

(i) Cash-settled transactions

As explained in note 19(a) to the Consolidated Financial Statements, until 2008 we granted a supplementary remuneration plan to certain employees who had at least one year of service with Credicorp or any of its Subsidiaries, in the form of stock appreciation rights (SARs) over a certain number of Credicorp shares. SARs were granted at a fixed price and are exercisable at that price, allowing the employee to obtain a gain in cash (“cash-settled transaction”) arising from the difference between the fixed exercise price and the market price at the date the SARs are executed.

The SARs fair value is expensed over the period up to the vesting date, with recognition of a corresponding liability. The liability is rerecorded to fair value at each reporting date up to and including the settlement date, with changes in fair value are recognized in the consolidated income statement under the caption “Salaries and employee benefits”. When the price or terms of the SARs are modified, any additional expense is also recorded in the consolidated income statement. See Note 19 to the Consolidated Financial Statements.

(ii) Equity-settled transactions

As explain in note 19(b) to the Consolidated Financial Statements, since April 2009, a new supplementary remuneration plan was implemented to replace the SARs plan.

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

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

The dilutive effect of outstanding stock awards is reflected as a share dilution in the computation of diluted earnings per share.

Derivative financial instruments:

Trading:

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

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

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

Hedge:

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

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

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

(i) Cash flow hedges

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

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

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

(ii) Fair value hedges

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

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

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

When an unrecognized firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognized as an asset or liability with a corresponding gain or loss recognized in the consolidated income statement.

Embedded derivatives:

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

The Group has certificates indexed to the price of Credicorp Ltd. shares that will be settled in cash, and investments indexed to certain life insurance contracts liabilities, denominated “Unit Linked”. These instruments were classified at inception by the Group as “Financial instruments at fair value through profit or loss”. See 3(f)(i), and note 8 to the

Consolidated Financial Statements.

Fiduciary activities, management of funds and pension funds:

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

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

(2) Historical Discussion and Analysis

The Group monitors the results of its operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Regarding the Group's segments, total revenues from banking segment amounted to 74.8% or more of the Group's total revenue in 2012, 2011, and 2010; therefore, the following historical discussion and analysis is presented principally for banking segment, except when otherwise indicated, and is based upon information contained in our Consolidated Financial Statements and should be read in conjunction therewith. The discussion in this section regarding interest rates is based on nominal interest rates.

The financial information and discussion and analysis presented below for 2010, 2011 and 2012 reflect the financial position and results of operations for 2010, 2011 and 2012 of our subsidiaries. See "Item 3. Key Information—(A) Selected Financial Data."

On December 31, 2012, approximately 45.1% of our deposits and 54.6% of our loans were U.S. Dollar-denominated. Despite these high proportions, U.S. Dollar-denominated deposits have decreased from the previous year (49.6% in 2011) due to the appreciation of the Nuevo Sol, which encourages clients to maintain deposits in domestic currency.

Results of Operations for the Three Years Ended December 31, 2012

The following table sets forth, for the years 2010, 2011 and 2012, the principal components of our net income:

	Year ended December 31,		
	2010	2011	2012
	(U.S. Dollars in thousands)		
Interest income	US\$1,471,708	US\$1,837,764	US\$2,310,441
Interest expense	(414,121)	(531,600)	(693,646)
Net interest income	US\$1,057,587	US\$1,306,164	US\$1,616,795
Provision for loan losses	(174,682)	(214,898)	(377,841)
Net interest income after Provision	US\$882,905	US\$1,091,266	US\$1,238,954
Noninterest income	804,535	838,636	1,121,134
Insurance premiums earned net of claims on insurance activities	164,721	196,664	238,745
Other expenses	(1,085,885)	(1,230,149)	(1,614,102)
Income before translation result and income tax	US\$766,276	US\$896,417	US\$984,731
Translation result (loss) gain	US\$24,120	US\$37,881	US\$75,079
Income tax	(187,081)	(210,508)	(251,583)
Net income	US\$603,315	US\$723,790	US\$808,227
Net income attributable to:			

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Equity holders	571,302	709,272	788,778
Minority interests	32,013	14,518	19,449
Net income	US\$603,315	US\$723,790	US\$808,227

Our net income increased from 2011 to 2012 primarily due to increased interest income of approximately US\$472.7 million, net of an increase in interest expense of US\$162.0 million and other expenses of US\$384.0 million.

Net income attributable to our equity holders increased from US\$709.3 million in 2011 to US\$788.8 million in 2012, which represented an increase of 11.2% from 2011 to 2012, primarily due to an increase in interest income.

On the other hand, other expenses increased 31.2% in 2012 to US\$1,614.1 million, primarily due to an increase in administrative cost of US\$131.4 million, or 32.4%, and an increase in Salaries and benefits of US\$185.0 million, or 31.1%.

Net Interest Income

Net interest income represents the difference between interest income on interest-earning assets and the interest paid on interest-bearing liabilities. The following table sets forth the components of net interest income:

	Year ended December 31,		
	2010	2011	2012
	(U.S. Dollars in thousands)		
Interest income:			
Loans	US\$1,218,728	US\$1,533,351	US\$1,948,472
Deposits in banks	3,667	6,568	8,917
Deposits in Central Bank	28,670	36,318	31,927
Investment securities and others	196,795	227,709	274,786
Dividends	11,615	15,321	16,354
Gain from derivatives instruments and other interest income	12,233	18,497	29,985
Total interest income	US\$1,471,708	US\$1,837,764	US\$2,310,441
Interest expenses:			
Deposits and obligations	US\$156,106	US\$217,322	US\$284,827
Bonds and notes issued	124,311	186,743	242,266
Due to banks and correspondents	43,532	64,369	82,776
Loss from hedging derivatives instruments	25,692	34,922	27,666
Other interest expenses	64,480	28,244	56,111
Total interest expense	US\$414,121	US\$531,600	US\$693,646
Net interest income	US\$1,057,587	US\$1,306,164	US\$1,616,795

Our net interest income increased by 23.8% in 2012 over 2011, and increased by 23.5% in 2011 over 2010.

Interest income increased by 25.7% in 2012 compared to 2011, after increasing by 24.7% in 2011 compared to 2010. The increase in 2012 was primarily due to higher average volume and higher interest rates on loans and higher average volume on investment securities. The increase in 2011 was primarily due to higher average volume and higher interest rates on loans and higher interest rates on investment securities.

Our average nominal interest rates earned on loans increased to 10.1% in 2012 from 9.5% in 2011 and 9.4% in 2010. The average nominal interest rate for foreign currency-denominated loans increased from 4.8% in 2011 to 5.4% in 2012. Interest rates for Nuevo Sol-denominated loans increased from 14.1% in 2010 to 16.9% in 2011 and decreased to 16.7% in 2012.

The average balance of foreign currency denominated loan portfolio increased by 16.2% to US\$11,328.0 million in 2012, as compared to US\$9,750.0 million in 2011. In 2011, the average balance increased by 18.3% over the US\$7,967.5 million average balance recorded in 2010. The average balance of our Nuevo Sol denominated loan portfolio increased by 27.6% from US\$4,957.7 million in 2010 to US\$6,325.2 million in 2011, and by 34.4% to US\$8,032.0 million in 2012. The average balance increase from 2011 to 2012 was in line with the 6.3% GDP growth of the Peruvian economy and was driven by internal demand that was reflected mainly in the expansion of our Retail Banking portfolio, especially consumer and SME.

In 2012, the increase in the average balance was comparable with the growth rate registered in 2011, despite the smaller growth rate of the overall Peruvian economy (6.9% in 2011 vs. 6.3% in 2012). The average balance in 2011 and 2012 was much higher than it was in 2010.

Interest expense increased in 2012 by 30.5% over 2011 and increased by 28.4% in 2011 over 2010. The increase in interest expense during 2012 was principally due to higher average volume and higher interest rates on deposits and bonds issued.

Average nominal interest rates paid on foreign currency-denominated deposits decreased from 1.0% in 2010 to 0.9% in 2011 and in 2012. Average nominal interest paid on Nuevo Sol-denominated deposits increased from 1.2% in 2010 to 1.92% in 2011 and to 2.0% in 2012. This increase was also a product of the monetary policy discussed above. See “Item 4. Information on the Company—(B) Business Overview—(8) Competition” and “—(12) Selected Statistical Information.”

Our average foreign currency denominated deposits increased 11.8% to US\$11,120.9 million in 2012 from US\$9,947.6 million in 2011. This followed a 9.3% increase in 2011 from US\$9,102.5 million in 2010. Our average Nuevo Sol-denominated deposits increased by 31.9% in 2012 to US\$10,729.8 million from US\$8,136.3 million in 2011, and increased by 18.6% from US\$6,862.2 million in 2010. See “Item 4. Information on the Company—(B) Business Overview—(12) Selected Statistical Information.”

Our net interest margin (net interest income divided by average interest-earning assets) was 5.0% in 2012 and did not change significantly compared to 2011 and 2010, when the margin was in 4.9% and 4.6 % respectively. See “Item 4. Information on the Company—(B) Business Overview—(12) Selected Statistical Information.”

Provision for Loan Losses

We classify all of our loans and other credits by risk category. We establish our loan loss reserves based on criteria established by IAS 39 (see “Item 4. Information on the Company—(B) Business Overview—(12) Selected Statistical Information—(iii) Loan Portfolio—Classification of the Loan Portfolio”). We do not anticipate that the expansion of our loan portfolio or the development of our subsidiaries’ activities will require a change in our reserve policy.

The following table sets forth the changes in our reserve for loan losses:

	Year ended December 31,		
	2010	2011	2012
	(U.S. Dollars in thousands)		
Reserves for loan losses at the beginning of the year	US\$376,049	US\$448,597	US\$558,186
Additional provisions	174,682	214,898	377,841
Acquisitions of Edyficar	-	-	-
Recoveries of written-offs	34,605	41,442	46,301
Writte-offs	(142,736)	(155,409)	(245,789)
Monetary correction and Other	5,997	8,658	7,969
Reserves for loan losses at the end of the year	US\$448,597	US\$558,186	US\$744,508

We recorded a US\$377.8 million loan loss provision in 2012 and a US\$214.9 million provision in 2011. Total write-offs amounted to US\$245.8 million in 2012 and US\$155.4 million in 2011. Total recoveries of write-offs reached US\$46.3 million in 2012 and US\$41.4 million in 2011, constituting an 11.8% increase. Provision expense in 2012 included US\$8.6 million required by BCP Bolivia (compared to US\$5.3 million in 2011). Recoveries of previously charged-off accounts in 2012 amounted to US\$46.3 million (compared to US\$41.4 million in 2011).

Total reserves, which amounted to US\$744.5 million in 2012, include the allowance for direct and indirect credits of approximately US\$699.0 million and US\$45.5 million, respectively.

Non-Interest Income

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

	Year ended December 31,		
	2010	2011	2012
	(U.S. Dollars in thousands)		
Fees and commissions from banking services	US\$524,895	US\$607,843	US\$737,421
Net gains from sales of securities	80,326	61,927	101,269
Net gains on foreign exchange transactions	104,169	138,492	177,472
Other income	95,145	30,374	104,972
Total non-interest income	US\$804,535	US\$838,636	US\$1,121,134

Our non-interest income, without including net premiums earned, increased by 33.7% to US\$1,121.1 million in 2012. Non-interest income increased by 4.2% in 2011, from US\$804.5 million in 2010 to US\$838.6 million in 2011. The revenue increase in 2012 was primarily due to an increase in fees and commissions from banking services, net gain from sales of securities, net gains on foreign exchange transactions and other income.

Fees and commissions income from banking services increased by 21.3% to US\$737.4 million in 2012. In 2011, fees and commissions income from banking services were US\$607.8 million, a 15.8% increase from the US\$524.9 million in income in 2010. The increases in fees and commissions income from banking services from 2010 to 2012 were primarily due to an increase in account maintenance, banking transfers commissions, credit/debit card services and fund management fees.

Net gains from sales of securities increased 63.5% to US\$101.3 million in 2012 as compared to US\$61.9 million in 2011. This followed a decrease of 22.9% from the US\$80.3 million of net gains from sales of securities in 2010. The increase in 2012 was primarily due to the increased volatility observed in capital markets, which caused the appreciation of stock prices in our investment portfolio. The decrease in 2011 was primarily due to the increased volatility observed in capital markets, which caused the depreciation of stock prices in our investment portfolio.

Net gains on foreign exchange transactions increased 28.1% to US\$177.5 million in 2012 as compared to US\$138.5 million in 2011, following an increase of 32.9% from US\$104.2 million in 2010. Higher gains in 2012 compared to 2011 were primarily due to the strong volatility in the exchange rate. This led to higher volumes and improved the spread in our currency exchange positions.

Other income increased by 245.6% to US\$104.9 million in 2012, as compared to US\$30.4 million in 2011. Other income decreased by 68.1% in 2011 from US\$95.1 million in 2010. Other income principally consists of income from medical services and sales of medicines, valuation of assets and liabilities designated at fair value, sales of seized assets, leasing income, recoveries of other accounts receivable and other assets and other income. The increase in other income in 2012 was primarily due to an increase in income from medical services and sales of medicines, which rose 493.6% from US\$11.4 million in 2011 to US\$ 67.9 million in 2012. This increase was caused by acquisitions of private hospitals that took place from July 2011 to October 2012.

Insurance Premiums and Claims on Insurance Activities

The following table reflects the premiums earned and claims incurred in connection with our insurance activities:

	Year ended December 31,		
	2010	2011	2012
	(U.S. Dollars in thousands)		
Gross premiums	564,482	695,254	852,301
Premiums ceded to reinsurers, net	(95,296)	(129,803)	(152,598)
Assumed from other companies	11,107	8,972	4,502
Net premiums earned	US\$480,293	US\$574,423	US\$704,205

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Net claims incurred	(54,914)	(70,712)	(85,744)
Increase in costs for future benefits for life and health policies	(260,658)	(307,047)	(379,716)
Total net premiums and claims	US\$164,721	US\$196,664	US\$238,745

NEP amounted to US\$480.3 million in 2010, US\$574.4 million in 2011 and US\$ 704.2 million in 2012. Total premiums (excluding eliminations) increased by 17% in 2012 compared to 2011.

	2012		2011		2010	
	US Dollars in Thousands					
	Written Premiums	Earned Premiums (*)	Written Premiums	Earned Premiums (*)	Written Premiums	Earned Premiums (*)
Automobile	104,539	95,847	91,167	85,567	79,827	73,753
Fire and Allied L.	77,180	72,624	74,809	50,490	60,846	45,136
Theft and R.	18,164	17,258	13,860	13,054	10,859	11,136
Transport	17,914	16,736	15,145	14,217	13,393	12,916
SOAT	11,442	11,303	11,063	11,160	10,341	9,716
Marine hull	8,221	7,306	7,420	6,684	6,272	6,228
Others	77,516	81,178	83,635	77,102	78,688	45,351
Life Insurance	392,706	255,938	324,791	200,468	276,551	156,611
Health Line	315,691	294,111	253,067	236,512	219,757	203,635
Total	1,023,373	852,301	874,957	695,254	756,534	564,482

(*) Net of annual variation of unearned premiums and other technical reserves

Total premiums for general insurance lines, which accounted for 30.8% of total premiums, increased by 6% in 2012, mainly due to automobile premiums, which represented 33.2% of general insurance premiums in 2012 (30.7% in 2011 and 2010) and which increased 14.7% (14.2% in 2011 compared to 2010). Other property and casualty premiums, which represented 66.8% of the premiums of this business line (69.3% in 2011 and 2010), increased 2.2% in 2012 (14.2% in 2011 compared to 2010).

In our Life Insurance lines, total direct premiums increased by 20.9% in 2012 (17.4 % in 2011 compared to 2010), reaching a market share of 27.8%. This growth exceeded the average growth of the life insurance industry.

	2012		2011		2010	
	Written Premiums	Earned Premiums (*)	Written Premiums	Earned Premiums (*)	Written Premiums	Earned Premiums (*)
Individual life and personal accident	92,950	58,672	81,151	54,853	67,778	35,064
Disability and Survivorship	79,096	79,814	57,338	54,746	45,785	47,083
Group Life	53,610	51,465	43,746	42,382	38,525	35,078
Credit Life	60,816	60,364	43,328	43,328	32,445	32,445
Annuities	106,234	5,623	99,228	5,159	92,018	6,941
Total	392,706	255,938	324,791	200,468	276,551	156,611

(*) Net of annual variation of unearned premiums and other technical reserves

The 20.9% increase in total direct premiums in 2012 was mainly due to better performance in our Credit Life (+39.8%), Disability and Survivor (+37.9%) and Individual Life (+14.6%) lines. Group Life products increased premiums by 22.5% from 2011 to 2012 (13.6% in 2011 compared to 2010), and represented 13.7% (13.5% in 2011) of total premiums in 2012. Individual Annuities increased by 7.1% in 2012 as compared to 2011 (7.8% in 2011 compared to 2010) and represented 27.1% of total premiums in 2012 and 30.5% in 2011. All business lines showed positive trends in 2012 as compared to 2011.

Health business lines (30.8% of total premiums in 2012) increased by 24.7% in 2012 (15.2% in 2011 compared to 2010). This increase was primarily due to a 23.3% (16.6% increase in 2011 compared to 2010) increase in regular insurance premiums, which represented 59.0% of health insurance premiums in 2012 (59.7% in 2011, 59% in 2010).

During 2012, net claims on insurance activities increased by 21% from US\$377.7 million in 2011 to US\$455.8 million (20% increase in 2011 compared to 2010). This increase was mainly caused by three severe claims in the first quarter affecting general insurance lines for a total amount of US\$ 11.1 million and a greater number of claims in the health business lines. The latter can be explained by: (i) the increase in competition mainly in the broker channel that exerted downward pressure on fees, affecting our loss ratio, (ii) the increase in demand for health services, affecting both frequency and cost, and (iii) the higher cost of service providers caused by increased investment in the health

sector. Steps have been taken to control the net loss ratio in the future.

Other Expenses

The following table reflects the components of our other expenses:

	Year ended December 31,		
	2010	2011	2012
	(U.S. Dollars in thousands)		
Salaries and employee benefits	US\$ 568,004	US\$ 595,705	US\$ 780,734
General and administrative	341,123	405,357	536,727
Depreciation and amortization	82,289	93,882	108,510
Other	94,469	135,205	188,131
Total other expenses and merger costs	US\$ 1,085,885	US\$ 1,230,149	US\$ 1,614,102

Personnel expenses increased by 31.1% in 2012 as compared to 2011, after a 4.9% increase in 2011 over 2010. The number of our personnel increased to 26,541 employees in 2012 from 22,276 in 2011 and 19,644 in 2010. This increase was originated by the acquisition of various Peruvian entities specialized in providing health care service, and Correval and IM Trust.

Considering only BCP and its subsidiaries, the number of personnel increased to 22,330 employees in 2012 from 18,616 in 2011 and 16,151 in 2010.

Our general and administrative expenses (which include taxes other than income taxes), produced mainly by higher marketing expenses, increased by 32.4% in 2012 compared to 2011, after increasing 18.8% from 2010 through 2011. The increase in 2012 was related to contracts with IBM, TCS and Everis to support the administration and operation of BCP hardware and servers and to obtain services for the maintenance & development of some BCP's applications. The expense that arose from this service amounted to US\$23.6 million. In addition, BCP recorded higher marketing expenses, whose main variation was related to Lan Pass provisions. Other expenses that contributed to our general and administrative expenses increase were leasing, transportation and commissions for BCP agents.

Depreciation and Amortization increased by 15.6% to US\$108.5 million in 2012 from US\$93.9 million in 2011.

Other expenses increased 39.1% to US\$188.1 million in 2012, after an increasing 43.1% compared to 2011. This increase was mainly due to medical services expenses, which amounted to US\$70.1 million, and the net loss of US\$24.6 million on our sale of financial assets at fair value in 2011.

Translation Result

The translation result reflects exposure to depreciation of net monetary positions in Nuevos Soles. We recognized a US\$75.1 million translation gain in 2012, a US\$37.9 million translation gain in 2011, and a US\$24.1 million translation loss in 2010.

Income Taxes

We are not subject to income taxes or taxes on capital gains, capital transfers or equity or estate duty under Bermuda law. However, some of our subsidiaries are subject to income tax and taxes on dividends paid to us, depending on the

legislation of the jurisdictions in which they generate income.

Our Peruvian subsidiaries, including BCP, are subject to corporate taxation on income under Peruvian tax law. The statutory income tax rate payable in Peru since 2004 is 30% of taxable income. An additional 4.1% withholding tax is applied on dividends, which we register as income tax based on the liquid amount received from BCP, Grupo Crédito and Grupo Pacífico.

Peruvian tax legislation is applicable to legal entities established in Peru, and on an individual (not consolidated) basis. Our non-Peruvian subsidiaries are not subject to taxation in Peru and their assets are not included in the calculation of the Peruvian extraordinary tax on net assets.

ASHC is not subject to taxation in Panama since its operations are undertaken offshore. The Cayman Islands currently have no income, corporation or capital gains tax and no estate, duty, inheritance or gift tax.

Tax expense paid by the subsidiaries increased to US\$251.6 million in 2012 from US\$210.5 million in 2011, which increased from US\$187.1 million in 2010. Income tax growth in these periods reflects increases in our taxable income. Since 1994, we have paid the Peruvian income tax at the statutory rate. The effective tax rates in 2010, 2011 and 2012 were 23.67%, 22.53%, and 23.74%, respectively.

(3) Financial Condition

Total Assets

As of December 31, 2012, Credicorp had total assets of US\$40.8 billion, increasing by 32.8% compared to total assets of US\$30.7 billion as of December 31, 2011 (total assets of US\$ 28.4 billion in 2010). In 2012, cash and due from banks increased by 42.6% due to higher amounts maintained with Peru's central bank. Investments increased by 31.0% due to an increase in BCR certificates of deposit.

As of December 31, 2012, our total loans were US\$21,311.9 million, which represented 52.2% of total assets. Loans, net of reserves for loan losses, were US\$20,772.6 million. As of December 31, 2011, our total loans were US\$17,320.4 million, which represented 56.4% of total assets, and net of reserves for loan losses were US\$16,922.2 million. From December 31, 2011 to December 31, 2012 our total loans increased by 23.1%, and net of loan loss reserves increased by 22.8%.

Our total deposits with the Central Bank increased to US\$6,205.6 million as of December 31, 2012 from US\$3,784.5 million as of December 31, 2011 (our total deposits with the Central Bank were US\$6,308 million in 2010). Our securities holdings (which include marketable securities, available for sale and held to maturity investments) increased by 31.0% to US\$7,848.1 million as of December 31, 2012 from US\$5,991.2 million as of December 31, 2011 (US\$3,883.8 million in 2010). The securities portfolio increase in 2012 was primarily due to higher investments in BCR certificates of deposits.

Total Liabilities

As of December 31, 2012, we had total liabilities of US\$36.4 billion, a 33.7% increase from US\$27.3 billion as of December 31, 2011 (US\$25.4 billion in 2010); and we had total deposits of US\$24.0 billion, a 28.5% increase from US\$18.7 billion on December 31, 2011 (US\$17.8 billion in 2010).

We have structured our funding strategy around maintaining a diversified deposit base. As of December 31, 2012, on an unconsolidated basis, we had 42.5% of total savings deposits in the Peruvian banking system, 41.4% of demand deposits, 33.2% of time deposits and 37.3% of total deposits, the highest of any Peruvian bank in all three types of deposits, according to the SBS. As of December 31, 2012, we had 54.9% of the entire Peruvian banking system's CTS deposits, decreasing from 56.1% as of December 31, 2011, and 55.9% as of December 31, 2010, according to SBS statistics. We believe that we have traditionally attracted a high percentage of the savings and CTS deposit market because of our reputation as a sound institution, our extensive branch network and the quality of our service.

(B) Liquidity and Capital Resources

Regulatory Capital and Capital Adequacy Ratios

	As of December 31,		
	2010	2011	2012
	(U.S. Dollars in thousands, except percentages)		
Capital stock	US\$516,837	US\$508,180	US\$505,164
Legal and other reserves	1,385,098	1,812,977	2,306,561
Capital stock, reserves and retained earnings of minority interest	34,352	40,876	95,450
Accepted provisions for loan losses	167,329	227,886	297,825
Subordinated debt	696,233	793,570	1,361,470
Total	2,799,849	3,383,489	4,566,469
Less: investment in multilateral organizations, banks and insurance companies and goodwill	(408,525)	(360,791)	(590,853)
Total Regulatory Capital (1)	2,391,324	3,022,698	3,975,616
Financial Entities Capital Ratio			
Regulatory Capital attributable to Financial Entities (1)	2,157,864	2,741,753	3,660,606
Risk-Weighted Assets From Financial Entities (3)	17,248,656	20,260,574	26,217,705
Capital Ratio for Financial Entities (1) / (3)	12.51 %	13.53 %	13.96 %
Minimum Regulatory Capital Required (MRCR)(2)			
MRCR for Financial Entities (3)	1,616,368	2,119,319	3,001,276
MRCR for Insurance Entities (3)	184,330	231,416	274,620
MRCR for Other Entities (3)	75,787	122,793	342,226
Total Minimum Regulatory Capital Required	US\$1,876,485	US\$2,473,528	US\$3,618,122
Regulatory capital as percentage of Minimum Regulatory Capital Required	127.44 %	122.20 %	109.88 %

- (1) Total Regulatory Capital and Financial Entities Regulatory Capital is prepared under the guidelines of the BIS I Accord (by the Basel Committee) as adopted by the SBS.
- (2) The Minimum Regulatory Capital Required, or MRCR, is prepared under the guidelines of the BIS I Accord (by the Basel Committee) as adopted by the SBS, and must not exceed from the Total Regulatory Capital calculated. The consolidated MRCR is calculated by the addition of the MRCR of each one of the entities.
- (3) Peruvian financial entities (BCP, Edyficar and Solución) have a MRCR of 10.0% of the Risk-Weighted Assets (or RWA). For ASHC (Cayman Islands), the MRCR is 12% of the RWA. For BCP Bolivia, the MRCR is 10% of the RWA. For the insurance companies, MRCR is calculated on the basis of the solvency margin, the guarantee funds and the credit risk. Other entities, with no MRCR, must be considered by the sum of the capital, reserves and retained earnings.

Credicorp Capital Adequacy Requirements

On September 29, 2010, a new SBS Resolution 11823-2010 established the methodologies for calculating the regulatory capital and capital requirements for financial and mixed conglomerates.

Article 4 of SBS Resolution 11823-2010 identifies two consolidated groups: (i) the financial system consolidated group, and (ii) the insurance system consolidated group. The group of companies formed by these entities is called the financial group.

Articles 5 and 9 of SBS Resolution 11823-2010, provide that the financial system consolidated group, the insurance system consolidated group, and the financial group are required to hold regulatory capital that is greater than or equal to the capital requirements of each group.

The capital requirements for the consolidated groups are the sum of the capital requirements of the companies that belong to each group. For unsupervised companies, their capital requirements should be the greater of: (i) 10% of third party assets and (ii) the ratio of third party assets over total assets multiplied by the sum of paid-in-capital, legal reserves, supplementary capital premiums, voluntary reserves distributable only with prior SBS approval, and retained earnings with capitalization agreements net of current and past years' losses. The capital requirements for the financial group are the sum of the capital requirements of each consolidated group.

Article 6 of SBS resolution 11823-2010, provides that regulatory capital of the consolidated groups 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 and retained earnings in Subsidiaries. Items deducted from Tier 1 capital include: (i) current and past years' 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 Tier 2 and Tier 3 capital. Tier 2 capital elements include: (i) paid-in-capital, legal reserves, supplementary capital premiums, and voluntary reserves that may be reduced without prior consent from the SBS; (ii) the eligible portion of the consolidated 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 SAM, the generic loan loss provision up to 1.25% of credit risk-weighted assets; or, alternatively, for banks using the 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 consolidated redeemable subordinated debt that is incurred with the exclusive purpose of covering market risk.

Deductions: The following elements are deducted from Tier 1 and Tier 2 capital: (i) for the financial system consolidated group all investments in shares and subordinated debt issued by other local or foreign financial institutions and insurance companies and for the insurance system consolidated group all investments in shares and subordinated debt issued by other local or foreign insurance companies; (ii) all investments in shares and subordinated debt issued by entities that are part of the holding but do not belong to any of the consolidated groups; (iii) for the financial system group, the amount by which (a) an investment in shares issued by a real sector company which is neither part of the holding nor of the negotiable portfolio exceeds (b) 15% of the financial system consolidated group’s regulatory capital; (iv) the aggregate amount of all investments in shares issued by real sector companies which are not part of the holding and which are not part of the financial system consolidated group’s negotiable portfolio, exceeds 60% of the regulatory capital.

Article 7 of SBS resolution 11823-2010 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 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.

Article 10 of SBS resolution 11823-2010, provides that regulatory capital of the financial group 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); and, (ii) other elements that have characteristics of permanence and loss absorption that are in compliance with regulations enacted by the SBS. Items deducted from Tier 1 capital include: (i) current and past years’ 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.

Supplementary Capital: Supplementary capital is comprised of the sum of Tier 2 and Tier 3 capital. Tier 2 capital elements include: (i) paid-in-capital, legal reserves, supplementary capital premiums, and voluntary reserves that may

be reduced without prior consent from the SBS; (ii) the eligible portion of the consolidated redeemable subordinated debt and of any other components that have characteristics of debt and equity as provided by the SBS; (iii) the generic loan loss provision included in the supplementary capital of the financial consolidated group; and (iv) half of the amount referred to in "Deductions" below. Tier 3 capital is comprised of consolidated redeemable subordinated debt computed in the consolidated groups.

Deductions: The following elements 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 entities that are part of the holding but do not belong to any of the consolidated groups; (iii) all investment in shares issued by real sector companies which are not part of the holding and the negotiable portfolio, computed as deductions in the financial system consolidated group.

The following table shows, regulatory capital and capital adequacy requirements as of December 31, 2010, 2011 and 2012:

US \$ MM	Dec-2010	Dec-2011	Dec-2012
Financial group			
Regulatory Capital	2,232	3,023	3,976
Capital Adequacy Requirements	2,048	3,202	3,721
Financial system consolidated group			
Regulatory Capital	1,957	2,737	3,661
Capital Adequacy Requirements	1,858	2,270	3,470
Insurance system consolidated group			
Regulatory Capital	207	274	336
Capital Adequacy Requirements	191	231	275

Liquidity Risk

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

The growth of our deposit base over the years has enabled us to significantly increase our lending activity. BCP is subject to SBS Resolution No. 472-2001, enacted in June 2001, which made its market risk area responsible for liquidity management, and by which minimum liquidity ratios were established. The ratio of liquid assets as a percentage of short-term liabilities, as strictly defined by the SBS, must exceed 8% for Nuevos Soles-based transactions, and 20% for foreign exchange-based transactions. BCP's average daily ratios during the month of December 2012 were 49.16% and 46.25% for Nuevos Soles and foreign exchange-based transactions, respectively, demonstrating our continuing excess liquidity. We have never defaulted on any of our debt or been forced to reschedule any of our obligations. Even during the early 1980s, when the government of Peru and many Peruvian companies and banks were forced to restructure their debt as a result of the Latin American debt crisis and government restrictions, BCP and Grupo Pacífico complied with all of their payment obligations.

The available sources of excess liquidity for Nuevos soles and foreign exchange-based transactions at BCP (without including subsidiaries) are as follows:

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	2008 S/.000	2009 S/.000	2010 S/.000	2011 S/.000	2012 S/.000
CURRENT ASSETS					
Cash	891,812	874,489	1,035,056	1,292,638	1,333,246
Deposits in Peruvian Central Bank – BCR and deposits in Peruvian banks	1,050,866	379,308	11,898,306	3,023,812	4,705,925
Peruvian Government treasury bonds and BCR certificates of deposit	3,425,042	5,616,482	1,476,236	5,787,720	7,754,813
Others	4,493	67,154	439	40,496	1,031
Total	5,809,969	6,937,433	14,410,038	10,144,666	13,795,015
CURRENT LIABILITIES					
Demand deposits, and tax and investments liabilities	5,809,969	6,304,886	7,457,802	7,778,281	9,563,505
Saving deposits	3,532,974	4,108,037	5,409,287	6,636,569	8,527,519
Time deposits	6,106,490	4,678,500	8,995,488	7,539,702	9,574,264
Others	367,796	270,304	512,973	150,338	395,878
Total	15,817,229	15,361,727	22,375,549	22,104,891	28,061,166
Current ratio	33.96	45.16	64.40	45.89	49.16

	2008 US\$000	2009 US\$000	2010 US\$000	2011 US\$000	2012 US\$000
CURRENT ASSETS					
Cash	191,676	207,630	210,076	240,563	224,882
Deposits in Peruvian Central Bank - BCR and deposits in Peruvian banks	2,085,433	2,131,278	2,526,81	2,931,623	3,783,718
Peruvian Government treasury bonds and BCR certificates of deposit	1,136,238	424,233	45,536	55,148	25,518
Others	489,55	250,402	349,670	338,348	249,324
Total	3,902,898	3,013,544	3,132,101	3,565,681	4,283,442
CURRENT LIABILITIES					
Demand deposits, and tax and investments liabilities	2,120,236	2,345,929	2,695,286	3,480,428	3,605,608
Saving deposits	1,411,295	1,657,133	1,817,485	2,089,838	2,154,482
Time deposits	2,379,107	2,464,549	2,197,381	1,376,533	2,016,089
Others	643,730	905,662	1,799,981	1,197,787	1,485,937
Total	6,554,368	7,373,273	8,510,134	8,144,585	9,262,116
Current ratio	59.55	40.87	36.80	43.78	46.25

The capability of replacing interest-bearing deposits at their maturity is a key factor in determining liquidity requirements, as well as the exposure to interest and exchange rate risks. Our principal source of funding is customer deposits with BCP's retail banking group and ASHC's private banking group, and premiums and amounts earned on invested assets at Grupo Pacífico. We believe that funds from our deposit-taking operations generally will continue to meet our liquidity needs for the foreseeable future.

BCP's retail banking group has developed a diversified and stable deposit base and its private banking group has developed a stable deposit base that, in each case, provides us with a low-cost source of funding. This deposit base has traditionally been one of our greatest strengths. The deposit gathering strategy has focused on products considered as BCP's core deposits: demand deposits, savings, time deposits and CTS deposits. Other sources of funds and liquidity, which are mostly short- and long-term borrowings from correspondent banks and other financial institutions, issued bonds, and subordinated debt, are of a considerably lower significance compared to our core deposits. See Notes 13 and 14 to the Consolidated Financial Statements.

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

	At December 31,		
	2010	2011	2012
	(U.S. Dollars in thousands, except percentages)		
Core Deposits:			
Demand deposits	US\$5,581,392	US\$6,614,487	US\$8,065,131
Savings deposits	4,244,750	5,096,509	6,084,078

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Severance indemnity deposits	1,313,122	1,757,124	2,232,492			
Total core deposits	US\$ 11,139,264	US\$ 13,468,120	US\$ 16,381,701			
Other Deposits:						
Time deposits	6,464,769	5,039,541	7,415,710			
Bank certificates	163,681	136,338	167,542			
Total deposits	US\$ 17,767,714	US\$ 18,643,999	US\$ 23,964,953			
Payables from repurchase agreements and security lending	US\$ 250,000	US\$ 250,000	US\$ 1,878,341			
Due to banks and correspondents	2,232,264	2,052,855	2,676,627			
Issued bonds	2,955,887	3,920,722	4,732,826			
Total sources of funds	US\$ 23,205,865	US\$ 24,867,576	US\$ 33,252,749			
Core deposits as a percent of total deposits	62.7	%	72.2	%	68.4	%
Core deposits as a percent of total sources of liquid funds	48.0	%	54.2	%	49.3	%

BCP is required to keep deposits with the Central Bank as legal reserves, determined as a percentage of the deposits and other liabilities owed to its clients. The requirement is currently approximately 18.7% of Nuevos Soles-denominated deposits and approximately 39.9% for the U.S. Dollar-denominated deposits. See “Item 4. Information on the Company—(B) Business Overview—(11) Supervision and Regulation—(ii) BCP—Central Bank Reserve Requirements.” Legal reserves are meant to ensure the availability of liquid funds to cover withdrawals of deposits. Additionally, we have significant investments of excess liquid funds in short-term Central Bank certificates of deposits.

The following table presents our deposits at the Central Bank and our investments in Central Bank certificates:

	At December 31,					
	2010		2011		2012	
	(U.S. Dollars in thousands, except percentages)					
Funds at Central Bank						
Deposits	US\$6,307,977		US\$3,784,514		US\$6,205,611	
Certificates of deposits	363,850		2,059,780		2,965,313	
Total funds at Central Bank	US\$6,671,827		US\$5,844,294		US\$9,170,924	
Total funds at Central Bank of Perú as a percent of total deposits	37.6	%	31.3	%	38.1	%

BCP at times has accessed Peru's short-term interbank deposit market, although it is generally a lender in this market. The Central Bank's discount window, which makes short-term loans to banks at premium rates, is also available as a short-term funding source, but has been used infrequently by BCP.

On December 31, 2012, we had uncommitted credit lines with various banks, including long-term facilities that are mainly used for project financing, of which no significant amount was drawn down. We have also received long term funding from Cofide, Corporación Andina de Fomento (or CAF), syndicated loans, and other international lenders. The transactions relating to these credit lines include import and export transactions and average annual rates (including Libor) vary from 0.50% to 10.0%. As of December 31, 2012, we maintain US\$2,891.7 million in such credit lines, secured by the collection of BCP's (including its foreign branches') instructing correspondent banks to make a payment of a certain amount to a beneficiary that is not a financial institution. These funds have maturities of up to seven years. See Notes 13(a) and (c) to the Consolidated Financial Statements. As of December 31, 2012 borrowed funds due to banks and correspondents amounted to US\$2,686.3 million as compared to US\$2,060.0 million in 2011 and US\$2,240.3 million in 2010.

In addition, mortgage loans may be funded by mortgage funding notes and mortgage bonds that are sold by BCP in the market. Mortgage funding notes are instruments sold by BCP with payment terms that are matched to the related mortgage loans, thereby reducing BCP's exposure to interest rate fluctuations and inflation. Mortgage bonds are mainly U.S. Dollar-denominated and have been issued with ten-year terms, with collateral established by real estate acquired through funded home mortgage loans. As of December 31, 2011, BCP had US\$0.5 million of outstanding mortgage bonds and notes, which were fully paid in 2012. A source of funds specific to leasing operations are leasing bonds issued by lease financing companies, the terms of which are specified in the Peruvian leasing regulations. As of December 31, 2012, BCP had US\$39.2 million of outstanding leasing bonds (US\$37.1 million in 2011 and US\$134.4 million in 2010). These bonds have maturities of up to four years. See Note 16 to the Consolidated Financial Statements for a detailed breakdown of our issued bonds.

The following table presents our issued bonds:

	Years ended December 31,		
	2010	2011	2012
	(U.S. Dollars in millions)		
Issued bonds			
Corporate bonds	US\$800.0	US\$894.0	US\$207.8
Subordinated bonds	-	410.0	365.7
Subordinated debt	17.1	35.2	-
Total issuance	US\$817.1	US\$1,339.2	US\$573.5

In April 2012, BCP, through its Panama branch, issued on the international market subordinated notes in the aggregate amount of US\$350.0 million due 2027. These notes accrue at a fixed annual interest rate of 6.13%, for the first 10 years with interest payments every six months. Starting April 24, 2022, the interest rate becomes a variable rate of Libor 3 months plus 704.3 basis points. Between April 24, 2017 and until April 24, 2022, BCP may redeem all or part of the subordinated notes with the penalty of the payment of an interest equivalent to the American Treasury plus 50 basis points. Additionally, from April 24, 2022 or at any later date of coupon payment, BCP can redeem all or part of the bonds without penalty. Payment of principal will take place at the date of maturity or redemption.

In October and November 2012, BCP issued corporate bonds for S/.200.0 million in each with fixed annual interest rates of 5.50% and 5.31%, respectively, with maturities between October and November 2022.

In April and July 2012, Edyficar issued corporate bonds for S/.60.0 million and of S/.70.0 million each with fixed annual interest rates of 5.47% and 5.50%, respectively, with maturities between April 2015 and July 2016.

In September 2010 and March 2011, BCP, through its Panama branch, issued senior bonds for US\$800.0 million and US\$700.0 million, respectively, in the international market with principal maturity in 2020 and 2016, respectively. These debts accrue at a fixed annual interest rate of 5.38% and 4.75%, respectively, with semiannual interest payments.

BCP's issuances in 2012 are described above See "Item 4. Information on the Company—(B) Business Overview—(1) Introduction – Review of 2012- Banking segment."

In July and August 2011, Edyficar issued negotiable certificates of deposits for S/.40.0 million and two of S/.30.0 million each with fixed annual interest rates of 5.41%, 5.27% and 5.20%, respectively, with maturities between July and August 2012.

In November 2011, Grupo Pacífico issued subordinated bonds for US\$60.0 million. This debt accrues a fixed annual interest rate of 6.97% with principal maturity on 2026. These bonds were issued in order to obtain cash for maturities in November 2026.

The principal sources of funds for Grupo Pacífico's insurance operations are premiums and amounts earned on invested assets. The major uses of these funds are the payment of policyholder claims, benefits and related expenses, reinsurance costs, commissions and other operating costs. In general, Grupo Pacífico's insurance operations generate substantial cash flow because most premiums are received in advance of the time when claim payments are required. Positive operating cash flows, along with that portion of the investment portfolio that is held in cash and highly liquid securities, historically have met the liquidity requirements of Grupo Pacífico's insurance operations.

(C) Research and Development, Patents and Licenses, Etc.

Not applicable.

(D) Trend Information

We expect that 2013 will show a positive economic trend; however, the international environment still suggests some uncertainty. In particular, we expect that financial income will increase, mainly as a result of our prioritization of retail operations with individuals and small companies. In addition, according to BCR, credit risk is expected to remain stable up to the first quarter of 2013, followed by a soft trend for the rest of the year, despite planned positive loan evolution and higher provision due to higher volume in our loan portfolio. Furthermore, we plan to invest in the expansion of our distribution channels network by opening new branches.

Other important factor to consider is the pressure on consumer protection regulation, especially regarding to some sources of fee income in the credit card segment, all of which could impact our business in Peru.

In Bolivia, we expect that BCP Bolivia will maintain its profitability, although the political and economic environment, which involves a high level of uncertainty, is an important factor in this expectation.

We expect that in 2013, ASB will maintain its low-risk investment strategy and overall good performance (net earnings in 2012 increased 17.8% compared to 2011 but earnings in 2011 decreased 16% compared to 2010). We expect continued growth of our assets under management, given the high quality service we offer.

In our insurance business, we expect to raise the profitability of each retail product sold in branches. The insurance business continues to grow and is supported by the result in total premiums. However, as with our banking business, pressure on consumer protection regulation and the elections in local, regional and central government authorities could impact our business in Peru.

Please see “Item 3. Key Information—(D) Risk Factors” and the cautionary statement regarding forward looking information.

(E) Off-Balance Sheet Arrangements

We record various contractual obligations as liabilities in our financial statements. We do not recognize other contractual arrangements, such as contingent credits contracts, as liabilities in our financial statements. These other contractual arrangements are required to be registered in off-balance sheet accounts. We enter into these off-balance sheet arrangements in the ordinary course of business in order to provide support to our clients and hedge some risks in our balance sheet and use guarantees, letters of credit, derivatives and swaps.

The following table reflects our off-balance sheet arrangements as of December 31, 2010, 2011 and 2012:

	Year ended December 31,		
	2010	2011	2012
	(U.S. Dollars in thousands)		
Contingent Credits			
Guarantees and stand by letters	US\$2,718,200	US\$3,128,534	US\$3,933,834
Import and export letters of credit	417,011	599,466	586,273
Sub Total	3,135,211	3,728,000	4,520,107
Responsibilities under credit line agreements	2,449,807	3,525,517	4,008,572
Forwards	2,628,195	3,473,264	5,831,227
Options	103,616	64,184	95,288
Swap contracts (notional amount)	2,470,047	2,449,792	3,359,928
Total	US\$10,786,876	US\$13,240,757	US\$17,815,122

In the normal course of its business, our banking subsidiaries are party to transactions with off-balance sheet risk. These transactions expose them to additional credit risks relative to amounts recognized in the consolidated balance sheets.

Credit risk for off-balance sheet financial instruments is defined as the possibility of sustaining a loss because any other party to a financial instrument fails to perform in accordance with the terms of the contract. The exposures to losses are represented by the contractual amount specified in the related contracts. We apply the same credit policies in making commitments and conditional obligations as we do for on-balance sheet instruments (see Note 7(a) to the Consolidated Financial Statements), including the requirement to obtain collateral when necessary. The collateral held varies, but may include deposits in financial institutions, securities or other assets. Many of the contingent transactions are expected to expire without any performance being required. Therefore the total committed amounts do not necessarily represent future cash requirements.

Credicorp has currency-forwards derivatives. Currency-forwards are commitments to buy or sell currency at a future date at a contracted price. Risk arises from the possibility that the counterparty to the transaction will not perform as agreed and from the changes in the prices of the underlying currencies. As of December 31, 2012 and 2011, the nominal amounts for forward currency purchase and sale agreements were approximately US\$5,831.2 million and US\$3,473.3 million, respectively, which in general have maturities of less than a year.

These agreements are entered into to satisfy client requirements and are recognized in the consolidated financial statements at their fair value. As of December 31, 2012, the forward contracts net position is an overbuy of U.S. Dollars of approximately US\$601.8 million (overbuy of approximately US\$312.7 million as of December 31, 2011).

Interest rate and currency swaps are derivatives contracts, where counterparties exchange variable interest rates for fixed interest rates or different currencies, respectively, in the terms and conditions established at the contract inception. The risk arises each time the projected level of the variable rate during the term of the contract is higher than the swap rate, as well as from non-compliance with contractual terms by one of the parties. As of December 31, 2012, the notional amount of open interest rate and currency swap contracts was approximately US\$3,042.3 million (approximately US\$2,252.1 million as of December 31, 2011).

Cross-currency swap derivative contracts involve the exchange of interest payments based on two different currency principal balances and referenced interest rates. They generally also include the exchange of principal amounts at the start and/or end of the contract. As of December 31, 2012, the notional amount of cross-currency swap contracts were approximately US\$317.6 million (approximately US\$197.7 million as of December 31, 2011).

As of December 31, 2012, the fair values of the asset and liability forward-exchange contracts, options and interest rate and cross-currency swaps amounted approximately to US\$159.4 million and US\$166.2 million, respectively (approximately US\$82.5 million and US\$145.3 million as of December 31, 2011) and are included under the caption “Other assets and other liabilities” of the consolidated balance sheets, respectively. See Note 12(b) to the Consolidated Financial Statements.

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

(F) Tabular Disclosure of Contractual Obligations

Credicorp enters into various contractual obligations that may require future cash payments. The following table summarizes our contractual obligations by remaining maturity as of December 31, 2012. See “Item 4. Information on the Company—(B) Business Overview—(1) Introduction – Review of 2012.”

Total at December 31, 2012	Payments due by period			
	Less than 1 year	1–3 years	3–5 years	More than 5 years

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	(U.S. Dollars in thousands)				
Borrowed funds	US\$2,226,341	US\$1,633,521	US\$349,494	US\$235,697	US\$7,629
Promotional credit lines	332,687	19,249	28,438	19,241	265,759
Interbank funds	117,599	117,599			
Time deposits	7,415,710	6,976,233	221,231	168,238	50,008
Operating lease obligations	127,633	23,896	39,374	31,924	32,438
Total	US\$10,219,970	US\$8,770,497	US\$638,537	US\$455,100	US\$355,834

Borrowed funds include two syndicated loans and various bilateral loans, primarily with foreign financial institutions.

One syndicated loan, in the amount of US\$150.0 million as of December 31, 2012, matures in March 2014, with semiannual principal and interest payments of six month Libor plus 1.75 percent. The second syndicated loan, with a principal amount of US\$233.3 million as of December 31, 2012, matures in October 2013. This loan has a variable interest rate of six month Libor plus 1.75 percent. However, in 2011, we hedged both syndicated loans through interest rate swaps (IRS) for the same notional amount and maturities; as a result, this loan was economically converted to fixed rate. See Note 12(b) to the Consolidated Financial Statements.

Loans obtained include the obligation to comply with certain covenants which, in our management's opinion, are being complied with as of the consolidated balance sheet dates.

Some international funds and promotional credit lines include standard covenants related to the compliance with financial ratios, use of funds and other administrative matters. In our management's opinion, these covenants do not limit our operations and we have fully complied with them as of the consolidated balance sheet dates.

Our deposits and obligations are widely diversified and have no significant concentrations.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

(A) Directors and Senior Management

Board of Directors

The following table sets forth our current directors:

Name	Position	Years served as a Director(1)
Dionisio Romero Paoletti	Chairman	10
Raimundo Morales	Vice Chairman	5
Fernando Fort Marie	Director	31
Reynaldo Llosa Barber	Director	30
Juan Carlos Verme	Director	23
Luis Enrique Yarur	Director	17
Felipe Ortiz de Zevallos	Director	8
Germán Suárez	Director	8

(1) Of Credicorp, our subsidiaries and their predecessors as of December 31, 2012.

Dionisio Romero Paoletti is the Chairman of the Board of Directors of Credicorp and Banco de Crédito – BCP, and the Chief Executive Officer of Credicorp since 2009. Mr. Romero P. has served as a board member of BCP since 2003 and was appointed Vice Chairman in 2008. He is also the Chairman of Pacifico Peruano Suiza Cia. De Seguros y Reaseguros, Pacifico Vida Cia. De Seguros y Reaseguros. Mr. Romero P. is the Chairman of Grupo Romero's companies such as: Alicorp S.A.A., Compañía Universal Textil S.A., Ransa Comercial S.A., Industrias del Espino S.A., Palmas del Espino S.A. and Agrícola del Chira, among others. Furthermore, he has been Vice Chairman of the Board of Inversiones Centenario and Director of BCI Chile, Hermes Transportes Blindados and Cementos Pacasmayo S.A.A. Mr. Romero P. is an economist from Brown University, USA with an MBA from Stanford University, USA.

Raimundo Morales has been the Vice Chairman of the Board of Directors since April 2008. Prior to being elected to the Board of Directors, he served as our Chief Operating Officer and CEO of BCP, having joined BCP in 1980. Previously, Mr. Morales held various positions during his ten years at Wells Fargo Bank in its San Francisco, São Paulo, Caracas, Miami and Buenos Aires offices. His last position was Vice President for the Southern Region of Wells Fargo. From 1980 to 1987, Mr. Morales was Executive Vice President in charge of BCP's Wholesale Banking Group. From 1987 to 1990, he was the COO of ASB in Miami. He rejoined BCP as the COO in 1990. Mr. Morales received his Master's degree in Finance from the Wharton School of Business in the United States.

Fernando Fort Marie is a lawyer and partner at the law firm of Fort Bertorini Godoy & Pollari Abogados S.A. Mr. Fort served as a director of Banco de Crédito del Perú from 1979 to 1987 and from March 1990 to the present. Since March 2009, he has served on our Board of Directors and on the board of directors of ASB, BCP Bolivia and BCP's subsidiaries. Mr. Fort also serves as chairman of Hermes Transportes Blindados S.A. and a director on the Board of Inversiones Centenario S.A.A., Motores Diesel Andinos S.A. (MODASA) and Edelnor S.A.A.

Reynaldo Llosa Barber is a business manager and since August 1995 has been a director on our Board of Directors and on the boards of ASB, BCP Bolivia, Pacifico Peruano Suiza and BCP's subsidiaries. He has also been a director of BCP from 1980 to October 1987 and from March 1990 to the present. Mr. Llosa is the main partner and COO of F.N. Jones S.R. Ltda. and serves as Chairman of the board at Edelnor S.A.A and as a board member of Edegel S.A.A.

Juan Carlos Verme is a private investor and businessman and has served on the Board of Directors since August 1995. He has served on the Board of Directors of BCP since March 1990 and is also on the Board of Directors of ASB and BCP Bolivia. Mr. Verme is Chairman of Inversiones Centenario and he also serves as a member of the Board of other Peruvian companies such as Celima, Corcesa, Piscifactorías de los Andes, and Medlab. He is the Chairman of the Board of MALI (Lima's Fine Arts Museum), and a trustee of American Patrons of Tate where he also participates as a member of the Latin American Acquisitions Committee of Tate Modern. Since November 2012, he has served as the Vice President of the Fundación Museo Reina Sofía of Madrid, Spain.

Luis Enrique Yarur is a businessman with an undergraduate degree in law and graduate degrees in economics and management. He has served on the Board of Directors since October 2002 as well as the board of directors of BCP since February 1995. Mr. Yarur is Chairman of the Board of Empresas Juan Yarur S. A. C., Banco de Crédito e Inversiones of Chile, Chairman of Empresas Jordan S.A. and Vice-Chairman of Empresas Lourdes S.A. He is Vice-President of the Asociación de Bancos e Instituciones Financieras A. G. and director of BCI Seguros Generales S.A and BCI Seguros de Vida S.A.

Felipe Ortiz de Zevallos is an industrial engineer with a Master's degree in Management Science from the University of Rochester and an OPM from Harvard Business School. Mr. Ortiz de Zevallos has served on the Board of Directors since March 2006. He also serves as a director on the boards of Grupo APOYO (where he is the Chairman), Compañía de Minas Buenaventura S.A.A., Sociedad Minera El Brocal S.A. (where he is the Chairman) and AC Capitales SAFI. From September 2006 until March 2009, Felipe Ortiz de Zevallos was Ambassador of Peru to the United States. Prior to this post, Mr. Ortiz de Zevallos served as the President of Universidad del Pacífico in Lima (elected for the period 2004 – 2006).

Germán Suárez is an economist with a Master's degree in Economics from Columbia University. Mr. Suárez was elected to the Board of Directors in March 2005. Mr. Suárez was President and Chairman of the Board of Banco Central de Reserva del Perú from 1992 to 2001, and serves as a director on the boards of BCP and Compañía de Minas Buenaventura S.A.

Dawna L. Ferguson was Credicorp's Secretary until February 2012, when the Board of Directors decided to appoint Codan Services as Corporate Secretary. Mr. Mario Ferrari is the Deputy General Secretary.

Executive Officers

Our management consists of certain principal executive officers of BCP, ASHC and Grupo Pacífico. Credicorp believes that a unified financial group with a coordinated strategy is best able to take advantage of growth in the Peruvian economy and achieve synergies from cross-selling financial services and products (e.g., through BCP's

extensive branch network). Pursuant to Credicorp's bye-laws, the Board of Directors has the power to delegate its power over day-to-day management to one or more directors or officers. The following table sets forth the name, position and term of service for each of our executive officers.

Name	Position	Years Served as an Officer (1)	Entity
Dionisio Romero P.	Chief Executive Officer	4	Credicorp
Walter Bayly	Chief Operating Officer	20	Credicorp
Alvaro Correa	Chief Financial Officer	16	Credicorp
David Saettone	Chief Insurance Officer	16	Credicorp
Reynaldo Llosa	Chief Risk Officer	14	Credicorp
Pedro Rubio	Executive Officer - Wholesale Banking	29	BCP
Gianfranco Ferrari	Executive Officer – Retail Banking and Wealth Management	16	BCP
Jorge Ramirez del Villar	Executive Officer – Operations, Systems and Administration	19	BCP

(1) Of Credicorp, our subsidiaries and their predecessors as of December 31, 2012.

Walter Bayly is the Chief Operating Officer of Credicorp and BCP, positions he has held since April 2008. Previously, he was Chief Financial Officer and the Executive Vice President of Planning and Finance of BCP and prior to that time he held various other management positions within BCP, which included managing the Wholesale Banking Group as well as other areas of BCP. Mr. Bayly joined BCP in 1993, after three years at Casa Bolsa México where he was Partner and Managing Director in Corporate Finance. Prior to that, he was with Citibank in Lima, New York, México, and Caracas for a period of ten years, where he worked primarily in the corporate finance and loan syndication groups. Mr. Bayly received a Bachelor's degree in Business Administration from Universidad del Pacífico in Lima, Peru, and a Master's degree in Management from Arthur D. Little Management in Cambridge, Massachusetts.

Alvaro Correa has been Chief Financial Officer for Credicorp Ltd. and BCP since April 2008. In 1997, he joined BCP as Retail Credit Risk Manager, serving later as IT Solutions Manager under the IT Division. Mr. Correa then served as COO of Credicorp's Cayman based private banking operation Atlantic Security Bank, COO of Miami based broker dealer Credicorp Securities and BCP's Miami Agency, all between January 2006 and March 2008. He currently serves on the board of directors of Credicorp's subsidiaries Prima AFP and Financiera Edyficar. Mr. Correa is an Industrial Engineer from the Pontificia Universidad Católica del Perú and holds a Master's degree in Business Administration from Harvard Business School.

David Saettone is Chief Insurance Officer and the Chief Executive Officer of Grupo Pacífico. Mr. Saettone graduated with honors (BAH) from Queen's University at Kingston, Canada. He has a Master of Economics and Finance (MA) from Princeton University. Mr. Saettone has been certified as a Chartered Insurer and Associate by the Chartered Insurance Institute (ACII), UK; a Chartered Property Casualty Underwriter (CPCU) by the Institute for CPCU, in the United States; Chartered Life Underwriter (CLU) by the American College, in the United States; Associate in Risk Management (ARM), Associate in Underwriting (AU), Associate in Reinsurance (ARE), Associate in Marine Insurance Management (AMIM), Associate in Claims (AIC) and Associate in Insurance Accounting & Finance (AIAF) from the Insurance Institute of America, in the United States. He obtained a Certificate in Information Technology for Insurance Professionals (CITIP) from the Chartered Insurance Institute and the British Computer Society of the United Kingdom. Mr. Saettone has worked as COO of Banco de Crédito de Bolivia, Head of the Cabinet of Advisors of the Peruvian Ministry of Economy and Finance, Manager of Corporate Finance at BCP and COO of Credibolsa SAB S.A., a subsidiary of BCP. In academia, Mr. Saettone was a professor of International Economics and Capital Markets at the University of Lima and taught Probability and Statistics at the Woodrow Wilson School of Public Administration of Princeton University. He was director of Cofide and the Fondo Consolidado de Reservas (Consolidated Reserves Fund). Mr. Saettone is currently COO of Pacífico Insurance, Chairman of the Board of Pacífico Salud, Director of Pacífico Vida and Director of Financiera Edyficar.

Reynaldo Llosa Benavides is the Chief Risk Officer of Credicorp and BCP since January, 2012. Previously, Mr. Llosa held different positions at BCP as Head of Risk, Head of Middle-Market Banking and Head of Corporate Banking. He received a Bachelor's degree in Business Administration from St. Mary's University, San Antonio, Texas, USA, and holds a Master's degree in Business Administration with specialization in Finance from Northwestern University (J.L. Kellogg Graduate School of Management), Chicago, Illinois, USA.

Pedro Rubio is the Wholesale Banking Executive Officer of BCP, responsible for the Wholesale Banking Group at Banco de Crédito which includes the Corporate, Investment and Middle Market Banking Divisions. He is also responsible for the Leasing, Trade Finance and Cash management Areas. Prior to this, he has held several positions within Credicorp. He has been Head of The Middle Market Division, CEO of Banco Tequendama in Colombia and Head of Trade Finance, starting his career as a Relationship Manager in the Corporate Banking Group over 30 years ago. Mr. Rubio holds BS in Industrial Engineering from North Carolina State University.

Gianfranco Ferrari has worked at BCP since 1995, holding various positions such as Associate of Corporate Finance, Associate of Special Accounts, Head of Corporate Finance and Head of Corporate Banking. From 2005 to 2008, Mr. Ferrari was the Chief Executive Officer of BCP Bolivia. Currently, he is Executive Officer of Retail Banking and Wealth Management at BCP. He has been a member of the board of PRIMA AFP since September 2008. He is Chairman of the Board of Financiera EDYFICAR, a position he has held since March 2010, and Chairman of Tarjeta Naranja Peru, a position he has held since September 2011. Mr. Ferrari holds Business Administration degree from Universidad del Pacifico, and has a Master's degree from Kellogg Graduate School of Management, Northwestern University.

Jorge Ramírez del Villar has worked at BCP since 1994, holding positions such as Manager of Corporate Finance, Manager of the Finance division, Manager of the Administration and Process division, and Executive Officer – Operations, Systems and Administration, the position he holds now. Previously, he was General Manager of Credibolsa SAB, a Financial Analyst at Occidental Petroleum Corporation and a business consultant for Booz, Allen & Hamilton International. Mr. Ramírez del Villar earned a degree in industrial engineering from Universidad Nacional de Ingeniería, holds a Master’s degree in Systems of the University of Pennsylvania, a Master’s degree in business from The Wharton School, a Master’s degree in economics from London School of Economics and a Master’s degree in International Relations from University of Cambridge.

(B) Compensation

The aggregate amount of directors compensation and executive officers salaries (including our executive officers listed above and four additional executive officers of BCP) for 2012 was US\$10.3 million. We do not disclose to our shareholders or otherwise make available to the public information as to the compensation of its individual directors or executive officers.

As indicated in Note 3(w) to the Consolidated Financial Statements, Credicorp has granted SARs to certain employees who have at least one year service to Credicorp or any of our subsidiaries. As of December 31, 2012 and 2011, all SARs had vested and they can be executed up to April, 2014.

Key executives’ compensation also includes share based payments. SARs valuation for the years 2012, 2011 and 2010 resulted in a gain amounting to US\$5.3 million, a gain amounting to US\$5.8 million and a loss amounting to US\$24.5 million, respectively. During the same years approximately US\$8.9 million, US\$25.5 million and US\$14.8 million, SARs were exercised from the SARs that vested in the trailing 12-month period through April of each year. Likewise, approximately US\$5.6 million, US\$4.9 million and US\$3.8 million, stock awards vested in the years 2012, 2011 and 2010, respectively. The related executives’ income tax is assumed by Credicorp.

The liabilities recorded for this plan, including the above-mentioned income tax, are included in the consolidated balance sheet caption “Other liabilities – Payroll taxes, salaries and other personnel expenses.” See Note 12(a) to the Consolidated Financial Statements. The expenses are recorded in the consolidated income statement caption “Personnel expenses”. As of December 31, 2012, 2011 and 2010, these SARs were owned by 10, 15 and 53 executives, respectively.

Credicorp signed several contracts with Citigroup and Calyon Financial by which it acquired certificates linked to the yield of our shares. See Note 8(c) to the Consolidated Financial Statements.

The following table sets forth the movement of the SARs for the periods indicated:

	2011			2012		
	Outstanding SARs	Vested SARs		Outstanding SARs	Vested SARs	
	Number	Number	Amount US\$(000)	Number	Number	Amount US\$(000)
Balance as of January 1	795,155	777,699	76,989	243,223	243,223	22,088
Granted and vested	-	15,627	(1,356)	-	-	-
Exercised	(550,103)	(550,103)	(45,255)	(110,529)	(110,529)	(12,750)
Decrease	(1,829)	-	-	-	-	-
Increase in the option fair value	-	-	(8,290)	-	-	7,314
Balance as of December 31	243,223	243,223	22,088	132,694	132,694	16,652

Since 2009, Credicorp has a new plan to certain key employees. Under this new plan (stock awards), Credicorp grants its own shares to the plan beneficiaries. Shares granted will vest up to 33.3% percent of all granted shares in each one of the subsequent three years to the grant date (April of each year). As of December 31, 2012, 2011 and 2010, this plan included 154, 147 and 120 executives, respectively.

During 2012, 2011, 2010 and 2009, the Group granted approximately 144,000, 165,000, 170,000 and 227,000 Credicorp shares, of which 599,000 and 448,000 shares had vested as of December 31, 2012 and 2011. The expense recorded for the year ended December 31, 2012 amounted to approximately US\$16.9 million (US\$15.7 million and US\$11.2 million for the years ended December 31, 2011 and 2010, respectively).

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

(C)

Board Practices

Credicorp's management is the responsibility of its Board of Directors, which, pursuant to Credicorp's bye-laws, is comprised of eight members. Directors may, but are not required to, be shareholders. Directors are elected and their remuneration is determined at the Annual General Meeting of Shareholders. Directors hold office for three-year terms. The date of expiration of our current Board of Directors is March 31, 2014. The annual remuneration perceived by each Director during 2012 was US\$100,000.

Our current directors have no benefits in addition to the remuneration agreed at the Annual General Meeting of Shareholders, with the exception of the members of the Audit Committee and the Executive Committee. Each member of the Audit Committee received an additional annual remuneration determined by the Annual General Meeting of Shareholders, which in 2012 amounted to US\$40,000. In the case of the members of the Executive Committee, the Annual General Meeting of Shareholders held in March, 26 2013 approved and an additional remuneration of US\$1,500 per session attended for each director of the Executive Committee, as long as they do not perceive any additional compensation for similar functions in BCP . Directors do not have any benefits that could be enjoyed at the termination of their service terms.

Pursuant to Credicorp's bye-laws, the required quorum for business to take place during a Board meeting shall be a majority of the Directors of the Company. The Board has the power to appoint any person as Director to fill a vacancy on the Board for the remainder of the period as a result of the death, disability, disqualification or resignation of any Director. A resolution in writing signed by all Directors shall be as valid as if it had been passed at a meeting duly called and constituted.

Credicorp's Board of Directors has established the following corporate level Committees:

- Executive Committee (Created in October 31, 2012)
- Audit Committee (Created in October 31, 2002)
- Corporate Governance Committee (Created in June 23, 2010)
- Compensation Committee (Created in January 25, 2012)
- Nominations Committee (Created in March 28, 2012)
- Risk Committee (Created in March 28, 2012)

The Board of Directors, acting on the recommendation of the Chairman, shall decide on the appointment, ratification or removal of committee members. Directors who are members of the committees will initially be appointed up to a three year term, and shall maintain such appointments only while a member of the Board. Non-director members of the committees shall maintain such appointment only while he or she is an employee of the Company. All committees shall have a charter approved by the committee itself and shall designate a chair among its members.

Executive Committee

Credicorp's Executive Committee is responsible for responding to management's queries on business or operations that require guidance from the Board; making urgent decisions that correspond to the Board by submitting these decisions for ratification at its next session; and making decisions on other specific matters that the Board has delegated to it.

The Committee is comprised by five directors and its number may be modified by agreement of the Board. The Chairman and Vice Chairman of the Board must be members of the committee. The current members are Dionisio Romero P. (Chairman), Raimundo Morales (Vice Chairman, Independent), Fernando Fort, Reynaldo Llosa Barber, and Juan Carlos Verme (Independent).

Audit Committee

Credicorp's Audit Committee is responsible for assisting in the recommendation of independent auditors to be appointed at the Annual General Shareholders' Meeting and reviewing the scope of internal and external audits. The Audit Committee also reviews compliance with the system of internal control as well as financial controls, reviews our annual financial statements before their presentation to regulatory bodies and maintains the integrity of the preparation of audits, oversight compliance with applicable law and regulations, the establishment of procedures for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls, auditing matters, fraud and ethics, through Credicorp's Complaint System. The current members of the Audit Committee are Mr. Raimundo Morales (Chairman since July 2011), Mr. Germán Suárez (financial expert), and Mr. Juan Carlos Verme. The Audit Committee designated Mr. Benedicto Cigüeñas to serve as advisor to the committee. Mr. Benedicto Cigüeñas Guevara is an economist and became a Director of BCP in January 2005. Previously was Chief Financial Officer of BCP for 12 years.

The Audit Committee has also been assigned by the Board of Directors to oversee the audit committee responsibilities of all Credicorp subsidiaries. Credicorp's Audit Committee therefore performs as the statutory audit committee of all Credicorp's subsidiaries, except new acquired companies Correal (Colombia) and IM Trust (Chile) which are in the process of adapting corporate procedures. During 2012, Audit Committee held eleven sessions.

Corporate Governance Committee

Credicorp's Corporate Governance Committee is responsible for proposing to the Board of Directors good corporate governance practices to be implemented throughout the Company; overseeing adequacy of the corporate governance policies adopted by the Company to the latest best practices; and deciding and/or resolving cases of serious misconduct in compliance with corporate governance policies and cases of conflicts of interest or ethics conflicts, of Directors and senior executives.

The Committee is comprised by four Directors of Credicorp or its subsidiaries. At least one member should be independent. The current members are Dionisio Romero P. (Chairman); Felipe Ortiz de Zevallos (Independent); Juan Carlos Verme (Independent) and Eduardo Hochschild (Independent Director of BCP).

Compensation Committee

Credicorp's Compensation Committee is responsible for defining the remuneration policy for Credicorp and its subsidiaries; approving the remuneration and compensation of the main executives and managers of Credicorp and its subsidiaries; and recommending to the Board of Directors, for submission to the General Shareholders' Meeting, basic compensation guidelines and levels of compensation for the members of the board of directors and committees of Credicorp and its subsidiaries. It is also responsible for approving any service contracts between the Directors and their companies, and Credicorp and its subsidiaries.

The committee consists of three Directors of Credicorp or its subsidiaries and BCP's CEO (who is not a member of the Board of Directors). The current members are Dionisio Romero P. (Chairman), Raimundo Morales (Independent), Reynaldo Llosa Barber and Walter Bayly (CEO of BCP).

Credicorp does not have an independent compensation (remuneration) committee. When the committee was created in January 2012, the Board determined that the most important criteria in selecting directors to serve on the committee were both deep knowledge of the organization and its people and also the leadership and continuity provided by senior management. The Board believes that the individuals on the committee can and do make quality and independent judgments in the best interest of Credicorp on all relevant issues and that the existing membership will best accomplish the goals of the committee.

Nominations Committee

Credicorp's Nominations Committee is responsible for proposing the selection criteria for directors' nominees, to the Board of Directors; selecting and recommending nominees to the Board of Directors based on the proposals received and to be proposed at the Shareholder's Annual General Meeting; and recommending nominees to fill vacancies in the Board of Directors.

The committee consists of three Directors. The current members are Dionisio Romero P. (Chairman), Raimundo Morales (Independent) and Reynaldo Llosa Barber.

Risk Committee

Credicorp's Risk Committee is responsible for establishing, periodically evaluating and reporting to the Board of Directors, the guidelines and policies for the integrated risk management of Credicorp and its subsidiaries. It also is in charge of proposing the risk appetite and exposure levels that Credicorp is willing to assume to develop its business, to the Board of Directors; approving all new strategic business and product initiatives that may alter the risk profile of Credicorp or its subsidiaries, consistent with the policies approved by the Corporation; and establishing specialized subcommittees to manage the different types of risks.

The committee consists of three Directors of Credicorp or its subsidiaries and four executive officers of Credicorp or its subsidiaries. The current members are Raimundo Morales (Chairman - Independent); Dionisio Romero P., Benedicto Cigüeñas (BCP Director – Independent), Walter Bayly (COO - BCP CEO), Alvaro Correa (CFO), Reynaldo Llosa Benavides (Chief Risk Officer), and Edgar Vicente (Head of Risk Management at BCP).

(D) Employees

On December 31, 2012, Credicorp had 26,541 employees, distributed as set forth in the following table:

	At December 31,		
	2010	2011	2012
BCP (1)	16,148	18,616	22,361
Grupo Pacífico (2)	2,611	2,759	3,038

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ASHC	73	77	81
Prima AFP	800	814	876
Others	9	10	185
Total Credicorp	19,641	22,276	26,541

(1) BCP includes BCP Miami Agency, BCP Panamá Agency, Credibolsa, Credifondo, BCP Bolivia, Edyficar and Correval.

(2) Does not include the employees of the acquired private hospitals.

(3) Others include Credicorp Securities and IM Trust.

All bank employees in Peru are given the option of belonging to an employee union. These employee unions are collectively represented by the Federación de Empleados Bancarios (the Federation of Banking Employees or FEB). In order to negotiate a collective agreement on behalf of its members, FEB must have as members over 50% of all Peruvian banking employees. Because this level fell to below 50%, the most recent collective bargaining agreement, which expired on June 30, 1995, was not renewed.

BCP was granted permission by the Peruvian Ministry of Labor to cancel the registration of BCP's union in 1996 due to limited participation. As of December 31, 2011, no BCP employees belonged to a union. The last strike by union employees occurred in 1991 and did not interfere with BCP's operations.

(E) Share Ownership

As of February 13, 2012, the Romero family owned 12.53 million (13.27%) of our common shares. Mr. Luis Enrique Yarur is a controlling shareholder of Banco de Crédito e Inversiones (BCI) Chile, which owns 1.71 million (1.85%) of Credicorp's common shares. None of our other directors or executive officers beneficially own more than 1% of our common shares. See "Item 7. Major Shareholders and Related Party Transactions—(A) Major Shareholders." Other members of the Board of Directors that own our common shares are Mr. Raimundo Morales, Mr. Fernando Fort Marie, Mr. Reynaldo Llosa Barber, Mr. Juan Carlos Verme, Mr. Felipe Ortiz de Zevallos and Mr. Germán Suárez. Each of these directors own less than 1% of our total outstanding common shares.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS**(A) Major Shareholders**

As of December 31, 2012, Credicorp had issued 94,382,317 common shares, of which 14,620,846 were held by ASHC. Under Bermuda law, ASHC has the right to vote the common shares it owns. In order to restructure long term holdings, substantially all of our common shares held by BCP and Grupo Pacífico were transferred to ASHC in April 2004.

The table below provides details about the percentage of Credicorp's common shares owned by holders of 5% or more of our total common shares, as of February 11, 2013.

Owner	Common Shares	Percent of Class(1)
Atlantic Security Holding Corporation (2)	14,620,846	15.49 %
Romero family (3)	12,527,277	13.27 %

(1) As a percentage of issued and outstanding shares (including shares held by ASHC).

(2) As of February 11, 2013, Atlantic Security Bank (a subsidiary of ASHC) held 3,335,786 shares of Credicorp on behalf of clients as part of the Private Banking Services that ASB provides, and which shares are purchased or sold based on client instructions. ASB does not have the power to dispose of these shares. Because the shares are held by ASB on behalf of clients, which have the power to vote the shares, ASHC and ASB each disclaims beneficial ownership of the shares.

(3) Includes common shares directly or indirectly owned by Dionisio Romero Paoletti and his family or companies owned or controlled by them. Mr. Romero P. is the Chairman of the Board.

Approximately 11.12% of Credicorp's total issued and outstanding common shares are currently held in 2,548 individual accounts with Cavali, a Peruvian securities clearing company.

As of February 11, 2013, 79,761,471 of common shares of Credicorp (excluding the 14,620,846 shares held by ASHC) were outstanding, of which approximately 72.14% were held in the United States. There were approximately 62 registered holders of Credicorp's common shares in the United States. Because many of these common shares were held by brokers or other nominees, and because of the impracticability of obtaining accurate residence information for all beneficial shareholders, the number of registered holders in the United States is not a representative figure of the beneficial holders or of the residence of beneficial holders. Credicorp is neither directly nor indirectly controlled by another corporation or by any foreign government.

(B) Related Party Transactions

(i) Credicorp

Under Bermuda law, Credicorp is not subject to any restrictions on transactions with affiliates, other than such restrictions as are applicable to Bermuda companies generally. Credicorp's bye-laws provide that a director may not vote with respect to any contract or proposed contract or arrangement in which that director has an interest or a conflict of interest. Credicorp has not engaged in any transactions with related parties except through our subsidiaries.

Credicorp's consolidated financial statements as of December 31, 2010, 2011 and 2012 include transactions with related parties. For its 2010, 2011 and 2012 consolidated financial statements, Credicorp defines related parties as (i) related companies, (ii) its board of directors, (iii) its key executives (defined as the management of our holdings) and (iv) enterprises that are controlled by these individuals or entities through majority shareholding or their role as chairman or principal executive officer in those companies.

The following table shows Credicorp's main transactions with related companies as of December 31, 2010, 2011 and 2012.

	Related companies		
	2010	2011	2012
	(U.S. Dollars in thousands)		
Direct loans	US\$265,566	US\$258,088	US\$448,353
Investments available-for-sale	120,486	139,676	171,025
Deposits	101,979	72,264	237,610
Contingent credits	26,994	38,927	52,556
Interest income related to loans	7,002	5,755	7,851
Interest expense related to deposits	1,707	1,564	6,651
Derivatives at fair value	(1,335)	(1,491)	(1,833)
Other income	US\$2,327	US\$2,147	US\$2,136

Credicorp made these loans, contingent operations and derivative contracts with related parties in the ordinary course of business and in accordance with the normal market terms available to other customers. Outstanding loan balances at the year-end are guaranteed by collateral given by the related party. The loans to related companies as of December 31, 2012 have maturity dates ranging between January 2013 and August 2022 and an accrued annual interest average of 7.76% (and as of December 31, 2011 had a maturity between January 2012 and October 2019 and an accrued annual interest average of 7.55%). As of December 31, 2012, we recorded a US\$0.7 million provision for doubtful debt in connection with loans to related parties and as of December 31, 2011 this provision amounted to US\$1.5 million. The amount of this provision is established based on an assessment, performed on a continuous basis, of the financial position of each related party and the market in which it operates.

As of December 31, 2010, 2011 and 2012, Credicorp's directors, officers and employees had been involved, directly and indirectly, in credit transactions with certain subsidiaries, as permitted by Peruvian Law No. 26702. This law regulates and limits certain transactions with employees, directors and officers of banks and insurance companies in Peru. As of December 31, 2010, 2011 and 2012, direct loans to employees, directors and key management of Credicorp amounted to US\$140.0 million, US\$176.5 million and US\$247.2 million, respectively. These loans have been granted in the ordinary course of business and on market terms as allowed by regulations promulgated under Section 402 of Sarbanes-Oxley. Therefore, no privileged conditions have been granted on any type of loans to directors and executive officers. These loans are paid monthly and earn interest at rates that are similar to market rates for comparable loans.

Credicorp does not grant directors or key personnel loans that are guaranteed with its shares or shares of its other companies.

(C)

Interests of Experts and Counsel

Not applicable.

ITEM 8. FINANCIAL INFORMATION

(A) Consolidated Statements and Other Financial Information

Legal Proceedings

We, along with our subsidiaries, are involved in certain legal proceedings that arise in the normal course of conducting business. We do not believe that any liabilities that may result from such proceedings would have a material adverse effect on our financial condition or results of operations, or on the financial condition or results of operations of any of our subsidiaries.

The following is a description of material ongoing litigation as of the date of this Annual Report.

Madoff Trustee Litigation. On September 22, 2011, the Trustee for the liquidation of Bernard L. Madoff Investment Securities LLC (“BLMIS”), and the substantively consolidated estate of Bernard L. Madoff (“the Madoff Trustee”) filed a complaint against Credicorp’s subsidiary ASB (the “Madoff Complaint”) in the U.S. Bankruptcy Court for the Southern District of New York (the “Bankruptcy Court”), pending under adversary proceeding number 11-02730 (BRL). The Madoff Complaint seeks recovery of approximately US\$120 million. This amount is alleged to be equal to amount of funds that ASB managed in Atlantic US Blue Chip Fund that were invested in Fairfield Sentry Fund Limited (hereafter “Fairfield Sentry”) and redeemed, along with returns thereon between the end of 2004 and the beginning of 2005. The Madoff Complaint further alleges that Fairfield Sentry was a “feeder fund” that invested in BLMIS; that the Madoff Trustee filed an adversary proceeding against Fairfield Sentry, seeking to avoid and recover the initial transfers of monies from BLMIS to Fairfield Sentry; that on June 7 and 10, 2011, the Bankruptcy Court approved a settlement among the Madoff Trustee, Fairfield Sentry and others; and that the Madoff Trustee is entitled to recover the sums sought from ASB as “subsequent transfers” or “avoided transfers” from BLMIS to Fairfield Sentry that Fairfield Sentry in turn subsequently transferred to ASB. The Madoff Trustee has filed similar actions against numerous other alleged “subsequent transferees” that invested in Fairfield Sentry and its sister entities which, in turn, invested and redeemed funds from BLMIS. ASB’s counsel and the Madoff Trustee have entered into a stipulation extending ASB’s time to move, answer or otherwise respond to the Madoff Complaint through June 24, 2013. Management believes that ASB has substantial defenses against the Madoff Trustee’s claims alleged in the Madoff Complaint and intends to contest these claims vigorously.

In addition, ASB, as well as other defendants, filed a motion to withdraw the reference to Bankruptcy Court pursuant to an Administrative Order entered by the Bankruptcy Court on March 15, 2012 directing that all defendants to pending adversary proceedings brought by the Madoff Trustee file their motions to withdraw the reference no later than April 2, 2012. ASB’s Management considers that the Madoff Complaint against ASB raises several important issues that it believes require interpretation of federal, non-bankruptcy law and which interpretation should be addressed by a U.S. federal district court as opposed to a federal bankruptcy court. The Federal District Court for the

Southern District of New York (the “District Court”) established various consolidated briefing procedures and schedules which have directly impacted the action pending against ASB, including with respect to one or more of the other issues advanced in support of ASB’s Motion to Withdraw the Bankruptcy Court Reference (the “Withdrawal Motion”). The District Court has now ruled on many of those motions. The District Court has to date declined to dismiss the complaints, but issued several rulings regarding legal standards that will apply to the litigation of the cases before the Bankruptcy Court, to which the Federal District Court remanded the cases.

Fairfield Litigation. On April 13, 2012, Fairfield Sentry Limited (In Liquidation) and its representative, Kenneth Kryz (the “Fairfield Liquidator”), filed a complaint against ASB (the “Fairfield Complaint”) pursuant to Chapter 15 of the U.S. Bankruptcy Code, in the Bankruptcy Court, styled as Fairfield Sentry Limited (In Liquidation) v. Atlantic Security Bank, Adv. Pro. No. 12-01550 (BRL) (the “Fairfield v. ASB Adversary Proceeding”). The Fairfield Complaint seeks to recover the amount of US\$115,165,423.28, reflecting ASB’s redemptions of certain investments in Fairfield Sentry, together with investment returns thereon. These are essentially the same moneys that Madoff Trustee seeks to recover in the Madoff Trustee Litigation described above. Thereafter, the Fairfield v. ASB Adversary Proceeding was procedurally consolidated by the Bankruptcy Court with other adversary actions brought by the Fairfield Liquidator against former investors in Fairfield Sentry. Pursuant to that consolidation, and by stipulation of the parties, the Bankruptcy Court’s previously entered stay of all proceedings in the Fairfield Liquidator adversary actions (except for the filing of amended complaints) in light of pending litigation in the British Virgin Island courts (and now before the Privy Council of Great Britain) calling into question the Fairfield Liquidator’s ability to seek recovery of funds invested with and redeemed from Fairfield Sentry, was applied in the Fairfield v. ASB Adversary Proceeding, thereby indefinitely extending ASB’s time to answer, move or otherwise respond to the Fairfield Complaint until the stay is lifted. On January 14, 2013, the Fairfield Liquidator filed an Amended Complaint in the Fairfield v. ASB Adversary Proceeding seeking the same amount of recovery as in the original Fairfield Complaint but adding additional allegations and causes of action. The Bankruptcy Court stay remains in effect, and ASB’s time to answer, move or otherwise respond to the Amended Complaint remains stayed indefinitely pending further order of the Bankruptcy Court. Management believes it has substantial defenses against the Fairfield Liquidator’s claims alleged in the Amended Complaint and intends to contest these claims vigorously.

ASB believes it has substantial defenses against the Fairfield Liquidators' claims alleged in the Amended Complaint and intends to contest these claims vigorously.

Government Investigations

Neither we, nor any of our subsidiaries, are involved in any government investigation.

Dividend Policy

Pursuant to Bermuda law, we may declare and pay dividends from time to time provided that after payment of the dividends: (i) we are able to pay our liabilities as they become due, and (ii) the realizable value of our assets is not less than the aggregate value of our liabilities, issued share capital, and share premium accounts. We cannot make any assurances as to the amount of any dividends or as to whether any dividends will be paid at all, although we currently intend to declare and pay dividends annually, and our Board of Directors currently expects to authorize the payment of an annual dividend to the shareholders of no less than 25% of our consolidated net income. However, our payment of dividends is subject to Bermuda law and to the discretion of our Board of Directors. The Board's decision will depend on (i) general business conditions, (ii) our financial performance, (iii) the availability of dividends from our subsidiaries and any restrictions on their payment, and (iv) other factors that the Board may deem relevant.

We rely almost exclusively on dividends from our subsidiaries for the payment of our corporate expenses and for the distribution of dividends to holders of our common shares. Subject to certain reserve and capital adequacy requirements under applicable banking and insurance regulations, we are able to cause our subsidiaries to declare dividends. To the extent our subsidiaries do not have funds available or are otherwise restricted from paying us dividends, our ability to pay dividends on our common shares will be adversely affected. Currently, there are no restrictions on the ability of Grupo Crédito, BCP, ASHC and Grupo Pacífico or any of our other subsidiaries to pay dividends abroad. In addition, Grupo Crédito, BCP, and Grupo Pacífico intend to declare and pay dividends in Nuevos Soles, while we intend to declare and pay dividends in U.S. Dollars. If the value of the Nuevo Sol falls relative to the U.S. Dollar between the date of declaration and the date of payment of dividends, the value of the dividends we pay would be adversely affected. See "Item 3. Key Information—(A) Selected Financial Data—Exchange Rates."

The following table shows cash and stock dividends that we paid in the periods indicated:

Year ended December 31,	Number of Shares Entitled to Dividends	Cash Dividends	Stock Dividends
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		Per Share	Per Share
2000	94,382,317	US\$ 0.10	0.00
2001	94,382,317	US\$ 0.10	0.00
2002	94,382,317	US\$ 0.40	0.00
2003	94,382,317	US\$ 0.30	0.00
2004	94,382,317	US\$ 0.40	0.00
2005	94,382,317	US\$ 0.80	0.00
2006	94,382,317	US\$ 1.10	0.00
2007	94,382,317	US\$ 1.30	0.00
2008	94,382,317	US\$ 1.50	0.00
2009	94,382,317	US\$ 1.70	0.00
2010	94,382,317	US\$ 1.95	0.00
2011	94,382,317	US\$ 2.30	0.00
2012	94,382,317	US\$ 2.60	0.00

On February 27, 2013, our Board of Directors declared a cash dividend of US\$2.60 per common share held at the close of business on April 16, 2013. This dividend will be distributed on May 10, 2013.

ITEM 9. THE OFFER AND LISTING**(A) Offer and Listing Details***Price History of Credicorp's Stock*

Our common shares have been traded on the New York Stock Exchange since October 25, 1995 under the symbol BAP. Our common shares also trade on the Lima Stock Exchange. They are quoted in U.S. Dollars on both the New York Stock Exchange and the Lima Stock Exchange. The table below sets forth, for the periods indicated, the reported high and low closing prices and average daily trading volume for our common shares on the New York Stock Exchange.

	High	Low	Average Daily Volume
2008	US\$80.33	US\$28.18	399,661
2009	US\$76.74	US\$32.23	359,807
2010	US\$124.90	US\$69.02	253,573
2011	US\$117.31	US\$82.25	477,181
2012	US\$147.86	US\$103.01	272,320
2011			
First quarter	US\$117.31	US\$95.18	383,499
Second quarter	US\$105.57	US\$82.55	837,742
Third quarter	US\$102.79	US\$82.25	429,899
Fourth quarter	US\$111.41	US\$89.44	256,847
2012			
First quarter	US\$129.51	US\$103.01	272,304
Second quarter	US\$133.88	US\$117.22	258,480
Third quarter	US\$128.71	US\$112.09	290,887
Fourth quarter	US\$147.86	US\$124.19	267,531
2013			
First quarter	US\$163.33	US\$140.61	286,386
Second quarter (through April 24)	US\$162.64	US\$145.21	406,399

Source: Bloomberg

The table below sets forth, for the periods indicated, the reported high and low closing prices and average daily trading volume for our common shares on the Lima Stock Exchange.

	High	Low	Average Daily Volume
	(U.S. Dollars)		
2008	80.16	28.90	15,483
2009	76.35	32.53	11,713
2010	124.79	69.40	6,114
2011	118.67	82.50	9,732
2012	146.70	102.76	5,523
2011			
First quarter	118.67	95.20	7,721
Second quarter	105.30	85.00	11,631
Third quarter	102.40	82.50	11,984
Fourth quarter	111.10	88.50	7,655
2012			
First quarter	128.85	102.76	9,418
Second quarter	130.94	115.33	4,341
Third quarter	128.00	112.20	4,049
Fourth quarter	146.70	124.50	3,911
2013			
First quarter	158.76	140.66	6,438
Second quarter (through April 24)	161.66	145.00	4,948

Source: Bloomberg

The table below sets forth, for the indicated months, the reported high and low closing prices for our common shares on the New York Stock Exchange.

	High	Low
	(U.S. Dollars)	
2012		
October	129.34	124.19
November	141.58	130.15
December	147.86	137.34
2013		
January	158.97	149.19
February	158.80	142.95
March	166.33	149.33
April (through April 24)	162.64	145.21

Source: Bloomberg

The table below sets forth, for the indicated months, the reported high and low closing prices for our common shares on the Lima Stock Exchange.

	High	Low
	(U.S. Dollars)	
2012		
October	128.40	124.50
November	140.40	130.70
December	146.70	136.50
2013		
January	159.90	146.50
February	158.60	143.00
March	158.76	148.53
April (through April 24)	161.66	145.00

Source: Bloomberg

On April 24, 2013, the last sale price of our common shares on the New York Stock Exchange was US\$148.54 per share. On April 24, 2013, the closing price of our common shares on the Lima Stock Exchange was US\$147.5.

(B)

Plan of Distribution

Not applicable.

(C)

Markets

The Lima Stock Exchange

(i)

Trading

As of December 2012, there were 282 companies listed on the Bolsa de Valores de Lima (Lima Stock Exchange). The Lima Stock Exchange is Peru's only securities exchange and was established in 1970. Trading on the Lima Stock Exchange is primarily done on an electronic trading system. Trading hours are Monday through Friday as follows: 8:20 a.m.-8:30 a.m. (pre-market ordering); 8:30 a.m.-3.00 p.m. (trading); and 3:00 p.m.-3:10 p.m. (after-market sales). These trading hours became effective on March 12, 2012. Equity securities may also be traded in an open outcry auction floor session, which was the exclusive method of trading equity securities prior to the introduction of electronic trading. Nearly 100% of all transactions on the Lima Stock Exchange currently take place on the electronic system.

Transactions during both the open trading and the electronic sessions are executed through brokerage firms and stock brokers on behalf of their clients. Brokers submit their orders in strict accordance with written instructions, following the chronological order in which they were received. The orders specify the type of security ordered or offered as well as the amounts and the price of the sale or purchase. In general, share prices are permitted to increase or decrease up to 15% for Peruvian companies, and up to 30% for foreign companies, within a single trading day.

The Peruvian stock market capitalization, in U.S. Dollar terms, amounted to US\$ 160,867 million in 2010, US\$ 121,596 million in 2011 (-24.4%) and US\$ 153,404 million in 2012 (+26.2%). This increase was due to the better performance of the companies encountered on the Mining and Banking sector.

Total traded volume was 6,749 million shares in 2010, 7,817 million shares in 2011 (+12.9%) and 7,617 million shares in 2012 (-2.6%). These figures are far from the record level obtained in 2007, when trading volume reached 12,400 million shares. Resembling the typical volume distribution, 80.2% of the traded amount in 2012 was concentrated in equity securities, 7.5% was concentrated in fixed-income securities and 12.3% was concentrated in repurchase transactions.

The Índice General de la Bolsa de Valores de Lima (the General Index of the Lima Stock Exchange or IGBVL) closed at 20,629.35 points (+5.94%). After the international financial crisis that caused a serious reduction in the IGBVL (near 60%), in 2009 and 2010 the index gained 101% and 65%, respectively, before dropping by 16.7% in 2011.

(ii)

Market Regulation

The Securities Market Law (Legislative Decree 861) addresses matters such as transparency and disclosure, takeovers and corporate actions, capital market instruments and operations, the securities markets and broker-dealers, and risk rating agencies. The SMV, a governmental entity attached to Peru's Ministry of Economy and Finance, was given additional responsibilities relating to the supervision, regulation, and development of the securities market, while the Lima Stock Exchange and its member firms were given the status of self-regulatory organizations. Additionally, a unified system of guarantees and capital requirements was established for the Lima Stock Exchange and its member firms.

SMV is governed by a five-member board, which includes an independent director and the Superintendent, whose appointed by the government. SMV has broad regulatory powers. These powers include studying, promoting, and making rules for the securities market, supervising its participants, and approving the registration of public offerings of securities.

SMV supervises the securities markets and the dissemination of information to investors. It also (i) governs the operations of the Public Registry of Securities and Brokers, (ii) regulates mutual funds and their management companies, (iii) monitors compliance with accounting regulations by companies under its supervision as well as the accuracy of financial statements and (iv) registers and supervises auditors who provide accounting services to those companies under SMV's supervision.

On August 22, 1995, SMV approved regulations governing the public offering of securities in Peru by entities organized outside of Peru and, for the first time, authorized foreign companies to be listed on the Lima Stock Exchange. On October 25, 1995, we became the first non-Peruvian company to list our shares on the Lima Stock Exchange. See "Item 4. Information on the Company—(B) Business Overview—(11) Supervision and Regulation."

Pursuant to the Securities Market Law, the Lima Stock Exchange must maintain a guarantee fund that is funded by its member firms. The actual contributions to be made by the 24 member firms of the Lima Stock Exchange are based on volume traded over the exchange. In addition to the guarantee fund managed by the Lima Stock Exchange, each member firm is required to maintain a guarantee for operations carried on outside the exchange in favor of SMV. Such guarantees are generally established through bank guarantees issued by local banks.

(D) Selling Shareholders

Not applicable.

(E) Dilution

Not applicable.

(F) Expenses of the issue

Not applicable.

ITEM 10. ADDITIONAL INFORMATION

(A) Share Capital

Not applicable.

(B) Memorandum and Articles of Association

“Item 10. Additional Information—Memorandum and Articles of Incorporation” from our Annual Report on Form 20-F dated June 27, 2003 is incorporated herein by reference.

At our Annual General Shareholders’ Meeting held on March 31, 2005, we adopted an amendment to our bye-laws that increased the number of our directors from six to eight. In addition, we also removed provisions that established a classified board structure with staggered terms, adopting instead fixed three-year terms to be served until the end of the Annual General Shareholders’ Meeting for the year in which the three-year period expires.

(C) Material Contracts

As of the date hereof, we have not, nor have our subsidiaries, entered into any material contracts.

(D)

Exchange Controls

We have been designated as a non-resident for Bermuda exchange control purposes, and therefore, there are no restrictions on our ability to transfer non-Bermuda funds in and out of Bermuda or to pay dividends to United States residents who are holders of our common shares.

We rely almost exclusively on dividends from Grupo Crédito, BCP, ASHC, Grupo Pacífico, and our other subsidiaries for the payment of dividends to holders of our common shares. To the extent our subsidiaries are restricted by law from paying us dividends, our ability to pay dividends on our common shares will be adversely affected.

In addition, we present our financial statements and pay dividends in U.S. Dollars. BCP and Grupo Pacífico prepare their financial statements and pay dividends in Nuevos Soles. If the value of the Nuevo Sol were to fall relative to the U.S. Dollar between the date of declaration and the date of payment of dividends, the value of the dividends we receive from our subsidiaries would be adversely affected. On an overall basis, the Peruvian currency has appreciated against the US. Dollar during the last decade.

Although substantially all of the customers of BCP, ASB and Grupo Pacífico are located in Peru, as of December 31, 2012, approximately 59.9% of BCP's loan portfolio, 100% of ASHC's loan portfolio, and 73.5% of Grupo Pacífico's gross premiums were denominated in U.S. Dollars. Most of the borrowers or insureds of these three companies use Nuevos Soles. Therefore, a devaluation of the Nuevo Sol would effectively increase the cost to the borrower of repaying its loans and the cost to the insured of making its premium payments. As a result, devaluation could lead to more nonperforming loans or unpaid premiums for BCP, ASB and Grupo Pacífico.

One circumstance that could lead to devaluation is a decline in Peruvian foreign reserves to inadequate levels. Although the current level of Peru's foreign reserves compares favorably with those of other Latin American countries (US\$ 63,986 million at December 28, 2012), there can be no assurance that Peru will be able to maintain adequate foreign reserves to meet its foreign currency-denominated obligations or that Peru will not devalue its currency should its foreign reserves decline. See "Item 4. Information on the Company—(B) Business Overview—(9) Peruvian Government and Economy".

Since March 1991, there have been no exchange rate controls in Peru and all foreign exchange transactions are based on free market exchange rates. Current Peruvian regulations on foreign investment allow the foreign holders of equity shares of Peruvian companies to receive and repatriate 100% of the cash dividends distributed by the company. These investors are allowed to purchase foreign exchange at free market exchange rates through any member of the Peruvian banking system.

(E)

Taxation

At the present time, there is no Bermuda income or profits tax, withholding tax, capital gains tax, capital transfer tax, estate duty, or inheritance tax that we must pay or our shareholders must pay with respect to their shares. We have obtained an assurance from the Minister of Finance of Bermuda under the Exempted Undertakings Tax Protection Act 1966 that, in the event that any legislation is enacted in Bermuda imposing any tax on profits or income, or on any capital asset, gain, or appreciation or any tax in the nature of an estate duty or inheritance tax, such tax shall not, until March 28, 2016, be applicable to us or to any of our operations or to our shares, debentures, or other obligations. This assurance, however, does not cover any tax applicable to persons who ordinarily reside in Bermuda or to any taxes that we must pay with respect to real property that we own or lease in Bermuda.

As an exempted company, we are liable to pay in Bermuda an annual government fee based upon our authorized share capital and the premium on our issued common shares, which amounted to approximately US\$18,670 in 2012.

On February 15, 2011, the Peruvian government enacted Law 29663. On July 21, 2011 Law 29663 was amended by Law 29757. This new law 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 issued by a non-resident entity will be subject to taxation in Peru (30% or 5%) if at any point during the 12 prior months to such transfer:

- a. 50% or more of the fair market value of the foreign shares -to be transferred- is derived from shares or participation rights representing the equity capital of one or more Peruvian entities. There is a rebuttable presumption that the threshold is met if the non-resident entity is a resident in a tax haven.
- b. The shares to be transferred represent at least 10% or more of the equity capital of the non-resident entity.

At the same time, two new obligations were imposed on Peruvian domiciled companies:

- (1) 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

- (2) Each Peruvian domiciled company is jointly liable 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, except in the event that the purchaser or acquirer of the shares is a Peruvian individual or entity.

The effectiveness of the obligations mentioned in (1) and (2) above is subject to additional regulations which have not been enacted yet by the Peruvian government. Until definitive regulations are enacted by the Peruvian government, which may clarify any obligation by Credicorp to withhold income tax for non-Peruvian domiciled transferors, we do not know what impact, if any, this new law will have on our company, subsidiaries or shareholders.

(F) Dividends and Paying Agents

Not applicable.

(G) Statement by Experts

Not applicable.

(H) Documents on Display

The documents referred to in this Annual Report are available for inspection at our registered office.

(I) Subsidiary Information

Not applicable.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

We also seek to raise our interest margins by obtaining above-average market margins, net of allowances, through lending to commercial and retail borrowers with a range of credit products. Such exposures involve not just on-balance sheet loans and advances; we also enter into guarantees and other commitments such as letters of credit

and performance. We also trade in financial instruments where we take positions in traded and over-the-counter instruments, including derivatives, to take advantage of short-term market movements in equities, bonds, currencies and interest rates.

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

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

Risk Management Structure

Our Board of Directors and the boards of each subsidiary are ultimately responsible for identifying and controlling risks; however, there are separate independent bodies in the major subsidiaries (BCP, Grupo Pacífico, ASB, Edyficar and Prima AFP) responsible for managing and monitoring risks, as further explained below:

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

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

In addition, in order to effectively manage all the risks, the Risk Management Committee is divided into the following tactical committees which report on a monthly basis all changes or issues in the managed risks:

Credit Risk Committee -

The Credit Risk Committee is responsible of reviewing the tolerance level, limits of exposure, the objective, guidelines and policies for managing credit risk, the delegation of authority and the supervision and establishment of autonomy for taking credit risks and the metrics for measuring performance incorporating risk variables. Also, it is responsible of approving the methodologies, models, parameters, scenarios, processes, stress tests and manuals to identify, measure, treat, monitor, control and report all the market risks to which the Group is exposed. Furthermore, it proposes the approval of any changes to the functions described above and reports any finding to the Risk Management Committee.

The Credit Risk Committee is mainly composed by the Chief Risk Executive, the Manager of the Credit Division and the Manager of the Risk Management Area.

Treasury and ALM Risk Committee -

The Treasury and ALM Risk Committee is responsible of reviewing the tolerance level, limits of exposure, the objective, guidelines and policies for managing market risks, the delegation of authority and the supervision and establishment of autonomy for taking market risks, and the metrics for measuring performance incorporating risk

variables. Also, it is responsible of approving the methodologies, models, parameters, processes and manuals to identify, measure, treat, monitor, control and report all the market risks to which the Group is exposed. Furthermore, it proposes the approval of any changes of the functions described above and reports any finding to the Risk Management Committee.

The Treasury and ALM Risk Committee is mainly composed by the Chief Risk Executive, the Manager of the Risk Management Area, the Manager of the Treasury Risk Area and the Manager of the Treasury Division.

Operational Risk Committee -

The Operational Risk Committee is responsible of reviewing the tolerance level, limits of exposure, the objective, guidelines and policies for managing operational risks and the mechanisms for implementing corrective actions. Also, it is responsible of approving: (i) the standard methodology for measuring operational risks, (ii) the taxonomy of operational risks and controls and (iii) all the critical processes of the Group. Furthermore, it proposes the approval of any changes to the functions described above and reports any finding to the Risk Management Committee.

The Credit Risk Committee is mainly composed by the Chief Risk Executive, the Manager of the Risk Management Area, the Manager of the Operational Risk Management Department, the Manager of the Internal Audit Division.

Chief Risk Office: The Chief Risk Office is responsible for implementing policies, procedures, methodologies and actions to identify, measure, monitor, mitigate, report and control the different types of risks to which the Group is (c) exposed. Also, it participates in the design and definition of the strategic plans of the business units to ensure that they are framed within the risk appetite metrics approved by the Board of Directors.

The Chief Risk Office is divided into the following areas:

Risk Management Area

The Risk Management Area is responsible of ensuring that policies and risk management policies established by the Board of Directors are compliant and monitored. The Risk Management Area is composed by the Credit Risk Management Department, Market Risk Management Department, the Operational Risk Management Department and the Insurance Risk Management Department.

Treasury Risk Area

The Treasury Risk Area is responsible of planning, coordinating and monitoring the compliance of the Treasury Division with risk measurement methodologies and limits approved by the Risk Management Committee. Also, it is responsible to assess the effectiveness of hedge derivatives and the valuation of investments.

Consumer and Micro-business Risk Area

The Consumer and Micro-business Risk Area is responsible of ensuring the quality of the retail loans portfolio and of developing credit standards in line with the guidelines and risk levels defined by the Board of Directors.

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

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

Risk Measurement and Reporting Systems

The models make use of probabilities derived from historical experience, adjusted to reflect the economic environment. We also examine worst case scenarios that might arise if extreme and unlikely events do, in fact, occur.

Monitoring and controlling risks are primarily performed based on limits that we establish. These limits reflect our business strategy, the market environment and the level of risk that we are willing to accept. In addition, we monitor and measure our overall risk bearing capacity relative to our aggregate risk exposure across all risk types and activities.

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

Risk Mitigation

As part of our overall risk management, we use derivatives and other instruments to manage exposures resulting from changes in interest rates, foreign currencies, equity risk and credit risk.

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

We actively use collateral to reduce credit risks.

Excessive Risk Concentration

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

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

Market Risk

We take on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in fixed income securities, derivatives, currencies and equity products; all of which are exposed to general and specific market movements and changes in the level of volatility of prices such as interest rates, credit spreads, foreign exchange rates and equity prices.

We separate exposures to market risk into two groups: (i) those that arise from value fluctuation of trading portfolios due to movements of market rates or prices (trading book) and (ii) those that arise from changes in the structural positions of non-trading portfolios due to movements of the interest rates, prices and foreign exchange rates (ALM book).

The risks that trading portfolios face are managed through VaR historical simulation techniques; while non-trading portfolios are managed using ALM.

Trading Book

The trading book has liquid positions in equities, bonds, foreign currencies and derivatives, each arising from market-making transactions where the Group acts as a principal with the clients or with the market. This portfolio includes investments and derivatives classified by management as held for trading.

(i)

Value at Risk (VaR)

Based upon a number of assumptions for various changes in market conditions, we apply VaR to our trading portfolios to estimate the market risk of our positions and our maximum losses.

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

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

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

The assessment of past movements has been based on historical one-year data and 89 market risk factors, which are composed as follows: 20 market curves, 58 stock prices, 10 mutual funds values and one volatility series. The Group applies these historical changes in rates directly to its current positions (a method known as historical simulation). The Company believes the market risk factors incorporated into its VaR model are adequate to measure the market risk to which the Group’s trading book is exposed.

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

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

In VaR calculations, the foreign exchange effect is not included and as such the calculation is measured assuming a constant exchange rate (See Item 11, Trading Book, (ii) Backtesting, ALM Book, Foreign Exchange Risk).

As of December 31, 2012, 2011 and 2010, our VaR by type of asset were as follows:

	2012	2011	2010
	US\$(000)	US\$(000)	US\$(000)
Equity investments	2,759	234	76
Debt investments	2,311	4,763	2,427
Swaps	309	3,957	2,516

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Forwards	1,871	6,325	2,091
Options	49	9	97
Diversification effect	(4,962)	(7,707)	(3,749)
Consolidated VaR by type of asset (1)	2,337	7,581	3,458
(1)	Amplified to the Holding, 10 days period.		

As of December 31, 2012, 2011 and 2010, our VaR by risk type were as follows:

	2012	2011	2010
	US\$(000)	US\$(000)	US\$(000)
Interest rate risk	2,787	7,596	3,500
Price risk	2,759	234	76
Volatility risk	1	4	25
Diversification effect	(3,210)	(253)	(143)
Consolidated VaR by risk type (1)	2,337	7,581	3,458
(1)	Amplified to the Holding, 10 days period.		

The information disclosed in these charts addresses the VaR calculation for the entire consolidated Group. However, minimum, maximum and average VaR calculations are estimated only for BCP's trading book. The reason for this is that, although the trading book positions for the entire Group are consolidated once a year in order to calculate a VaR for reporting purposes, Credicorp calculates VaR on a daily basis only for BCP. Therefore, since there is not a sufficient sample for the Group, minimum, maximum and average VaR are calculated only for the BCP subsidiary. Nonetheless, the Company believes it is relevant information considering that BCP's trading risk is very close to the total trading risk of the Group's portfolio.

For the years ended December 31, 2012 and 2011, the BCP's consolidated VaR is as follows:

	2012	2011
	US\$(000)	US\$(000)
Average daily	7,209	6,251
Highest	14,974	10,333
Lowest	1,887	3,212

(ii)

Backtesting

Backtesting is performed on a trading book to verify the predictive power of the VaR calculations. Backtesting compares results of the positions considered for the calculation of VaR and the calculation of the VaR from the previous day.

Backtesting exceptions occur when real losses exceed the estimated VaR for the previous day. In order for a backtesting analysis to be considered valid, it should be based on a minimum of 252 observations, and when it consists of 504 observations (2 years of data), a moving window is created.

Every month, back-testing exceptions are analyzed and reports are prepared to explain the results. These reports are presented to the Risk Committee of the Treasury and ALM, our risk management committees and our senior Management.

Backtesting is also estimated only for BCP's trading book, since it should be based on a minimum of 252 observations and the Group's VaR is consolidated only once a year for reporting purposes.

During 2012, BCP did not record any exceptions. During 2011, BCP recorded one backtesting exception, when actual losses exceeded daily VaR limits (based on 252 observations); therefore, we believe that the VaR model is statistically correct. This exception was due to an increase along the PEN curve, especially for the short term

(iii)

Stress test

A stress test is calculated for the Group. The test calculates the maximum loss that the Group incurs in light of daily shocks to the market from March 18, 2008 until the effective date of the stress test. The maximum loss is considered

the outcome for the Stress test.

The methodology for the stress test assumes a certain “holding period” until positions can be closed (1 - 10 days). The time horizon used to calculate the losses is one day; however, the final figures are amplified to a 10-day time frame and the final calculation is determined by multiplying the one-day losses times the square root of 10. This adjustment will be exact only if the changes in the portfolio in the following days have a normal distribution that is identical and independent; otherwise, the worst loss of 10 days will be an approximation.

The results of our stress test as of December 31, 2012, 2011 and 2010, by type of asset, were as follows:

	2012	2011	2010
	US\$(000)	US\$(000)	US\$(000)
Equity investments	9,922	1,330	1,115
Debt investments	5,554	5,209	5,832
Swaps	2,820	4,321	5,566
Forwards	9,644	7,426	3,533
Options	172	27	156
Diversification effect	(14,370)	(7,394)	(9,551)
Consolidated VaR by type of asset	13,743	10,919	6,651

The results of our stress test as of December 31, 2012, 2011 and December 31, 2010, by risk type, were as follows:

	2012	2011	2010
	US\$(000)	US\$(000)	US\$(000)
Interest rate risk	10,784	10,985	6,664
Price risk	9,922	1,330	1,115
Volatility risk	3	8	136
Diversification effect	(6,966)	(1,404)	(1,264)
Consolidated VaR by risk type	13,743	10,919	6,651

ALM Book

The management of risks associated with long-term and structural positions is called ALM. Non-trading portfolios which comprise the ALM book are exposed to different sensitivities that can bring about deterioration in the value of the Group's assets relative to its liabilities and hence can reduce the Group's net worth.

Interest-Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to both fair value interest rate risk and cash flow interest rate risk. Interest margins may increase as a result of such changes but may also decrease in the event that unexpected movements arise. The Board sets limits on the level of mismatch of interest rate re-pricing that may be undertaken, which is monitored monthly by the Market Risk Management Unit.

Re-pricing Gap

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

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

	As of December 31, 2012						Total US\$(000)
	Up to 1 month US\$(000)	1 to 3 months US\$(000)	3 to 12 months US\$(000)	1 to 5 years US\$(000)	More than 5 years US\$(000)	Non-interest bearing US\$(000)	
Assets							
Cash and due from banks	6,600,786	32,762	49,288	19,312	-	1,146,957	7,849,105
Receivables from reverse repurchase agreements and security borrowing	1,199,700	518	-	-	-	-	1,200,218
Investments							
Investments	332,967	1,284,701	1,908,865	1,307,115	1,890,216	1,124,245	7,848,109
Loans	2,573,312	5,835,736	4,258,041	5,152,617	2,952,916	-	20,772,622
Assets designated at fair value through profit and loss	740	4	2,817	5,082	11,412	87,083	107,138
Premiums and other policies receivables	-	-	-	-	-	183,983	183,983
Accounts receivable from re-insurers and co-insurers	-	-	-	-	-	167,460	167,460
Other assets	-	-	-	-	-	2,668,486	2,668,486
Total assets	10,707,505	7,153,721	6,219,011	6,484,126	4,854,544	5,378,214	40,797,121
Liabilities							
Deposits and obligations	6,587,944	1,218,407	7,824,254	1,666,669	119,781	6,623,365	24,040,420
Payables from repurchase agreements and security lending	1,097,358	438,336	342,647	-	-	-	1,878,341
Due to banks and correspondents	387,469	647,311	743,474	591,645	265,497	50,865	2,686,261
Liabilities designated at fair value through profit or loss	-	-	-	-	-	68,536	68,536
Accounts payable to reinsurers and coinsurers	-	-	-	-	-	96,124	96,124
Technical, insurance claims reserves and reserves for unearned premiums	28,244	27,358	80,366	359,231	701,489	418,311	1,614,999
Bonds and subordinated notes issued	645,994	14,607	53,114	1,412,375	2,648,566	8,732	4,783,388

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Other liabilities	-	-	-	-	-	1,263,717	1,263,717
Equity	-	-	-	-	-	4,365,335	4,365,335
Total liabilities and equity	8,747,009	2,346,019	9,043,855	4,029,920	3,735,333	12,894,985	40,797,121
Off-Balance sheet items							
Derivatives assets	365,338	448,243	236,937	311,622	98,054	-	1,460,194
Derivatives liabilities	173,992	305,055	262,070	533,902	185,175	-	1,460,194
	191,346	143,188	(25,133)	(222,280)	(87,121)	-	-
Marginal gap	2,151,842	4,950,890	(2,849,977)	2,231,926	1,032,000	(7,516,771)	-
Accumulated gap	2,151,842	7,102,732	4,252,755	6,484,681	7,516,771	-	-

	As of December 31, 2011						
	Up to 1 month US\$(000)	1 to 3 months US\$(000)	3 to 12 months US\$(000)	1 to 5 years US\$(000)	More than 5 years US\$(000)	Non-interest bearing US\$(000)	Total US\$(000)
Assets							
Cash and due from banks	4,246,213	78,627	54,071	29,383	-	1,094,568	5,502,862
Investments	373,863	918,258	1,657,330	832,015	1,430,167	779,580	5,991,212
Loans	2,162,685	4,925,920	3,257,678	4,363,071	2,212,879	-	16,922,233
Assets designated at fair value through profit and loss	239	-	1,012	7,043	4,937	76,872	90,103
Premiums and other policies receivables	-	-	-	-	-	174,367	174,367
Accounts receivable from re-insurers and co-insurers	-	-	-	-	-	151,080	151,080
Other assets	-	-	-	-	-	1,882,540	1,882,540
Total assets	6,783,000	5,922,805	4,970,091	5,231,512	3,647,982	4,159,007	30,714,397
Liabilities							
Deposits and obligations	4,373,417	873,441	6,663,716	1,314,787	87,798	5,390,688	18,703,847
Payables from repurchase agreements and security lending	-	-	250,000	-	-	-	250,000
Due to banks and correspondents	463,660	170,703	683,052	562,815	121,513	58,277	2,060,020
Liabilities designated at fair value through profit or loss	-	-	-	-	-	75,366	75,366
Technical, insurance claims reserves and reserves for unearned premiums	23,622	19,418	59,191	303,226	596,492	376,349	1,378,298
Bonds and subordinated notes issued	711,515	2,737	33,934	1,289,361	1,856,528	71,447	3,965,522
Other liabilities	-	-	-	-	-	818,704	818,704
Equity	-	-	-	-	-	3,462,640	3,462,640
Total liabilities and equity	5,572,214	1,066,299	7,689,893	3,470,189	2,662,331	10,253,471	30,714,397
Off-Balance sheet items							
Derivatives assets	495,709	255,321	485,646	202,705	-	-	1,439,381
Derivatives liabilities	14,595	66,720	317,161	972,288	68,617	-	1,439,381
	481,114	188,601	168,485	(769,583)	(68,617)	-	-
Marginal gap	1,691,900	5,045,107	(2,551,317)	991,740	917,034	(6,094,464)	-
Accumulated gap	1,691,900	6,737,007	4,185,690	5,177,430	6,094,464	-	-

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	As of December 31, 2010						
	Up to 1	1 to 3	3 to 12	1 to 5	More than 5	Non-interest	Total
	month	months	months	years	years	bearing	
	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)
Assets							
Cash and due from banks	5,567,838	1,325,201	26,999	-	-	1,624,377	8,544,415
Investments	535,658	274,790	256,872	860,605	1,088,441	867,450	3,883,816
Loans	1,903,439	3,931,178	2,594,608	3,753,193	1,777,237	-	13,959,655
Assets designated at fair value through profit and loss	-	40	1,443	2,999	6,047	168,526	179,055
Premiums and other policies receivables	-	-	-	-	-	129,136	129,136
Accounts receivable from re-insurers and co-insurers	-	-	-	-	-	160,249	160,249
Other assets	-	-	-	-	-	1,534,831	1,534,831
Total assets	8,006,935	5,531,209	2,879,922	4,616,797	2,871,725	4,484,569	28,391,157
Liabilities							
Deposits and obligations	6,366,203	4,150,629	2,379,260	518,882	42,574	4,360,570	17,818,118
Due to banks and correspondents	511,317	509,355	958,955	118,143	110,017	32,533	2,240,320
Accounts payable to re-insurers and co-insurers	-	-	-	-	-	60,775	60,775
Technical, insurance claims reserves and reserves for unearned premiums	51,258	31,035	139,700	188,801	432,951	352,578	1,196,323
Bonds and subordinated notes issued	840,256	38,807	137,381	419,553	1,518,419	27,502	2,981,918
Other liabilities	-	-	250,000	-	-	913,452	1,163,452
Equity	-	-	-	-	-	2,930,251	2,930,251
Total liabilities and equity	7,769,034	4,729,826	3,865,296	1,245,379	2,103,961	8,677,661	28,391,157
Off-Balance sheet items							
Derivatives assets	507,560	348,181	245,977	179,503	25,922	-	1,307,143
Derivatives liabilities	280,099	351,836	331,670	291,862	51,676	-	1,307,143
	227,461	(3,655)	(85,693)	(112,359)	(25,754)	-	-
Marginal gap	465,362	797,728	(1,071,067)	3,259,059	742,010	(4,193,092)	-
Accumulated gap	465,362	1,263,090	192,023	3,451,082	4,193,092	-	-

Sensitivity to Changes in Interest Rates

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

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The sensitivity of the consolidated income statement reflects the effect of the assumed changes in interest rates on the net interest income for one year before income tax and non-controlling interest, based on the floating rate of non-trading financial assets and financial liabilities held at December 31, 2012 and 2011, including the effect of derivatives instruments. The sensitivity of consolidated comprehensive income is calculated by revaluing, at various interest rates, our fixed rate available-for-sale financial assets before income tax and non-controlling interest. The analysis includes the effect of any associated hedges and derivative instruments designated as cash flow hedges, as of December 31, 2012, 2011 and 2010:

Currency	As of December 31, 2012		
	Changes in	Sensitivity of	Sensitivity of
	basis points	net income	comprehensive income
	US\$(000)	US\$(000)	US\$(000)
U.S. Dollar	+/- 50	+/- 26,026	-/+ 87,437
U.S. Dollar	+/- 75	+/- 39,039	-/+ 131,155
U.S. Dollar	+/- 100	+/- 52,052	-/+ 174,874
U.S. Dollar	+/- 150	+/- 78,079	-/+ 262,310
Peruvian Currency	+/- 50	-/+ 505	-/+ 59,708
Peruvian Currency	+/- 75	-/+ 757	-/+ 89,561
Peruvian Currency	+/- 100	-/+ 1,009	-/+ 119,415
Peruvian Currency	+/- 150	-/+ 1,514	-/+ 179,123

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

Currency	As of December 31, 2010		
	Changes in	Sensitivity of	Sensitivity of
	basis points	net income	comprehensive income
	US\$(000)	US\$(000)	US\$(000)
U.S. Dollar	+/- 50	+/- 8,607	-/+ 57,293
U.S. Dollar	+/- 75	+/- 12,911	-/+ 85,940
U.S. Dollar	+/- 100	+/- 17,215	-/+ 114,587
U.S. Dollar	+/- 150	+/- 25,822	-/+ 171,880
Peruvian Currency	+/- 50	-/+ 1,658	-/+ 32,541

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Peruvian Currency +/- 75	-/+ 2,487	-/+ 48,812
Peruvian Currency +/- 100	-/+ 3,317	-/+ 65,083
Peruvian Currency +/- 150	-/+ 4,917	-/+ 97,624

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

Our positions held in equity securities, mutual funds and hedge funds are not considered part of investment securities for sensitivity calculation purposes; however, presented below is a table that demonstrates how our expected unrealized gain or loss (before income taxes) on equity securities, mutual funds, and hedge funds (as of December 31, 2011 and December 31, 2012) would correspond to changes in market prices of these securities at the 10%, 25% and 30% levels:

Market price sensitivity	Changes in market prices %		2012	2011	2010
			US\$(000)	US\$(000)	US\$(000)
Equity securities	+/-	10	62,406	47,942	54,052
Equity securities	+/-	25	156,016	119,854	135,129
Equity securities	+/-	30	187,219	143,825	162,155
Mutual funds	+/-	10	14,791	6,871	7,714
Mutual funds	+/-	25	36,976	17,177	19,285
Mutual funds	+/-	30	44,372	20,612	23,142
Hedge funds	+/-	10	2,505	2,786	993
Hedge funds	+/-	25	6,263	6,964	2,482
Hedge funds	+/-	30	7,515	8,357	2,978

Commitments in liabilities at fair value (short sales) are related to fixed income and equity financial instruments, and have maturities of one month or less; therefore, the Group expects minimal price fluctuations. As a result, the Group is not subject to significant price risk on these financial liabilities.

Foreign Exchange Risk

Our financial position and cash flows are exposed to foreign currency exchange rates. Our management sets limits on the level of total exposure to foreign currencies, which are monitored daily.

Foreign currency transactions are executed using the free market exchange rates applicable in countries in which Credicorp's subsidiaries operate. As of December 31, 2012, 2011 and 2010, the Group's assets and liabilities by currencies were as follows:

2012	U.S. Dollars US\$(000)	Peruvian currency US\$(000)	Other currencies US\$(000)	Total US\$(000)
Monetary assets -				
Cash and due from banks	4,864,941	2,811,102	173,062	7,849,105
Receivables from reverse repurchase agreements and security borrowing	7,500	-	1,192,718	1,200,218
Investments				
Trading securities	70,406	36,557	69,788	176,751
Available-for-sale investments	2,566,998	4,315,913	528,784	7,411,695
Investments held-to-maturity pledged as collateral	150,097	109,566	-	259,663
Loans, net	11,338,280	8,731,467	702,875	20,772,622
	78,218	28,920	-	107,138

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Financial assets designated to fair value through profit and loss				
Other assets	390,209	861,137	184,907	1,436,253
	19,466,649	16,894,662	2,852,134	39,213,445
Monetary liabilities -				
Deposits and obligations	(10,839,721)	(12,299,579)	(901,120)	(24,040,420)
Payables from repurchase agreements and security lending	(651,664)	(117,647)	(1,109,030)	(1,878,341)
Due to bank and correspondents and borrowed funds	(1,835,540)	(652,240)	(198,481)	(2,686,261)
Liabilities designated at fair value through profit or loss	-	-	(96,124)	(96,124)
Technical reserves, insurance claims reserves and reserves for unearned premiums	(1,032,693)	(582,306)	-	(1,614,999)
Bonds and subordinated notes issued	(3,818,484)	(835,663)	(129,241)	(4,783,388)
Other liabilities	(514,113)	(679,152)	(138,988)	(1,333,253)
	(18,692,215)	(15,166,587)	(2,572,984)	(36,431,786)
	774,434	1,728,075	279,150	2,781,659
Forwards position, net	(575,212)	318,871	256,341	-
Currency swaps position, net	(37,466)	65,782	(28,316)	-
Cross-currency swaps position, net and interest rate swaps position, net	(60,322)	(28,872)	89,194	-
Options	18,279	(18,279)	-	-
Net monetary position	119,713	2,065,577	596,369	2,781,659

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2011	U.S. Dollars US\$(000)	Peruvian currency US\$(000)	Other currencies US\$(000)	Total US\$(000)
Monetary assets -				
Cash and due from banks	3,848,401	1,528,576	125,885	5,502,862
Trading securities	18,416	57,195	-	75,611
Available-for-sale investments	2,402,643	3,156,017	356,941	5,915,601
Loans, net	9,734,175	6,773,628	414,430	16,922,233
Financial assets designated to fair value through profit and loss	90,103	-	-	90,103
Other assets	684,549	479,663	122,773	1,286,985
	16,778,287	11,995,079	1,020,029	29,793,395
Monetary liabilities -				
Deposits and obligations	(9,282,891)	(8,718,597)	(702,359)	(18,703,847)
Payables from repurchase agreements and security lending	(250,000)	-	-	(250,000)
Due to bank and correspondents and borrowed funds	(1,755,816)	(304,204)	-	(2,060,020)
Technical reserves, insurance claims reserves and reserves for unearned premiums	(994,522)	(383,776)	-	(1,378,298)
Bonds and subordinated notes issued	(3,491,135)	(474,387)	-	(3,965,522)
Other liabilities	(478,792)	(364,334)	(50,944)	(894,070)
	(16,253,156)	(10,245,298)	(753,303)	(27,251,757)
	525,131	1,749,781	266,726	2,541,638
Forwards position, net	339,606	(346,262)	6,656	-
Currency swaps position, net	(167,263)	167,263	-	-
Cross-currency swaps position, net and interest rate swaps position, net	(197,659)	82,226	115,433	-
Options	3,269	(3,269)	-	-
Net monetary position	503,084	1,649,739	388,815	2,541,638
2010				
	U.S. Dollars US\$(000)	Peruvian currency US\$(000)	Other currencies US\$(000)	Total US\$(000)
Monetary assets -				
Cash and due from banks	3,555,965	4,747,802	240,648	8,544,415
Trading securities	59,020	56,548	-	115,568
Available-for-sale investments	2,162,738			