Ernst & Young
Quality In Everything We Do

Translation of a report originally issued in Spanish - See Note 30 to the consolidated financial statements

Independent auditor's report

To the shareholders and Board of Directors of Banco de Crédito del Perú

1. We have audited the accompanying consolidated financial statements of Banco de Crédito del Perú (a subsidiary of Credicorp Ltd., a holding incorporated in Bermuda) and Subsidiaries which comprise the consolidated balance sheets as of December 31, 2008 and 2007, and the consolidated statements of income, changes in shareholders' equity and cash flows for each of the three years ended December 31, 2008, 2007 and 2006, and the summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

2. Management is responsible for the preparation and fair presentation of the consolidated financial statements of Banco de Crédito del Perú and Subsidiaries in accordance with accounting principles prescribed by the Superintendencia de Banca, Seguros y AFP (SBS) for Peruvian financial entities. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

3. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with generally accepted auditing standards in Peru. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Bank's preparation and fair presentation of the consolidated financial

Independent auditor's report (continued)

statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

4. In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Banco de Crédito del Perú and Subsidiaries as of December 31, 2008 and 2007, and the consolidated results of its operations and its consolidated cash flows for each of the three years ended December 31, 2008, 2007 and 2006; in accordance with accounting principles prescribed by the Superintendencia de Banca, Seguros y AFP (SBS) for Peruvian financial entities.

Lima, Peru,
February 26, 2009

Medina, Zaldívar, Paredes & Asociados

Countersigned by:

Cristian Emmerich
C.P.C. Register Nº19-289

Translation of consolidated financial statements originally issued in Spanish - See Note 30

Banco de Crédito del Perú and Subsidiaries

Consolidated balance sheets

As of December 31, 2008 and 2007

	Note	2008 S/(000)	2007 S/(000)
Assets			
Cash and due from banks:	4		
Cash and clearing		1,962,928	1,640,603
Deposits in Peruvian Central Bank		6,132,268	5,388,548
Deposits in local and foreign banks		2,890,521	1,356,262
Accrued interest on cash and due from banks		7,480	14,461
		10,993,197	8,399,874
Interbank funds		90,123	14,982
Trading, available-for-sale and held-to-maturity investments, net	5	9,532,750	8,938,054
Loans, net	6	32,047,997	23,899,174
Permanent investments, net	7	158,285	105,232
Property, furniture and equipment, net	8	843,336	676,766
Other assets, net:			
Financial instruments at fair value through profit and loss	9	620,472	753,139
Other, net	9	1,209,000	926,521
Total assets		55,495,160	43,713,742
Off-balance sheet accounts -	18		
Contingent operations		20,425,840	16,218,719
Other		254,182,743	165,883,022
Total		274,608,583	182,101,741

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

Translation of consolidated financial statements originally issued in Spanish - See Note 30

Banco de Crédito del Perú and Subsidiaries

Consolidated balance sheets

As of December 31, 2008 and 2007

	Note	2008 S/(000)	2007 S/(000)
Liabilities and shareholders' equity			
Deposits and obligations	10	43,780,574	32,700,088
Interbank funds		123,243	307,042
Due to banks and correspondents	11	3,581,527	4,064,569
Bonds and subordinated notes issued	12	2,497,227	2,160,284
Other liabilities, net	9	1,412,657	1,273,924
Total liabilities		51,395,228	40,505,907
Shareholders' equity	14		
Capital stock		1,508,288	1,286,528
Legal reserve		546,519	546,519
Special reserve		781,865	491,350
Accumulated results from cash flow hedges		(71,286)	-
Retained earnings		1,334,546	883,438
Total shareholders' equity		4,099,932	3,207,835
Total liabilities and shareholders' equity		55,495,160	43,713,742
Off-balance sheet accounts -	18		
Contingent operations		20,425,840	16,218,719
Other		254,182,743	165,883,022
Total		274,608,583	182,101,741

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

Translation of consolidated financial statements originally issued in Spanish - See Note 30

Banco de Crédito del Perú and Subsidiaries

Consolidated income statements

For the years ended December 31, 2008, 2007 and 2006

	Note	2008	2007	2006
		S/(000)	S/(000)	S/(000)
Financial income and expenses				
Financial income	19	3,855,812	2,883,881	2,250,418
Financial expenses	19	(1,692,166)	(1,138,649)	(810,418)
Gross financial margin		2,163,646	1,745,232	1,440,000
Provision for loan losses, net	20	(272,463)	(185,142)	(147,532)
		1,891,183	1,560,090	1,292,468
Gain (loss) for exchange difference		49,435	(38,932)	(77,105)
Net financial margin		1,940,618	1,521,158	1,215,363
Non - financial income				
Commissions from banking services, net	21	990,698	883,586	755,002
Net gain on securities	22	74,955	57,526	25,087
Net gain on foreign exchange transactions		324,420	184,667	136,559
Other non - financial income	23	234,586	364,138	222,015
		1,624,659	1,489,917	1,138,663
Operating expenses				
Salaries and employees' benefits	24	(831,247)	(1,016,326)	(757,584)
Administrative expenses		(622,785)	(510,093)	(424,216)
Depreciation and amortization	8(a) and 9(e)	(137,827)	(128,707)	(120,667)
Provision for seized assets	9(g)	(7,343)	(11,596)	(9,668)
Taxes and contributions		(61,197)	(54,600)	(48,273)
Goodwill amortization		(980)	(5,880)	(5,880)
Other operating expenses	23	(230,220)	(62,127)	(54,835)
		(1,891,599)	(1,789,329)	(1,421,123)
Income before workers' profit sharing and income tax		1,673,678	1,221,746	932,903
Workers' profit sharing	13(b)	(41,557)	(40,746)	(35,504)
Income tax	13(b)	(297,575)	(297,562)	(235,825)
Net income		1,334,546	883,438	661,574
Basic and diluted earnings per share (in Nuevos Soles)	25(b)	0.8848	0.5857	0.4386
Weighted average number of outstanding shares, adjusted by stock splits (in thousands)	25(a)	1,508,288	1,508,288	1,508,288

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

Translation of consolidated financial statements originally issued in Spanish - See Note 30

Banco de Crédito del Perú and Subsidiaries

Consolidated statements of changes in shareholders' equity

For the years ended December 31, 2008, 2007 and 2006

	Number of outstanding shares (in thousands)	Capital stock S/(000)	Legal reserve S/(000)	Special reserve S/(000)	Accumulated results from cash flow hedges S/(000)	Retained earnings S/(000)	Total S/(000)
Balances as of January 1, 2006	1,286,528	1,286,528	546,519	258,965	-	699,096	2,791,108
Transfer to special reserve, note 14(c)	-	-	-	107,293	-	(107,293)	-
Cash dividends, note 14(d)	-	-	-	-	-	(591,803)	(591,803)
Net income	-	-	-	-	-	661,574	661,574
Balances as of December 31, 2006	1,286,528	1,286,528	546,519	366,258	-	661,574	2,860,879
Transfer to special reserve, note 14(c)	-	-	-	125,092	-	(125,092)	-
Cash dividends, note 14(d)	-	-	-	-	-	(536,482)	(536,482)
Net income	-	-	-	-	-	883,438	883,438
Balances as of December 31, 2007	1,286,528	1,286,528	546,519	491,350	-	883,438	3,207,835
Capitalization of income, note 14(a)	221,760	221,760	-	-	-	(221,760)	-
Transfer to special reserve, note 14(c)	-	-	-	290,515	-	(290,515)	-
Cash dividends, note 14(d)	-	-	-	-	-	(371,163)	(371,163)
Net loss from valuation of derivative financial instruments, note 9(c)(ii)	-	-	-	-	(71,286)	-	(71,286)
Net income	-	-	-	-	-	1,334,546	1,334,546
Balances as of December 31, 2008	1,508,288	1,508,288	546,519	781,865	(71,286)	1,334,546	4,099,932

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

Translation of consolidated financial statements originally issued in Spanish - See Note 30

Banco de Crédito del Perú and Subsidiaries

Consolidated cash flows statements

For the years ended December 31, 2008, 2007 and 2006

	2008 S/(000)	2007 S/(000)	2006 S/(000)
Cash flows from operating activities			
Net income	1,334,546	883,438	661,574
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for loan losses, net of recoveries	270,267	185,142	147,532
Depreciation and amortization	137,827	128,707	120,667
Goodwill amortization	980	5,880	5,880
Deferred income tax and workers' profit sharing	(40,664)	(35,924)	(18,336)
Recovery of provision for buildings impairment, net	-	-	(14,540)
Provision for seized assets	7,343	11,596	9,668
Loss (gain) from valuation of indexed certificates	190,994	(207,819)	-
Net gain from sale of securities	(74,955)	(57,526)	(25,087)
Net gain from sale of seized assets	(41,641)	(39,710)	(41,075)
Changes in asset and liability accounts:			
Other assets	65,998	(526,997)	155,871
Other liabilities	(319,765)	443,116	100,058
Net cash provided by operating activities	1,530,930	789,903	1,102,212

Translation of consolidated financial statements originally issued in Spanish - See Note 30

Consolidated statements of cash flows (continued)

	2008 S/(000)	2007 S/(000)	2006 S/(000)
Cash flows from investing activities			
Sales of property, furniture and equipment	5,600	5,115	42,386
Sales of seized assets	65,660	65,021	95,735
Purchase of intangible assets	(97,496)	(79,036)	(49,111)
Purchase of property, furniture and equipment	(270,823)	(152,435)	(103,174)
Net cash used in investing activities	(297,059)	(161,335)	(14,164)
Cash flows from financing activities			
Net increase of deposits and obligations	10,896,687	5,995,106	3,804,828
Net purchase of trading securities	(529,842)	(3,019,496)	(560,105)
Net (purchase) sale of permanent investments	(21,093)	(9,100)	15
Net (decrease) increase of due to banks and correspondents and inter-bank funds	(558,183)	2,871,872	(1,927,327)
Net increase of bonds and subordinated notes issued	336,943	455,739	163,158
Net increase of loan portfolio	(8,393,897)	(5,972,536)	(2,348,799)
Cash paid for purchase of loan portfolio	-	(11,602)	-
Cash dividends	(371,163)	(536,482)	(591,803)
Net cash provided by (used in) financing activities	1,359,452	(226,499)	(1,460,033)
Net increase (decrease) in cash and cash equivalents	2,593,323	402,069	(371,985)
Cash and cash equivalents at the beginning of year	8,399,874	7,997,805	8,369,790
Cash and cash equivalents at the end of year	10,993,197	8,399,874	7,997,805
Supplementary cash flow information			
Cash paid during the year for:			
Interest	1,402,722	1,087,145	770,897
Income tax	385,660	239,834	251,702

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

Banco de Crédito del Perú and Subsidiaries

Notes to the consolidated financial statements

As of December 31, 2008 and 2007

1. Operations

Banco de Crédito del Perú (hereinafter "the Bank" or "BCP") was incorporated in 1889 and is a subsidiary of Credicorp Ltd. (a holding incorporated in Bermuda in 1995), which owns 97.41 percent of its capital stock as of December 31, 2008 (97.33 percent of its capital stock as of December 31, 2007).

The address of the Bank's main office is Calle Centenario N°156, La Molina, Lima, Peru. As of December 31, 2008, the Bank and its Subsidiaries had 330 branches and agencies in Peru and 2 branches abroad (273 branches and agencies in Peru and 2 branches abroad as of December 31, 2007).

The Bank, whose operations are governed by the "Ley General del Sistema Financiero y de Seguros y Orgánica de la Superintendencia de Banca, Seguros y AFP" (General Law of the Financial and Insurance Systems and Organic of the SBS – Law 26702), hereinafter the "Banking Law", is authorized by the SBS to operate as a universal bank, in accordance with prevailing Peruvian legislation. The Bank is authorized to receive third-party deposits and invest them, together with its own capital, in loan s and securities acquisitions; likewise, the Bank may grant guarantees and letters of credit, engage in financing transactions or banking service and other activities as allowed by the Banking Law. Likewise, the Bank may engage in underwriting and brokerage activities and may establish and manage mutual funds, among other similar activities, provided that those activities are carried out by subsidiaries organized for such purposes.

The accompanying consolidated financial statements include the Bank's financial statements and those of its Subsidiaries in which the Bank has more than 50 percent of direct or indirect participation. The main financial data of the Bank and its Subsidiaries (hereafter "the Group"), which are included in the consolidation process as of December 31, 2008 and 2007, before eliminations for consolidation purposes, is as follows:

Entity	Activity and country	Percentage of participation		Assets		Liabilities		Equity		Net income (loss)	
		2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
		%	%	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
Banco de Crédito del Perú	Banking, Peru	-	-	52,548,933	41,286,745	48,449,001	38,078,910	4,099,932	3,207,835	1,334,546	883,438
Banco de Crédito de Bolivia and Subsidiaries	Banking and financial, Bolivia	95.92	95.92	2,946,248	2,459,293	2,611,122	2,206,986	335,126	252,307	138,082	78,965
Inversiones BCP Ltda.	Holding, Chile	99.99	99.99	125,455	86,397	21,038	-	104,417	86,397	13,868	9,142
Crédito Leasing S.A.	Financial, Peru	100.00	100.00	772,904	970,524	696,993	899,377	75,911	71,147	9,321	20,440
Credifondo S.A.F. - Sociedad Administradora de Fondos – SAF	Mutual funds management, Peru	100.00	100.00	88,542	77,840	3,947	6,618	84,595	71,222	33,566	34,504
Creditítulos Sociedad Titulizadora S.A.	Securitization management, Peru	100.00	100.00	4,254	4,195	259	226	3,995	3,969	223	197
Credibolsa - Sociedad Agente de Bolsa S.A.	Brokerage, Peru	100.00	100.00	34,565	56,123	11,219	22,227	23,346	33,896	14,094	24,644
Solución Financiera de Crédito del Perú S.A.	Financial, Peru	100.00	100.00	112,060	121,758	86,854	106,426	25,206	15,332	1,379	1,428

Entity	Activity and country	Percentage of participation		Assets		Liabilities		Equity		Net income (loss)	
		2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
		%	%	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
Inmobiliaria BCP S.A.	Real estate, Peru	100.00	100.00	2,773	8,043	145	8	2,628	8,035	1,435	(96)
Inversiones Conexas S.A. (*)	Real estate, Peru	-	100.00	-	4,338	-	34	-	4,304	-	1,871
BCP - Sociedad de Propósito Especial (*)	Securitization management, Peru	-	100.00	-	486	-	1	-	485	-	(526)

(*) Entities absorbed by Inmoviliaria BCP S.A. on June 16, 2008.

The consolidated financial statements as of December 31, 2007 and for the year then ended, were approved by the General Shareholders Meeting dated March 28, 2008. The accompanying consolidated financial statements as of December 31, 2008, were approved by the Audit Committee and Management on February 25, 2009, and will be submitted for their final approval by the Board of Directors and the General Shareholders Meeting within the period established by law. In Management's opinion, the accompanying consolidated financial statements will be approved by the Board of Directors and the General Shareholders Meeting without modifications.

2. Significant accounting policies

In the preparation and presentation of the accompanying consolidated financial statements, the Bank and its Subsidiaries' Management has complied with the regulations established by the Superintendencia de Banca, Seguros y AFP (hereinafter "SBS" for its Spanish acronym) in force in Peru as of December 31, 2008 and 2007. Significant accounting principles and practices used in the preparation of the Bank and its Subsidiaries' consolidated financial statements are the following:

(a) Basis for presentation, use of estimates and accounting changes -

(i) Basis for presentation and use of estimates -

The accompanying consolidated financial statements have been prepared from the Bank's accounting records which are maintained in nominal Peruvian currency (Nuevos Soles), in accordance with SBS regulations and, supplementally, with International Financial Reporting Standards - IFRS approved and in force in Peru as of December 31, 2008 and 2007, see paragraph (x.2) below.

The Subsidiaries and branches' accounting records are maintained in the currency of the country of their incorporation and their balances are translated into Nuevos Soles for consolidation purposes using the exchange rate prevailing as of the date of each balance sheet. The resulting translation differences are recognized in the consolidated income statements. The financial statements of the subsidiaries and branches were standardized to the applicable SBS accounting rules.

The preparation of the consolidated financial statements requires Management to make estimates that affect the reported amounts of assets, liabilities, income and expenses and the disclosure of material events in the notes to the consolidated financial statements. Actual results could differ from those estimates. Estimates are continually evaluated and are based on historical experience and other factors. The most significant estimates used in relation to the accompanying consolidated financial statements are the computation of the allowance for loan losses, the valuation of investments, the estimated useful life and recoverable amount of property, furniture and equipment and intangible assets (including goodwill), the provision for seized assets, and the valuation of derivative financial instruments. The accounting criteria used for each of these items are described in this note.

(ii) Accounting changes -

On November 19, 2008, the SBS issued Resolution Nº 11356-2008 "Regulation for the Evaluation and Classification of Debtors and Provisioning Requirements", which replaces Resolution Nº 808-2003 and modifications thereto, see paragraph (e) below. This Resolution will take effect on January 1, 2010; nevertheless, the following requirements apply from December 1, 2008: the generic provisioning percentage for loans classified as normal (equivalent to 1 percent) was modified to specific percentages for each type of loan, see note 6(e) and; the prociclycal provisioning requirement came into force. The purpose of this provisioning requirement is, when certain macroeconomic conditions prevail, to include an additional provision to the fixed percentage described above for loans classified as normal. As of December 31, 2008, as the macroeconomic conditions for the activation of the procyclical provisioning requirement were met, financial institutions had to record at least two thirds of the required provision; the balance must be recorded no later than February 28, 2009. Nevertheless, the Bank and its Subsidiaries recorded as of December 31, 2008 one hundred percent of the required provision.

On September 22, 2006, the SBS issued Resolution N° 1237-2006 "Risk Management Standards for Retail Borrowers with High Leverage Levels", which established a provisioning requirement aimed to cover unused revolving credit lines of micro-business and consumer loans; these provisions had to be recorded from June 30, 2007 onwards. On July 16, 2007, the SBS issued Resolution N° 930-2007 which modified the indicated date of implementation, being the new date January 31, 2008. Finally, on August 26, 2008, the SBS issued Resolution N° 6941-2008 "Risk Management Standards for Retail Borrowers with High Leverage Levels", allowing an extenstion up to December 31, 2008 to comply with the provisioning requirement and replacing Resolution N° 1237-2006. Resolution N° 6941-2008 updates and reinforces the matters contained in Resolution N° 1237-2006; however, the provisioning requirements for unused revolving lines for micro-business and consumer loans were not modified. In Management's opinion, under the criteria established in Resolutions N° 6941-2008, the Bank is not required to record any additional provision to those already recorded as of December 31, 2008.

(b) Consolidation -

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

Subsidiaries are consolidated from the date on which effective control is transferred to the Bank and are no longer consolidated from the date that control ceases. The consolidated financial statements include the financial statements of the entities described in note 1, which are part of Banco de Crédito del Perú Group, hereinafter "BCP Group".

All inter-company transactions, balances and unrealized surpluses and deficits between companies of the BCP Group have been eliminated in the consolidation process. The minority interest resulting from the consolidation process is not significant and, for such reason, is not presented as a separate caption in the consolidated financial statements.

The individual accounting records of the companies that comprise BCP Group comply with the information requirements established by the SBS and by the legal regulators of the countries where they are located; their financial statements, which are included in annual reports and other public financial information, are presented in accordance with those requirements.

The accounting records of the subsidiaries and branches established abroad are maintained in the local currency of each country. For consolidation purposes, their balances have been translated into Nuevos Soles, the reporting currency, by using the exchange rate prevailing as of the date of each balance sheet. All the translation differences have been recorded in the consolidated income statements.

(c) Financial instruments -

Financial instruments are classified as assets, liabilities or equity according to the substance of the contractual agreement that originated them. Interest, dividends, gains and losses generated by financial instruments classified as assets or liabilities are recorded as income or expense. Financial instruments are offset when the Bank and its Subsidiaries have a legally enforceable right to offset them and Management has the intention to settle them on a net basis or to realize the asset and settle the liability simultaneously.

Financial assets and liabilities carried in the consolidated balance sheet correspond to cash and due from banks, interbank funds, investments (trading, available-for-sale, held-to-maturity and permanent investments), financial instruments at fair value through profit and loss, loans, accounts receivable (presented in "Other assets, net" caption) and liabilities in general, except for the liability for deferred income tax and worker's profit sharing. In addition, all indirect loans are considered to be financial instruments. The specific accounting policies on recognition and measurement of these items are disclosed in the accounting policies described in this note.

(d) Recognition of revenues and expenses -
Interest income and interest expense are recognized on an accrual basis over the related contract period for the transaction and the interest rates determined based on negotiations with clients, except for interest generated from past due, refinanced, restructured or under legal collection loans, and loans classified in the categories of doubtful and loss. Interests related to such loans are recognized as revenue on a cash basis. When Management determines that the debtor's financial condition has improved and the loan is reclassified as current and/or in the categories of normal, with potential problems or substandard, interest is again recorded on an accrual basis.

Interest revenues include income on fixed income securities and trading securities, as well as discount and premium recognition on financial instruments.

Dividends are recognized as income when they are declared.

Commissions on financial services are recognized as income when collected, except for commissions related to the issuance of credit cards, which are recorded on an accrual basis.

Other revenues and expenses are recorded on an accrual basis.

(e) Loans and allowance for loan losses
Direct loans are recorded when disbursement of funds is made. Indirect (off-balance sheet) loans are recorded when documents supporting such facilities are issued. Loans with changes in their payment schedules due to difficulties in the debtors' compliance with original payment terms are considered refinanced or restructured.

Leasing transactions are recorded as financial leases, which are recognized as granted loans at the present value of future lease payments Financial revenues are based on a pattern that reflects a constant interest rate over the leasing period.

As of December 31, 2007 Management of the Bank and its Subsidiaries determined the allowance for loan losses in accordance with the guidelines established by SBS Resolution N° 808-2003 "Regulations for the Evaluation and Classification of Debtors and Provisioning Requirements" and modifications thereto. As of December 31, 2008, as explained in note 2(a)(ii), the provision for loan losses was determined using the criteria established by SBS Resolution N° 11356-2008 "Regulations for the Evaluation and Classification of Debtors and Provision Requirements" and SBS Resolution N° 6941-2008 "Risk Management Standards for Retail Borrowers with High Leverage Levels ". In accordance with such criteria, Management periodically conducts a formal review and analysis of the loan portfolio, classifying all clients/loans under one of the following risk categories: normal, potential problems, substandard, doubtful or loss, based on the client's non-payment risk.

For commercial loans, the risk classification takes into consideration several factors, such as the payment history of the loan, the Bank's history with the client/debtor's management, the debtor's operating history, repayment capability and availability of funds, the status of any collateral or guarantee received, the debtors' financial statements, its risk classification assigned by other financial institution, and other relevant factors. For micro-business, consumer and residential mortgage loans, the risk classification is based on how long payments are overdue.

In accordance with prevailing regulation, the computation of the allowance is made considering the risk classification assigned and using specific percentages, which vary depending on whether the client's debts are secured or not with highly liquid preferred guarantees (cash deposits and rights on letters of credit), or readily preferred guarantees (treasury bonds issued by the Peruvian Government, securities included in the Lima Stock Exchange Selective Index, among others) or preferred guarantees (primary lien/pledge on financial instruments, securities and property, agriculture or mining pledge, insurance on export credits, among others), considered at their net realizable value as determined by an independent appraiser. Likewise, for Credits Affected by Counterparty Substitution (CACS), the provision requirement, for the secured amount, depends on the risk classification of the counterparty, regardless of the risk classification of the client/debtor.

Likewise, when calculating the allowance for clients classified as doubtful or loss for more than 36 and 24 months, respectively, the value of any collateral is disregarded and the required allowance is calculated as if such loans were not supported by any collateral.

The allowance for direct loans is presented as an asset deduction, while the allowance for indirect loans is presented as a liability in the caption "Others liabilities, net", note 9(a).

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

As of December 31, 2008, the Bank has an allowance for loan losses that exceeds the minimum amount required by the SBS, with the aim of covering additional risks that are identified in the loan portfolio for approximately S/14.6 million (S/74.2 million as of December 31, 2007). This allowance complies with SBS requirements.

(f) Foreign currency transactions -

Assets and liabilities denominated in foreign currency are recorded by applying to the foreign currency amount the exchange rate prevailing at the transaction date and are expressed in Peruvian currency at the end of each month using the exchange rates established by the SBS, as explained in note 3. Exchange gains or losses generated from the restatement of foreign currency transactions at the exchange rates prevailing as of the dates of the consolidated balance sheets are recorded in the consolidated income statement.

(g) Derivative financial instruments -

Derivative financial insruments are recorded in accordanse wih SBS Resolution N° 1737-2006 "Regulation for Trading and Accounting of Derivatives for Financial Entities" and modifications thereto, as explained below:

Trading -

Derivative financial instruments are initially recognized in the consolidated balance sheet at cost; thereafter they are recognized at fair value. Fair values are obtained based on market exchange and interest rates. Gains and losses arising from changes in fair values are recorded in the consolidated income statements.

Foreign currency forwards and interest rate and currency swaps are recorded at their estimated fair value, with an asset or liability recognized in the consolidated balance sheet, as applicable, and the corresponding gain or loss being recognized in the consolidated income statement. In addition, forward and swap transactions are also recorded in off-balance sheet accounts at their notional amount; see note 18(d).

Hedging -

A derivative financial instrument that seeks to achieve a financial hedge for a given risk is designated as for "hedging purposes" if, at its negotiation, it is foreseen that the changes in fair value or cash flows are expected to be highly effective in offsetting the fair value or cash flow changes of the hedged item attributable to the hedge risk at the inception, which must be documented when the financial derivative is negotiated and during the period that the hedging relation exists. A hedge is considered as highly effective if the changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated are expected to offset in a range of 80 percent to 125 percent.

If the SBS considers the documentation to be unsatisfactory or finds weaknesses in the methodologies applied, it may require the immediate termination of the hedge relationship and the recording of the derivative financial instrument as trading.

As of December 31, 2008 and 2007, as indicated by the SBS, the Bank and its subsidiaries have derivative financial instruments for hedging purposes, see note 9(c).

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

As of December 31, 2008, the Bank has Certificates Indexed to Credicorp stock price that will be settled in cash (Certificates Indexed to Credicorp stock price and Credit Linked Notes - acquired in order to provide financial instruments with the same characteristics, risks and benefits to its clients - as of December 31, 2007); which are hybrid instruments with embedded derivatives that are not closely related to the risk of the host contract. In this regard, the Bank has decided to classify these instruments at fair value through profit and loss. Therefore, the separation of the embedded derivative is not required, notes 9(b) and 9(d).

(h) Trading, available-for-sale, and held-to-maturity investments -
Initially, the Bank and its Subsidiaries record these investments at their acquisition cost and afterwards at their valuation criteria in accordance with their classification, which is determined as follows:

- Trading securities – Investments maintained for sale in the short term and updated daily at their market value through individual valuation, recognizing gains and losses generated in the consolidated income statement.

  Interest income from these investments is recognized when accrued and dividends when declared.

- Available-for-sale securities - Investments that are not maintained for sale in the short term and are not to be held until their maturity. These investments are valued based on the overall portfolio at the lower of their average acquisition cost or estimated fair value. The allowances recorded for these investments do not affect the results of the period and are recorded in a specific equity account until the sale of the investments takes place. When sold, the unrealized losses, previously recognized reducing equity, are included in the results of the year. In the same way, when the Bank estimates that unrealized losses recorded are due to other than temporary impairment circumstances, such amount is recorded affecting the results of the year.

  Interest income from these investments is recognized when accrued and dividends when declared.

  Their book value of debt securities must be updated every month through the accrual of discounts or premiums.

- Securities held-to-maturity – Investments that Management has decided to maintain until their maturity. They are recorded at their acquisition cost, which must be individually adjusted for downgrades in the issuer's credit rating affecting the consolidated income statement. Interest accrued on, as well as any premium or discount amortizations related to these investments, are recognized monthly as part of the cost and in the consolidated income statement.

  An allowance is recorded individually for changes in the issuer's credit risk similar to the treatment for direct loans. This allowance affects the consolidated results of the year. The consolidated results of the year are not affected by fluctuations in their market value, except when a significant reduction occurs.

  If a held-to-maturity security is sold, any securities acquired from the same issuer cannot be recorded in this category within the term of one year, unless expressly authorized by the SBS.

The difference between the proceeds received from the sale of any of the above described investments and their book value is recognized in the consolidated income statement.

In any of the aforementioned cases, if the SBS deems necessary to require the constitution of a provision for any investment, such provision must be determined by the SBS based on each individual investment and recorded in the consolidated income statement.

As mentioned in paragraph (x.1) (i), SBS Resolution N° 10639-2008 and its modifications will replace the existing regulations on investments recognition and valuation in order to harmonize its requirements with the accounting criteria and practices established in IAS 39. Said Resolution will take effect starting March 2009 and should be applied prospectively.

(i) Permanent investments -

Comprise long term investments made in companies considered of interest for the Bank and its Subsidiaries. These investments are recorded using the equity participation method, i.e. the proportional gains or losses generated by the companies are recorded in the consolidated income statement.

The equity value must be determined according to SBS requirements. In the case of investments listed on security exchanges, when their market value shows a decreasing trend due to non-temporary circumstances, the SBS will require the recording of an allowance amounting to the difference between the market value and the book equity value.

As mentioned in paragraph (x.1) (i), SBS Resolution N° 10639-2008 and its modification will replace the existing rules on recognition and valuation of investments. In the case of permanent investments, they must be initially recorded at their fair value including transaction costs that are directly attributable to their acquisition; thereafter, these investments should be recorded using the equity method. Likewise, these investments will be described as "Investments in subsidiaries and associates" eliminating the "Permanent investments" category.

(j) Property, furniture and equipment and depreciation -

Property, furniture and equipment are recorded at acquisition cost, less accumulated depreciation and accumulated amount of impairment, if applicable. Maintenance and repair costs are charged to the consolidated income statement and significant renewals and improvements are capitalized when it is probable that future economic benefits, in excess of the originally assessed standard of performance, will flow from the asset. The cost, the corresponding accumulated depreciation and the impairment loss of an asset sold or retired are eliminated from the corresponding accounts and the related gain or loss is included in the consolidated income statement.

Work in progress and in transit units are accounted at their acquisition cost. These goods are not depreciated until they are received or finished and placed into service.

Land is not depreciated. Depreciation is computed on a straight-line basis over the following estimated useful lives:

	Years
Buildings and other constructions	33
Installations	10
Furniture and fixtures	10
Computer hardware	4
Equipment and vehicles	5

The useful life assigned and the selected depreciation method are periodically reviewed to ensure that they are consistent with the economic benefit and useful life expectations of property, furniture and equipment items.

(k) Seized assets, assets received as payments and realizable assets -
Realizable assets include assets purchased specifically for granting them as part of financial leasing operations and are recorded initially at their acquisition cost; assets not granted in leasing operations are recorded at the lower of cost or market value.

Seized assets (which include assets from terminated leasing contracts due to non-payment) are initially recorded at the lower of the value assigned to them through legal proceeding, out-of-court settlement, market value or at the unpaid value of the debt. At the time of initial recognition, a provision equivalent to 20 percent of the above determined value must be recorded; for this purpose it is permitted to reclassify the allowance for loan losses that was originally provided for the related loan.

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

- Assets that are not real estate - A monthly provision equivalent to one twelfth of the book value of the asset (net of the 20 percent provision) will be provided starting from the first month of seizure or recovery, until reaching a provision of one hundred percent of the seized or recovered value.

- Real estate – After the initial provision of 20%, the Bank records monthly provisions to amortize the remaining carrying value of the seized asset over a maximum period of three and a half years; the monthly provisions start twelve months after the initial recognition, unless the SBS grantsan extension to eighteen months. This means that the seized asset must be fully reserved at the end of three and a half years.

  The required update of the market value of seized assets (which should be determined by an independent appraiser and not older than 1 year), necessarily implies the constitution of an impairment provision, when the net realization value is lower than its net book value. If the net realization value is higher than the net book value, the increased value cannot be recognized for accounting purposes.

(l) Intangible assets -
Intangible assets included in the "Other assets, net" caption of the consolidated balance sheets comprise principally software acquisitions and developments used in the Bank and its Subsidiaries' operations. Software licenses acquired by the Bank and its Subsidiaries are measured at cost. These assets are amortized using the straight-line method based on their estimated useful lives, which are from 3 to 5 years.

The useful life and the amortization method are reviewed periodically to ensure that they are consistent with the anticipated pattern of economic benefits from intangible assets.

(m) Goodwill -
Goodwill included in the "Other assets, net" caption of the consolidated balance sheets, results from the difference between the estimated market value of the net assets acquired from the minority shareholders of Solución Financiera de Crédito del Perú S.A., and the amount paid for such assets on March 2003. Goodwill was amortized using the straight-line method over its estimated useful life, which was 5 years; therefore, as of December 31, 2008, goodwill is fully amortized.

(n) Bonds and subordinated notes issued -
Include the liability from the issuance of different types of bonds and subordinated notes, which are recorded at their nominal amount, recognizing the accrued interest in the consolidated results of the year. Discounts granted or premiums generated in their placement are deferred in the "Other assets, net" and "Other liabilities, net" captions of the consolidated balance sheets, respectively, and are amortized during the term of each bond, using the effective interest rate method.

(o) Income tax and workers' profit sharing -

Income tax and worker's profit sharing are computed based on taxable income determined for tax purposes, which is based on the appropriate income tax regulations that can differ from accounting principles used by the Bank and its Subsidiaries. The accounting for income tax and workers' profit sharing are in accordance with IAS 12.

Deferred income tax and workers' profit sharing reflect the effects of temporary differences between the carrying amounts of assets and liabilities for accounting purposes and the amounts determined for tax purposes. Deferred assets and liabilities are measured using the tax rates expected to be applied to taxable income in the years in which temporary differences are expected to be recovered or settled. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that arise from the manner in which the Bank and its Subsidiaries expect to recover or settle the carrying amount of their assets and liabilities at the consolidated balance sheet dates.

Deferred tax assets and liabilities are recognized without taking into consideration the time in which it is estimated that temporary differences will be written off. Deferred assets are recognized when sufficient future tax benefits are probable to recover the deferred assets. As at the date of the consolidated balance sheet, Management evaluates the non-recognized deferred assets and the balance of the recognized assets, recording deferred assets not previously recognized to the extent that probable future tax benefits will allow their recovery, or reducing the deferred assets to the extent that it is not likely that sufficient future tax benefits will be available to use part or all of the deferred assets recognized in the accounting records.

In accordance with the accounting standard (IAS 12), the Bank and its Subsidiaries determine their deferred tax and workers' profit sharing considering the tax rate applicable to non-distributed earnings; any additional tax on dividends distribution is recorded on the date a liability is recognized.

(p) Supplementary plan for workers' profit sharing -

The Bank has granted supplementary profit sharing participation to certain executives and employees who have at least one year of service, in the form of stock appreciation rights (SARs) over a certain number of Credicorp's shares (the Bank's main shareholder). Such SARs options are granted at the market price of the shares of Credicorp on the date of the grant and are exercisable at that price, allowing the employee to obtain a gain from the difference between the fixed exercise price of the share at the exercise date and the market price, note 16.

The recorded expense in each year is the estimated market value of the rights that can be exercised by the beneficiaries at the consolidated balance sheet dates. The price of the SARs is estimated using a binomial method in accordance with IFRS 2 "Share-based payments".

When the Bank changes the price or the terms of the SARs, the effect of such change is recognized in the consolidated income statement.

(q) Impairment -
When changes on certain events indicate that the value of an asset may not be recovered, the Bank and its Subsidiaries review the value of property, furniture and equipment, goodwill and intangible assets in order to determine if there is no permanent impairment in their values. When the book value of the asset exceeds its recoverable value, a loss for impairment is recognized in the consolidated income statements for each caption mentioned above. The recoverable value is the greater of the net sales price and its value in use. The net sale sprice is the amount that can be obtained from the sale of an asset in a free market, while the value in use is the present value of the estimated future cash flows by the continuous use of an asset and its disposal at the end of its useful life. The recoverable amounts are estimated for each asset or, if not possible, for each cash generating unit.

(r) Fiduciary activities -
Assets and revenues from fiduciary operations in which there is a commitment to return such assets to a client and in which the Bank and its Subsidiaries participate as a trustee, have been excluded from these consolidated financial statements, because the Bank and its Subsidiaries are not owners of such assets and they do not assume the risk and rewards of ownership. The Bank and its Subsidiaries record these transactions in the caption "Off-balance sheet accounts" of the consolidated balance sheets and the commissions for these activities are included in each caption "Other income" of the consolidated income statements.

(s) Provisions -
Provisions are only recognized when the Bank and its Subsidiaries have a present (legal) obligation as a result of past events, it is probable that an outflow of resources will be required to settle such obligation, and the amount has been reliably estimated. Provisions are reviewed in each period and are adjusted to reflect the best estimate as of the consolidated balance sheet date. When the effect of the time value of money is significant, the amount recorded as a provision is equal to the present value of future payments required to settle the obligation.

(t) Contingencies -

Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed in notes to the consolidated financial statements unless the possibility of an outflow of economic resources is remote.

Contingent assets are not recognized in the consolidated financial statements; however, they are disclosed when they are probable.

(u) Earnings per share -

Basic and diluted earnings per share are computed based on the weighted average number of shares outstanding at the consolidated balance sheet dates. Additional shares that should be issued due to the capitalization of retained earnings are deemed to be stock splits; thus, for the computation of the weighted average number of shares, they are considered as if they had always been issued.

As of December 31, 2008 and 2007, the Bank and its Subsidiaries do not have financial instruments with dilutive effects; therefore, basic and diluted earnings per share are the same.

(v) Sale and repurchase agreements -

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

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

(w) Cash and cash equivalents -
Cash and cash equivalents presented in the consolidated statements of cash flows correspond to deposits with less than a three-month maturity as of the acquisition date, including funds deposited in central banks and overnight deposits.

(x) New accounting rules -

(x.1) Accounting regulations issued by the SBS that do not apply for the year ended December 31, 2008 -

(i) Recording and valuation of investments-
SBS Resolution N° 10639-2008 dated October 31, 2008 and modification thereto, modified the "Regulations for Investment Classification, Valuation and Provisions" and the Accounting Manual for Financial Companies; in order to harmonize the SBS accounting treatment of investments with the classification and valuation criteria contained in IAS 39 (Financial Instruments: Recognition and Measurement). This Resolution will take effect in March 2009 and should be applied prospectively.

The Resolution establishes criteria for the classification and valuation of investments in one of the following categories: (i) investments at fair value through profit or loss, (ii) available-for-sale investments, (iii) held-to-maturity investments and (iv) investments in subsidiaries and associates; the permanent investments category is eliminated.

It also modifies the following criteria regarding paragraphs (h) and (i) above:

- Initial accounting –
The initial recording of investments at fair value through profit or loss shall be at fair value excluding transaction costs. In the case of other investment categories, they are recorded at fair value and include transaction costs that are directly attributable to the acquisition of the investments.

- Available-for-sale Investments –
Investments in this category shall be valued at their fair value. Profit or loss arising from the fair value of investments in this category shall be recognized directly as equity, unless there is a permanent reduction in their value (permanent impairment). When the instrument is sold or realized, the profit or loss, previously recognized as part of equity, shall be included in the results of the year.

(ii) Classification and loan provisioning (direct and indirect loans) -
SBS Resolution N° 11356-2008 "Regulations for the Evaluation and Classification of Debtors and Provisioning Requirements", will replace SBS Resolution Nº 808-2003 and modifications thereto starting January 1, 2010. According to this new regulation, certain changes must be implemented as of December 31, 2008, see paragraph (a)(ii), and other changes are applicable starting January 1, 2010. The most important changes applicable starting January 1, 2010 are the following:

- Loans, considering the established criteria, are to be recorded in one of the following eight categories: corporate loans, loans to large companies, loans to medium-sized companies, loans to small companies, loans to micro-business, revolving consumer loans, non-revolving consumer loans and mortgage loans.

- Considering the above detailed categories, new provisioning percentages (fixed and procyclical components) for loans classified as normal were established.

(x.2) International financial reporting standards -
Up to the date of these consolidated financial statements, the National Accounting Standards Board (CNC, for its Spanish acronym) has approved the application of IFRS 1 to 6, IAS 1 to 41, SIC 7 to 32 and IFRIC 1 to 12; which application is mandatory in Peru, except for financial entities when the SBS had issued specific accounting regulations.

As of December 31, 2008, there are several IFRS and IFRIC issued and in force at international level, which have been approved by the CNC but their application is in force starting January 1, 2009. These standards are: IAS 32 "Financial instruments – Presentation" (reviewed in 2006), IFRS 7 "Financial instruments: Disclosures", IFRS 8 "Operating segments", IFRIC 13 "Customer Loyalty Programmes", IFRIC 14 "The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction".

Except for IFRS 7 and 8, which do not affect accounting records as their objective is to provide more information in the financial statements, the standards mentioned above modify certain accounting treatments. However, because these standards only apply in a supplementary manner to the accounting rules established by the SBS, they will not have any significant effect on the preparation of the BCP Group's consolidated financial statements, unless the SBS adopts them in the future through the modification of the Accounting Manual for Financial Entities or issues specific regulations. The Bank and its Subsidiaries have not estimated the impact, if any, of the application of these standards on their consolidated financial statements, if such regulations were adopted by the SBS.

On the other hand, the following IFRS and IFRIC have been issued at international level as of December 31, 2008; but have not yet been approved by the CNC or the SBS; in this sense, there are no applicable to the Bank and its Subsidiaries' operations. Therefore, Management has not estimated their effect in the consolidated financial statements and consolidated operations.

- IFRS 1 revisions "First-time Adoption of International Financial Reporting Standards", IAS 27 "Consolidated and Separate Financial Statements", IAS 23 "Borrowing Costs" (Revised), IFRS 2 "Share-based Payment" (Revised), IAS 1 "Presentation of Financial Statements" (Revised 2007), IAS 32 "Financial Instruments: Presentation" and IAS 1 "Presentation of Financial Statements", IAS 39 "Financial Instruments: Recognition and Measurement" (Revised 2008) and IFRIC 15 "Agreements for the Construction of Real Estate"; all of these standards are in force for annual periods beginning on or after January 1, 2009.

- IFRS 3 (Revised) "Business Combination and Consolidation" and IAS 27 (Revised) "Separated Financial Statements Consolidation", internationally in force for annual periods beginning on or after July 1, 2009.

- IFRIC 16, "Hedges of a Net Investment in a Foreign Operation", internationally in force for annual periods beginning on or after October 1, 2008.

- IFRIC 17, "Distributions of Non-Cash Assets to owners", internationally in force for annual periods beginning on or after July 1, 2009.

- IFRIC 18, "Transfer of assets from customers", internationally effective for periods beginning on or after July 1, 2009.

3. Foreign currency transactions and exposure to exchange risk

Transactions in foreign currency are completed using exchange rates prevailing in the market.

As of December 31, 2008, the weighted average market exchange rate published by SBS for transactions in US Dollars was S/3.137 for buying and S/3.142 or selling (S/2.995 and S/2.997 as of December 31, 2007, respectively). As of December 31, 2008, the exchange rate established by SBS to record assets and liabilities in foreign currencies was S/3.140 for each US Dollar and S/0.451 for each Bolivian Peso (S/2.996 and S/0.396, as of December 31, 2007, respectively). A detail of the Bank and its Subsidiaries' foreign currency assets and liabilities is shown below:

	2008		2007	
	U.S. Dollars US$(000)	**Bolivian Peso** US$(000)	**U.S. Dollars** US$(000)	**Bolivian Peso** US$(000)
Assets				
Cash and due from banks and interbank funds	2,951,045	71,470	2,370,944	64,016
Trading, available-for-sale, and held-to-maturity securities, net	1,797,530	245,528	392,773	157,654
Loans, net	6,825,405	93,338	5,435,550	69,039
Other assets	154,388	6,709	304,799	6,645
	11,728,368	417,045	8,504,066	297,354
Liabilities				
Deposits and obligations	(8,905,439)	(332,241)	(7,085,382)	(233,874)
Due to banks, correspondents and interbank funds	(1,044,994)	(23)	(1,208,898)	(2,418)
Bonds and subordinated notes issued	(319,660)	-	(339,846)	-
Other liabilities	(221,587)	(23,671)	(289,922)	(22,889)
	(10,491,680)	(355,935)	(8,924,048)	(259,181)
Net forward operations – net long position	(678,940)	(55,972)	320,602	(37,843)
Net currency swap position	31,458	-	7,227	-
Net currency and interest rates swap position	(277,347)	-	(50,420)	-
Net asset (liability) position	311,859	5,138	(142,573)	330

The derivatives net long position as of December 31, 2008, corresponds to foreign currency forward purchase and sale operations for approximately US$886.0 and US$1,620.8 million, equivalent to S/2,781.9 and S/5,089.5 million, respectively (US$1,278.5 and US$995.8 million, equivalent to S/3,830.4 and S/2,983.4 million, respectively, as of December 31, 2007), note 9(c).

The net currency swap position as of December 31, 2008, corresponds to operations involving Nuevos Soles exchanged for U.S. Dollars and vice versa, and have nominal amount of approximately US$130.3 million and US$98.8 million, equivalent to S/.409.2 million and S/.310.4 million, respectively (US$62.9 million and US$55.7 million, equivalent to S/.188,4 million and S/.166.8 million, respectively, as of December 31, 2007), see note 9(c).

The net currency and interest rate swap position as of December 31, 2008, corresponds to exchanges of principal and interest in Nuevos Soles for U.S. Dollars, and have moninal amounts of approximately US$277.3 million, equivalent to S/.870.9 million (US$50.4 million, equivalent to S/.151.1 million as of December 31, 2007) see note 9(c).

As of December 31, 2008, the Bank and its Subsidiaries have contingent operations in foreign currency for approximately US$1,728 million, equivalent to approximately S/5,431 million (approximately US$1,246 million, equivalent to approximately S/3,913 million, as of December 31, 2007), note 18.

In prior years, the devaluation (revaluation) of the Nuevo Sol with respect to the US Dollar and inflation (deflation), in accordance with the National Wholesale Price Index published by the Instituto Nacional de Estadística e Informática (National Institute of Statistics and Informatics), are as follows:

Year	Devaluation (revaluation) %	Inflation %
2004	(5.2)	4.9
2005	4.5	3.6
2006	(6.8)	1.1
2007	(6.3)	3.9
2008	4.8	6.7

4. Cash and due from banks

As of December 31, 2008, cash and due from banks includes approximately US$2,086.4 million and S/1,263.6 million (US$959.0 million and S/695.6 million as of December 31, 2007) which represent the legal reserve that the Bank and its Subsidiaries must maintain related to its obligations with the public. These funds are deposited in the vaults of the Bank and its Subsidiaries and in the Central Reserve Bank of Peru - BCRP, and are within the limits established by prevailing legislation.

During 2008, BCRP modified several times the procedures and calculation basis for the legal reserve, as well as the interest rate that accrues the reserve that exceeds the minimum legal requirement in foreign currency. In Management's opinion, these modifications will not have a significant impact on the Bank and its Subsidiaries' operations.

Reserve funds kept in BCRP do not earn interest, except for the part of the mandatory reserve in foreign currency that exceeds the minimum legal reserve. As of December 31, 2008, this excess amounts to approximately US$1,601.6 million, equivalent to approximately S/5,029.0 million, and earns interest in U.S. Dollars at an annual rate of 0.40 percent (US$1,222.5 million, equivalent to approximately S/3,662.5 million, and earned interest in U.S. Dollars at an annual rate of 3.50 percent as of December 31, 2007).

As of December 31, 2008, the Bank does not have overnight transactions with BCRP (as of December 31, 2007, it had one transaction amounting to US$1,000 million, equivalent to S/2,996 million, this operation earned interests with a nominal annual rate of 4.45 percent and had a maturity of 2 days).

Deposits in local and foreign banks correspond to balances in Nuevos Soles and U.S. Dollars, as well as minor amounts in other currencies. All deposits are unrestricted and earn interest at market rates. As of December 31, 2008 and 2007, the Bank and its Subsidiaries do not have significant deposits in any specific financial institution.

5. Trading, available-for-sale and held-to-maturity investments, net

(a) This item is made up as follows:

	2008	2007
	S/(000)	S/(000)
Trading securities		
Mutual funds participation (b)	67,009	2,290
Peruvian Treasury bonds (c)	31,017	6,347
Sovereign bonds - Republic of Peru (c)	6,302	56,343
Corporate and leasing bonds	1,828	5,146
Listed equity securities	916	74,763
Other	5,368	6,312
	112,440	151,201
Investments available-for-sale		
BCRP negotiable certificates of deposit (d)	5,971,363	6,492,472
Peruvian Treasury bonds (c)	1,059,774	248,385
Treasury notes from the Central Bank of Bolivia (e)	683,001	372,695
Sovereign bonds - Republic of Peru (c)	435,047	511,375
Corporate and leasing bonds (f)	394,969	205,573
Mutual funds participation (b)	255,648	400,136
Participation in Bolivia's RAL fund (g)	230,061	169,696
Treasury bonds of foreign governments (h)	172,253	63,679
Bonds of international financial entities (i)	109,269	134,208
Listed equity securities	28,104	42,871
Securitization instruments	23,419	29,404
Non - listed equity securities	3,557	3,516
Other	-	494
	9,366,465	8,674,504
Held-to-maturity securities	-	65,523
	9,478,905	8,891,228
Allowance for investments available-for-sale and held-to-maturity securities (k)	(12,131)	(6,263)
Balance of trading, available-for-sale and held-to-maturity securities, net	9,466,774	8,884,965
Accrued interest of available-for-sale and held-to-maturity investments	65,976	53,089
Total trading, available-for-sale and held-to-maturity investments, net	9,532,750	8,938,054

(b) As of December 31, 2008 and 2007, the Bank and its Subsidiaries maintain investments in several Peruvian mutual funds. The market value of the participation quotas, classified as trading, amount approximately to US$21.3 and US$0.7 million, respectively, equivalent to approximately S/67.0 and S/2.3 million, respectively.

Likewise, the market value of the participation quotas, classified as available for sale, amount approximately to US$81.4 and US$133.7 million, respectively, equivalent to approximately S/255.6 and S/400.1 million as of December 31, 2008 and 2007, respectively.

(c) The Peruvian Treasury bonds correspond to global bonds issued in foreign currency by the Peruvian Government. As of December 31, 2008, these bonds accrued interest at annual rates that range between 6.19 and 7.65 percent (between 5.25 and 6.66 percent as of December 31, 2007), with maturities between February 2012 and March 2037 (between January 2008 and May 2018 as of December 31, 2007).

Sovereign bonds are issued in Nuevos Soles by the Peruvian Government. As of December 31, 2008, these bonds accrued interest at annual rates that range between 3.27 and 7.64 percent (between 3.34 and 6.44 percent as of December 31, 2007), with maturities between March 2010 and August 2026 (between July 2008 and August 2026 as of December 31, 2007).

(d) BCRP negotiable certificates of deposit are negotiable financial instruments issued in public auctions at discount, denominated in Nuevos Soles and negotiated in the Peruvian secondary market. As of December 31, 2008, these certificates accrued annual interest rates that range between 6.55 and 7.06 percent (between 4.93 and 6.01 percent as of December 31, 2007), with maturities between January 2009 and April 2010 (between January 2008 and April 2010 as of December 31, 2007).

As of December 31, 2008, this amount includes S/3,354 million, corresponding to BCRP certificates readjusted to Nuevos Soles vs. U.S. Dollar exchange rate. These certificates accrued interest at annual rates that range between 0.34 and 1.55 percent, with maturities between January 2009 and April 2009.

(e) Treasury notes from the Central Bank of Bolivia are issued at discount and are denominated in Bolivian Pesos. As of December 31, 2008, these notes accrued interest at annual rates that range between 0.2 and 11.45 percent (between 1.80 and 8.50 percent as of December 31, 2007), with maturities between January and July 2009 (between January and October 2008 as of December 31, 2007).

(f) The Bank and its Subsidiaries hold corporate bonds, principally issued by Peruvian entities, with maturities between January 2009 and July 2035 as of December 31, 2008 (between January 2008 and May 2030, as of December 31, 2007). These bonds accrued interest at annual rates that range between 4.56 and 8.72 percent for bonds issued in Nuevos Soles (between 4.25 and 6.87 percent as of December 31, 2007) and between 4.73 and 11.0 percent for bonds issued in U.S. Dollars (between 3.16 and 11.00 percent as of December 31, 2007).

(g) The participation quotas in the fund "Requirement of Cash Assets" (RAL for its Spanish acronym), are issued in Bolivian Pesos and comprises investments made by Banco de Crédito de Bolivia in the Central Bank of Bolivia as collateral for the deposits maintained with the public. RAL fund has restrictions for its use and it is required for all banks established in Bolivia; RAL fund accrued interest at annual average rates of 5.48 and 5.42 percent as of December 31, 2008 and 2007, respectively.

(h) As of December 31, 2008, includes US$54.9 million, equivalent to S/172.3 million, of debt instruments issued by the Colombian Government (approximately US$15.4 million, equivalent to S/46.2, as of December 31, 2007), with maturities between February 2009 and January 2017 (between January 2008 and January 2017 as of December 31, 2007) and accrued interest at annual rates that range between 2.85 and 6.78 percent (between 4.04 and 6.39 percent as of December 31, 2007).

(i) As of December 31, 2008, comprise USS$32.8 million (equivalent to S/103.0 million), and S/6.3 million corresponding to debt instruments issued in US Dollars by Corporación Andina de Fomento – CAF and Nuevos Soles by Corporación Financiera de Desarrollo - COFIDE, respectively, (US$32.8 million, equivalent to S/98.3 million, and S/35.9 million, respectively, as of December 31, 2007). As of December 31, 2008, such bonds have maturities between January 2009 and November 2011 (between April 2008 and November 2011 as of December 31, 2007) and accrued annual interest rates that range between 3.38 and 3.54 percent (between 3.81 and 5.89 percent, as of December 31, 2007).

(j) As of December 31, 2008 and 2007, the Bank has repurchase agreement operations (repos) over the following investments:

	2008 S/(000)	2007 S/(000)
BCRP negotiable certificates of deposits	924,597	728,074
Treasury bonds of foreign governments	-	175,138
Peruvian Treasury bonds	-	114,157
	924,597	1,017,369

As of December 31, 2008, all of the Bank's total repurchase agreement operations (repos), were transactions s in Nuevos Soles, where legal ownership of the related investment was transferred to the counterparty; these investments accrued effective annual interest rates that range between 6.75 and 7.00 percent (between 5.51 and 5.80 percent in Nuevos Soles and between 4.85 and 6.00 percent in U.S. Dollars, as of December 31, 2007) and their maturity are between January 2009 and November 2009 (between January 2008 and December 2008, as of December 31, 2007). These transactions were recorded following SBS rules, note 2(v); thus, the commitment to repurchase the investments is included in the caption "Off-balance sheet accounts" and are presented as "Contingent operations", note 18(f).

(k) The movement in the allowance for available-for-sale and held-to-maturity investments is shown below:

	2008 S/(000)	2007 S/(000)
Balance as of January 1	6,263	8,966
Provision of the year, note 22	7,510	662
Recoveries	(1,434)	(2,332)
Income from sales	(208)	(1,033)
Balance as of December 31	12,131	6,263

The allowance recorded by the Bank and its Subsidiaries corresponds to specific investments for which Management estimates other than temporary impairment.

(l) As of December 31, 2008 and 2007, the reconciliation between the book value and the market value of available-for-sale and held-to-maturity investments is as follows:

	2008 S/(000)	2007 S/(000)
Book value, net of allowance	9,354,334	8,733,764
Unrealized gains	196,097	49,927
Unrealized losses	(39,718)	(12,274)
Estimated market value	9,510,713	8,771,417

Management has estimated the market value of its available-for-sale and held-to-maturity investments using market price quotations available in the market or, if a price is not available, market value is estimated by discounting the expected future cash flows at an interest rate that reflects the risk classification of the financial instrument.

The Bank and its Subsidiaries have determined that the unrealized losses as of December 31, 2008 and 2007, arise from the variation of the interest rates and not for changes in the risk classification of their investments. Moreover, the Bank and its Subsidiaries have decided and have the ability to maintain these investments until the recovery of their fair value, which can occur at their maturity; therefore, no additional impairment to the one indicated in paragraph (k) was recorded for these investments.

(m) As of December 31, 2008 and 2007, trading, available-for-sale and held-to-maturity investments classified by their maturity date is as follows:

	2008 S/(000)	2007 S/(000)
Up to 3 months	4,736,051	2,231,523
From 3 months to 1 year	2,466,296	4,646,925
From 1 to 3 years	296,301	925,030
From 3 to 5 years	302,632	166,624
More than 5 years	1,322,391	397,550
Without maturity (equity securities and mutual funds)	355,234	523,576
Total	9,478,905	8,891,228

6. Loans, net

(a) This item is made up as follows:

	2008 S/(000)	2007 S/(000)
Direct loans		
Loans	22,637,415	17,323,725
Leasing receivables	5,678,520	3,350,430
Credit cards	2,684,599	2,028,837
Discounted notes	1,157,555	973,841
Advances and overdrafts	321,544	380,726
Factoring receivables	391,046	329,344
Refinanced and restructured loans	173,262	264,998
Past due and under legal collection loans	246,866	186,898
	33,290,807	24,838,799
Add (less)		
Accrued interest from performing loans	279,522	196,099
Deferred interest on discounted notes and leasing receivables	(782,852)	(491,825)
Allowance for loan losses (f)	(739,480)	(643,899)
Total direct loans	32,047,997	23,899,174
Indirect loans, note 18(a)	6,164,166	4,648,716

(b) As of December 31, 2008 and 2007, 51 percent of the commercial direct loan portfolio was concentrated in 487 and 463 clients, respectively.

(c) As of December 31, 2008 and 2007, the distribution of the loan portfolio by economic sector is as follows:

	2008		2007	
	S/(000)	%	S/(000)	%
Manufacturing	7,833,579	23.5	6,494,410	26.1
Mortgage loans	4,659,854	14.0	3,539,777	14.3
Commerce	4,095,918	12.3	2,395,001	9.6
Consumer loans	3,657,975	11.0	2,513,057	10.1
Mining	2,081,616	6.3	1,221,020	4.9
Communications, storage and transportation	2,011,562	6.0	983,516	4.0
Micro-business loans	1,942,957	5.8	1,381,577	5.6
Electricity, gas and water	1,710,740	5.1	1,050,868	4.2
Leaseholds and real estate activities	1,515,018	4.6	1,302,360	5.2
Community services	812,233	2.4	598,246	2.4
Financial services	720,572	2.2	969,799	3.9
Construction	712,102	2.1	284,423	1.2
Agriculture	650,807	2.0	851,254	3.4
Education, health and other services	366,766	1.1	467,154	1.9
Fishing	233,514	0.7	556,565	2.2
Other	285,594	0.9	229,772	1.0
Total	33,290,807	100	24,838,799	100

(d) As of December 31, 2008 and 2007, the Bank and its Subsidiaries' loan portfolio credit risk classification according to SBS standards, is as follows:

	2008						2007					
Risk category	Direct loans		Indirect loans		Total		Direct loans		Indirect loans		Total	
	S/(000)	%	S/(000)	%	S/(000)	%	S/(000)	%	S/(000)	%	S/(000)	%
Normal	31,768,209	95.4	6,073,461	98.5	37,841,670	95.9	23,122,171	93.1	4,540,341	97.7	27,662,512	93.8
Potential problems	903,651	2.7	77,720	1.3	981,371	2.5	1,120,783	4.5	87,377	1.9	1,208,160	4.1
Substandard	222,758	0.7	5,987	0.1	228,745	0.6	198,793	0.8	14,416	0.2	213,209	0.7
Doubtful	245,435	0.7	4,254	0.1	249,689	0.6	263,917	1.1	3,535	0.1	267,452	0.9
Loss	150,754	0.5	2,744	0.0	153,498	0.4	133,135	0.5	3,047	0.1	136,182	0.5
	33,290,807	100	6,164,166	100	39,454,973	100	24,838,799	100	4,648,716	100	29,487,515	100

(e) Financial entities in Peru should constitute their allowance for loan losses based on the aforementioned credit risk classification and using the following percentages:

(i) As from 2008, the normal category included a procyclical component (note 2(a)(ii)):

Type of loan	2008		2007
	Fixed-rate %	Procyclical additional component %	Rate %
Commercial	0.70	0.45	1.00
Commercial with highly liquid preferred guarantees	0.70	0.30	1.00
Micro-business	1.00	0.50	1.00
Mortgage	0.70	0.40	1.00
Mortgage with highly liquid preferred guarantees (WHLPG)	0.70	0.30	1.00
Revolving consumer	1.00	1.50	1.00
Non revolving consumer	1.00	1.00	1.00
Non revolving consumer under eligible agreements	1.00	0.30	1.00

(ii) Other categories; depending upon if the loans are: Loans Without Guarantees (LWG), Loans With Preferred Guarantees (LWPG) or Loans With Readily Preferred Guarantees (LWRPG) or Loans with Highly Liquid Preferred Guarantees (LWHLPG):

Risk category	LWG %	LWPG %	LWRPG %	LWHLPG %
Potential problems	5.00	2.50	1.25	1.00
Substandard	25.00	12.50	6.25	1.00
Doubtful	60.00	30.00	15.00	1.00
Loss	100.00	60.00	30.00	1.00

For loans subject to substitution of credit counterparty, see note 2(e), the provision requirement depends on the credit risk classification of the respective counterparty, regardless of the debtor credit risk classification.

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

	2008 S/(000)	2007 S/(000)
Balance as of January 1	698,899	668,476
Net provision, note 20	270,267	193,414
Loan portfolio written-off	(140,620)	(121,209)
Exchange rate and other	(14,568)	(41,782)
Balance as of December 31(*)	813,978	698,899

(*) The movement in the allowance for loan losses includes direct and indirect loans for approximately S/739.5 and S/74.5 million, respectively, as of December 31, 2008 (approximately S/643.9 and S/55.1 million, respectively, as of December 31, 2007). The allowance for indirect loan losses is included in the "Other liabilities, net" caption of the consolidated balance sheets, note 9(a).

In Management's opinion, the allowance for credit losses recorded as of December 31, 2008 and 2007, has been established in accordance with SBS regulations in force as of those dates, note 2(e).

(g) The loan portfolio is collateralized with guarantees received from clients, which are a principally in the form of mortgages, stand-by letters, financial instruments, and industrial and commercial pledges.

(h) Interest accrued on the loan portfolio is determined considering current interest rates prevailing in the markets where BCP Group operates.

(i) As of December 31, 2008 and 2007, the gross direct loan portfolio has the following maturity schedule:

	2008 S/(000)	2007 S/(000)
Outstanding loans -		
Up to 1 month	5,895,670	6,161,061
From 1 to 3 months	5,491,728	3,637,411
From 3 months to 1 year	8,116,794	4,483,301
From 1 to 3 years	5,286,952	4,438,973
From 3 to 5 years	3,141,984	2,346,392
More than 5 years	5,110,813	3,584,763
Past due loans -		
Up to 4 months	109,269	66,680
More than 4 months	61,220	98,402
Loans under legal collection	76,377	21,816
Total	33,290,807	24,838,799

7. Permanent investments, net

(a) This item is made up as follows:

	2008					2007				
	Book value	Provision	Net book value	Unrealized gains	Estimated fair value	Book value	Provision	Net book value	Unrealized gains	Estimated fair value
	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
Listed equity securities (b)	124,450	-	124,450	58,283	182,733	86,330	-	86,330	183,765	270,095
Other investments (c)	35,082	(1,247)	33,835	-	33,835	18,957	(55)	18,902	-	18,902
	159,532	(1,247)	158,285	58,283	216,568	105,287	(55)	105,232	183,765	288,997
Allowance for impairment	(1,247)					(55)				
Total	158,285					105,232				

(b) As of December 31, 2008, this caption comprises a 3.14 percent participation in shares of Banco de Crédito e Inversiones de Chile - BCI Chile held by Inversiones BCP Ltda (2.93 percent as of December 31, 2007). As of December 31, 2008 and 2007, the estimated fair value of this investment corresponds to its quotation in the Santiago Stock Exchange (Chile).

(c) As of December 31, 2008, this caption mainly comprises S/15.5 and S/6.8 million corresponding to a 35.56 and 28.27 percent participation in shares of Visanet del Perú S.A.C. and Corporación de Servicios de Información - Infocorp S.A., respectively, held by Banco de Crédito del Perú (approximately S/5.4 and S/4.9 million, which represent a 34.83 and 28.27 percent participation, respectively as of December 31, 2007).

8. Property, furniture and equipment, net

(a) The movement of property, furniture and equipment and accumulated depreciation for the years ended December 31, 2008 and 2007 is as follows:

	Land	Buildings and other constructions	Installations	Furniture and fixtures	Computer hardware	Equipment and vehicles	Work in progress and in transit units	2008	2007
	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
Cost -									
Balance as of January 1st	65,275	592,692	295,671	194,130	611,360	74,150	51,160	1,884,438	1,746,273
Additions	6,095	9,987	5,078	24,096	96,509	26,668	102,390	270,823	152,435
Sales	(733)	(2,637)	(589)	(365)	(37,258)	(1,283)	-	(42,865)	(14,270)
Transfers	-	36,442	65,388	-	-	-	(101,830)	-	-
Retirements and other	-	(2,583)	1,659	(33)	(4,899)	(87)	(188)	(6,131)	-
Balance as of December 31	70,637	633,901	367,207	217,828	665,712	99,448	51,532	2,106,265	1,884,438
Accumulated depreciation -									
Balance as of January 1st	-	307,908	191,577	161,815	512,464	33,908	-	1,207,672	1,120,498
Depreciation of the year	-	14,323	20,923	7,463	50,724	7,508	-	100,941	97,845
Sales	-	(2,176)	(531)	(365)	(35,687)	(1,234)	-	(39,993)	(10,671)
Retirements and transfers	-	(1,399)	713	(33)	(4,885)	(87)	-	(5,691)	-
Balance as of December 31	-	318,656	212,682	168,880	522,616	40,095	-	1,262,929	1,207,672
Net book value	70,637	315,245	154,525	48,948	143,096	59,353	51,532	843,336	676,766

(b) Banks in Peru are not allowed to pledge their fixed assets.

(c) As of December 31, 2008, the Bank has property available for sale for approximately S/20.0 million, net of accumulated depreciation of approximately S/11.5 million (approximately S/20.2 million net of accumulated depreciation of approximately S/13.5 million as of December 31, 2007).

(d) Management periodically reviews the fixed assets' residual value, their useful life and the selected depreciation method to ensure that they are consistent with their economic benefits and life expectations. In Management's opinion, there is no evidence of impairment of property, furniture and equipment as of December 31, 2008 and 2007.

(e) As of December 31, 2008, the Bank and its Subsidiaries sold fixed assets for approximately S/5.6 million, which had a net cost of S/2.9 million (S/5.1 and S/3.6 million, respectively, as of December 31, 2007). As of December 31, 2008 and 2007, none of these sales were made to related parties.

9. Other assets and other liabilities

(a) These items are made up as follows:

	2008 S/(000)	2007 S/(000)
Other assets, net		
Financial instruments at fair value through profit and loss -		
Citigroup indexed certificates (b)	386,398	467,035
Derivatives receivable (c)	234,074	134,623
Credit linked notes(d)	-	151,481
	620,472	753,139
Other, net-		
VAT credits	396,843	166,274
Deferred income tax and workers' profit sharing, note 13(a)	223,672	232,809
Intangible assets, net (e)	192,968	132,358
Accounts receivable	149,903	103,618
Deferred expenses	72,055	31,931
Transactions in process (f)	64,514	102,319
Income tax prepayments, net	43,150	-
Seized assets and realizable assets, net (g)	38,253	82,690
Repurchase agreements with transfer of legal ownership, note 2(v) y 5(j)	7,573	56,284
Terminated leasing contracts receivable, net of allowance	5,106	1,221
Other	14,963	17,017
	1,209,000	926,521
Total	1,829,472	1,679,660

	2008 S/(000)	2007 S/(000)
Other liabilities, net		
Derivatives payable (c)	487,264	93,112
Payroll taxes, salaries and other personnel expenses payable	360,230	507,005
Accounts payable	238,244	246,507
Transactions in process (f)	108,934	108,046
Provision for sundry risks (h)	92,938	104,111
Allowance for indirect loan losses, note 6(f)	74,498	55,077
Deferred income tax and workers' profit sharing, note 13(a)	24,863	74,664
Deposit Insurance Fund	12,356	9,784
Minority interest	5,634	10,300
Income tax, net of prepayments	3,788	39,593
Repurchase agreements with transfer of legal ownership, note 2(v) y 5(j)	-	15,335
Other	3,908	10,390
Total	1,412,657	1,273,924

(b) In connection with the liabilities that result from Credicorp´s stock appreciation rights (SARs), (note 16), BCP signed several contracts with Citigroup Global Markets Holdings Inc., Citigroup Capital Limited and Citigroup Capital Market Inc.

These transactions consist of the purchase of up to 3,252,035 certificates indexed to the performance of the shares of Credicorp Ltd. (BAP) in the form of "warrants" issued by Citigroup, which are equivalent to the same number of Credicorp Ltd. shares. These certificates will be settled exclusively in cash with a maturity of 5 years, with the possibility of being settled totally or partially at any moment before their total or partial maturity.

According to SBS Resolution N° 1737-2006, note 2(g), the certificates have an embedded derivative, which risks are not closely related to the host contract. In this sense, the Bank has decided to designate these hybrid instruments (host contract and embedded derivative) at fair value through profit and loss; therefore, separation of the embedded derivative is not required.

As of December 31, 2008 and 2007, the Bank has acquired 2,357,523 and 2,009,523 certificates, respectively, at a total cost of US$120.3 million and US$89.4 million, respectively, equivalent to US$51.0 and US$44.5 per certificate on average, respectively. At those dates, the estimated market value amounted to US$123.1 million and US$155.9 million, respectively (US$52.2 and US$77.6 per certificate on average, as of December 31, 2008 and 2007, respectively). As of December 31, 2008, following SBS rules, the loss resulting from the difference between cost and estimated market value amounting to approximately S/191.0 million has been recorded in the caption "Other operating expenses" of the consolidated statement of income (gain of S/207.8 million as of December 31, 2007, recorded in the caption "Other non-financial income" of the consolidated statement of income), note 23.

(c) The table below presents the fair value of the derivative financial instruments, recorded as an asset or a liability, together with their notional amounts. The notional amount, recorded gross, is the amount of a derivative's underlying asset and is the basis upon which changes in the value of derivatives are measured, note 18(d).

	2008		
	Assets S/(000)	**Liabilities** S/(000)	**Notional amount** S/(000)
Derivatives held for trading (i) -			
Forward exchange contracts	88,833	137,368	7,871,447
Interest rate swaps	103,362	119,888	2,402,810
Currency swaps	41,849	49,194	719,546
Derivatives held as hedges -			
Cash flow hedge(ii) :			
Interest rate swaps	-	55,253	1,846,012
Cross currency swap and interest rate swaps (*)	30	60,882	355,958
Fair value hedge (iii) :			
Cross currency swap	-	64,679	514,912
	234,074	487,264	13,710,685

	2007		
	Assets S/(000)	**Liabilities** S/(000)	**Notional amount** S/(000)
Derivatives held for trading (i) -			
Forward exchange contracts	98,995	45,844	6,813,698
Interest rate swaps	26,243	32,250	1,827,082
Currency swaps	9,385	13,116	355,181
Derivatives held as hedges -			
Fair value hedge (iii) :			
Cross currency swap	-	1,902	151,058
	134,623	93,112	9,147,019

(*) On December 2007 and during the first months of 2008, the Bank entered into three cross currency swaps (CCS) contracts related with the fluctuation of interest and exchange rates of three fixed-rate corporate bonds issued (see note 12). These contracts, as indicated by the SBS, were initially designated as fair value hedges.

Afterwards, the Bank entered into three interest rate swaps (IRS) contracts aimed at mitigating the inherent risks in having a variable interest rate (Libor) for the hedged corporate bonds indicated in the previous paragraph; fixing their respective interest rates in U.S. Dollars. Therefore, in accordance with SBS regulations, the combined CCS and IRS were redesignated as cash flow hedges from the date of entering into the IRS contracts.

(i) The derivative trading activities mainly relate to transactions with customers which are normally laid off with counterparties. The Bank and its Subsidiaries may also take positions with the expectation of profiting from favorable movements in prices, rates or indexes. Also included under this caption are any derivatives which do not meet IAS 39 hedging requirements.

(ii) The Bank and its Subsidiaries are exposed to movements in future interest cash flows on non-trading assets and liabilities which bear interest at variable rates. The Bank and its Subsidiaries use IRS and CCS as cash flow hedges of these interest rate risks. A schedule indicating as of December 31, 2008 the periods when the hedged cash flows are expected to occur and when they are expected to affect the consolidated income statement is as follows:

	Up to 1 year S/(000)	From 1 to 3 years S/(000)	From 3 to 5 years S/(000)	Over 5 years S/(000)
Cash outflows (liabilities)	(110,781)	(1,750,372)	(470,104)	(313,649)
Consolidated income statement	(30,548)	(33,583)	(22,549)	(6,391)

As of December 31, 2008, the unrealized loss arising from the cash flow hedges, which are included in the "Retained earnings for cash flow" caption of the consolidated equity, amount to S/71.3 million. Likewise, the transfer of net gain on cash flow hedges to the consolidated income statement amounts to S/2.9 million.

(iii) The Bank maintains CCS, which following SBS rules, are designated as fair value hedges of subordinated and corporate bonds issued in Nuevos Soles, see note 12; related to movements in the currency exchange rates and interest rates. The Bank uses these financial derivatives to reduce its funding risk in Nuevos Soles, generating liabilities in U.S. Dollars at market rates that will be used to fund loans granted in that currency.

(d) During 2007, the Bank acquired debt instruments in the form of "Credit linked notes", which were issued by Bear Stearns Global Asset Holdings Ltd. and were linked to the credit risk of debt instruments issued by the Peruvian Government or any successor thereof ("Credit default swap"); these instruments were acquired by the Bank with the purpose of providing financial instruments with the same terms, risks and benefits to certain clients.

According to SBS Resolution N° 1737-2006, the notes included an embedded derivative with risks not closely related to those of the host contract. In this sense, the Bank decided to designate these hybrid instruments at fair value through profit and loss; therefore, separation of the embedded derivative was not required.

During the first quarter of 2008 and before their maturity, the notes were liquidated at their respective market value, with no significant effect on the consolidated results of the Bank and its Subsidiaries.

(e) The movement of intangible assets for the years ended December 31, 2008 and 2007, is as follows:

Description	Software S/(000)	Other developments S/(000)	Intangibles in process S/(000)	2008 S/(000)	2007 S/(000)
Cost -					
Balance as of January 1	95,375	136,396	-	231,771	191,605
Additions (i)	43,962	41,691	11,843	97,496	79,036
Retirements and other (ii)	(1,009)	(1,942)	-	(2,951)	(38,870)
Balance as of December 31	138,328	176,145	11,843	326,316	231,771
Accumulated amortization -					
Balance as of January 1	40,524	58,889	-	99,413	107,099
Amortization of the year	18,885	18,001	-	36,886	30,862
Retirements and other (ii)	(1,009)	(1,942)	-	(2,951)	(38,548)
Balance as of December 31	58,400	74,948	-	133,348	99,413
Net book value	79,928	101,197	11,843	192,968	132,358

(i) During the year ended December 31, 2008 and 2007, the Bank has capitalized disbursements related to the implementation and development of sundry computer systems (mainly SAP-ERP and SERIVA, an integrated system for capital market operations).

(f) Transactions in process include deposits received, loans disbursed and/or collected, funds transferred and other similar types of transactions, which are made at the end of the month and not reclassified to their final consolidated balance sheets accounts until the first days of the following month. These transactions do not affect the Bank and its Subsidiaries' consolidated net income.

(g) The movement of this caption for the years ended December 31, 2008 and 2007, is as follows:

	Realizable Assets S/(000)	Seized assets S/(000)	2008 S/(000)	2007 S/(000)
Balance as of December 31	32,410	59,384	91,794	186,200
Provision -				
Balance as of January 1	-	103,510	103,510	127,594
Provision	-	7,343	7,343	11,596
Reversal of provision due to changes in regulations (*)	-	-	-	11,022
Sales	-	(57,312)	(57,312)	(46,702)
Balance as of December 31	-	53,541	53,541	103,510
Net book value	32,410	5,843	38,253	82,690

(*) In October 2005, the procedure to compute and record the provision for seized assets was modified by the SBS. BCP recalculated such provision, concluding that it presented an excess in the required provision; such excess was transferred to the consolidated balance sheet caption "Other liabilities, net". According to SBS regulations, this excess could not be reversed and had to be used to cover future losses in the value of other assets. As of December 31, 2007, the Bank had applied such excess to provide for additional requirements of provisions for seized assets.

During the years 2008 and 2007, the Bank and its Subsidiaries sold seized assets for approximately S/65.6 and S/65.0 million, respectively, generating a net gain of approximately S/41.6 and S/39.7 million, respectively, which is included in the caption "Other non - financial income" in the consolidated income statements, note 23.

In Management's opinion, the provision for seized assets recorded as of December 31, 2008 and 2007 complies with SBS regulations as of such dates.

(h) As of December 31, 2008 and 2007, comprises the allowance related to the estimated losses due to legal procedures against the Bank and its Subsidiaries, the adjustments to the fair value of the acquired liabilities in the merge with Banco Santander Central Hispano - Perú (in 2002) and other similar obligations that were recorded based on Management and its legal advisors' best estimates.

10. Deposits and obligations

(a) This item is made up as follows:

	2008 S/(000)	2007 S/(000)
Non-interest bearing deposits and obligations -		
In Peru	8,229,933	8,683,234
In other countries	1,568,408	1,256,052
	9,798,341	9,939,286
Interest bearing deposits and obligations -		
In Peru	26,484,262	17,006,568
In other countries	7,266,973	5,613,096
	33,751,235	22,619,664
	43,549,576	32,558,950
Interest payable	230,998	141,138
Total	43,780,574	32,700,088

The Bank and its Subsidiaries have established a policy to pay interests on demand deposits and savings accounts according to a sliding interest rate scale, based on the average balance maintained in those accounts. Additionally, according to such policy, it was established that the accounts having balances that were lower than a specified amount, for each type of account, do not bear interest.

Interest rates applied to the different deposits and obligations accounts are determined by the Bank and its Subsidiaries considering interest rates prevailing in the market.

(b) As of December 31, 2008 and 2007, the balance of deposits and obligations is made up as follows:

	2008 S/(000)	2007 S/(000)
Time deposits (*)	16,498,333	12,510,430
Demand deposits	14,009,450	9,939,289
Saving accounts	9,322,212	7,133,508
Severance indemnities deposits	3,272,257	2,690,139
Bank certificates in foreign currency	447,324	277,195
Repurchase agreements with clients, note 5(j)	-	8,389
Total	43,549,576	32,558,950

(*) As of December 31, 2007, includes approximately S/151.5 million related to deposits which have the same terms and interest rates that the "Credit linked notes" issued by Bear Stearns Global Asset Holding Ltd., note 9(d).

(c) As of December 31, 2008 and 2007, approximately S/12,736.0 and S/9,649.3 million of the total deposits and obligations balances, respectively, are covered by the "Fondo de Seguro de Depósitos" (Deposit Insurance Fund). As of December 31, 2008, the "Fondo de Seguro de Depósitos" amounted to S/87,580.

(d) The balance of time deposits classified by maturity is as follows:

	2008 S/(000)	2007 S/(000)
Up to 3 months	7,991,125	7,279,828
From 3 months to 1 year	4,310,269	1,830,842
From 1 to 3 years	330,259	567,038
From 3 to 5 year	162,756	90,852
More than 5 years	3,703,924	2,741,870
Total	16,498,333	12,510,430

As of December 31, 2008 and 2007, the amounts over 5 years correspond mainly to time deposits received from an entity related to Credicorp Ltd.

11. Due to banks and correspondents

(a) This item is made up as follows:

	2008 S/(000)	2007 S/(000)
By type -		
Promotional credit lines (b)	344,552	587,827
Due to banks and correspondents with foreign financial institutions (c)	3,192,765	3,449,497
	3,537,317	4,037,324
Interest payable	44,210	27,245
Total	3,581,527	4,064,569
By term -		
Short-term debt	1,843,255	2,639,118
Long-term debt	1,694,062	1,398,206
Total	3,537,317	4,037,324

(b) Promotional credit lines represent loans granted to BCP mainly by Corporación Financiera de Desarrollo (COFIDE) to promote social development in Peru. As of December 31, 2008, their annual interest rates ranged between 6.20 and 7.75 percent (between 5.73 and 7.75 percent as of December 31, 2007). These credit lines are secured by a loan portfolio amounting to US$109.7 million and US$196.2 million, equivalent approximately to S/344.5 million and S/587.8 million as of December 31, 2008 and 2007, respectively. These lines include covenants specifying the use of the funds, financial conditions that the borrower must maintain and other administrative matters. In Management's opinion, such covenants are fulfilled by the Bank, as of December 31. 2008 and 2007.

(c) As of December 31, 2008, due to banks and correspondents with foreign financial institutions comprise mainly loans to fund foreign trade operations and working capital, granted by 37 foreign entities (33 as of December 31, 2007); of which 6 represent approximately 48.6 percent of the balance (5 represent approximately 46.0 percent of the balance as of December 31, 2007).

As of December 31, 2008, the balance included a syndicated loan obtained from several foreign financial entities in March 2008, amounting to US$410 million (equivalent to S/.1,287.4 million), with maturity on March 2011 and a variable interest rate (Libor). This loan replaced three loans of US$100 million each as of December 31, 2007 with a three-year maturity. The syndicated loan generates interest payments every six months at Libor + 0.70 percent during the first year, Libor + 0.75 percent for the second year and Libor + 0.85 percent for the third and final year; considering that it is subject to interest rate risk, it has been hedged using interest rate swaps for a nominal value equal to the principal and the same maturity schedule, see note 9(c).

Some of the loan agreements include standard covenants requiring the Bank to comply with financial ratios, use of funds and other administrative matters, which, in Management's opinion, do not limit the Bank's normal operations and has fully complied with as of the consolidated balance sheet dates, following international banking practices.

As of December 31, 2008, due to bank and correspondents with financial entities accrued annual interest at rates that ranged between 3.11 and 7.77 percent (between 4.88 and 5.73 percent as of December 31, 2007).

(d) As of December 31, 2008 and 2007, the balance of this caption, classified by maturity, is as follows:

	2008 S/(000)	2007 S/(000)
Up to 3 months	1,036,636	1,688,879
From 3 months to 1 year	806,619	950,239
From 1 to 3 years	1,576,402	1,015,053
From 3 to 5 years	20,310	316,657
More than 5 years	97,350	66,496
Total	3,537,317	4,037,324

12. Bonds and subordinated notes issued

(a) This item is made up as follows:

	Weighted average annual interest rate 2008 %	Weighted average annual interest rate 2007 %	Maturity	Currency	2008 S/(000)	2007 S/(000)
Bonds						
Corporate bonds (i)	6.91	6.59	Between November 2009 and July 2018	S/	720,610	391,000
Leasing bonds (i), (ii)	6.87	6.10	Between June 2009 and August 2018	S/ and US$	688,065	519,905
Mortgage bonds (ii)	7.69	7.70	Between May 2011 and April 2012	S/	49,709	61,951
Subordinated bonds (i)	6.71	6.72	Between September 2009 and May 2027	S/	191,772	321,722
Mortgage certificates					118	200
					1,650,274	1,294,778
Subordinated notes (iii) -						
Subordinated negotiable notes certificates (iv)	6.95	6.95	November 2021	US$	376,800	359,520
Subordinated notes (v)	7.17	7.17	October 2022	S/	445,172	483,280
					821,972	842,800
Total bonds and subordinated debt					2,472,246	2,137,578
Interest payable					24,981	22,706
Total					2,497,227	2,160,284

(i) During 2008, the Bank and its Subsidiaries redeemed bonds for S/413.3 million (S/219.1 million during 2007). Likewise, the detail of the new issuances is the following:

Issuances 2008	Issued amount S/(000)	Book value S/(000)	Currency	Maturity
Corporate Bonds BCP -				
First Issuance Series B (*)	125,000	119,802	S/	27/03/2015
Second Issuance Series A (*)	85,000	81,421	S/	18/04/2011
Third Issuance Series A	150,000	150,000	S/	12/06/2018
Third Issuance Series B	50,000	50,000	S/	10/07/2018
	410,000	401,223		
Leasing bonds				
BCP -				
Sixth Issuance - Series A	100,000	100,000	S/	20/08/2018
Credileasing -				
Fourth Issuance Series A	32,945	32,945	US$	08/02/2011
Fourth Issuance Series B	94,200	94,200	US$	14/05/2011
Fourth Issuance Series C	78,500	78,500	US$	23/06/2011
Fourth Issuance Series D	56,520	56,520	US$	23/07/2011
Fifth Issuance Series A	40,000	40,000	S/	28/02/2011
Fifth Issuance Series B	5,187	5,187	S/	14/05/2011
	407,352	407,352		
Issuances 2007				
Corporate Bonds BCP -				
First Issuance Series A (*)	150,000	153,386	S/	19/12/2014
Leasing bonds				
BCP -				
Second Issuance Series A	31,400	31,400	US$	10/06/2009
Second Issuance Series B	47,100	47,100	US$	13/07/2009
Second Issuance Series C	30,223	30,223	US$	13/08/2009
Fourth Issuance Series A	15,000	15,000	S/	01/11/2010
	123,723	123,723		

Issuances 2008	Issued amount S/(000)	Book value S/(000)	Currency	Maturity
Credileasing -				
Second Issuance Series A	29,960	29,960	US$	10/06/2009
Second Issuance Series B	44,940	44,940	US$	13/07/2009
Second Issuance Series C	28,837	28,837	US$	13/08/2009
Fourth Issuance Series A	15,000	15,000	S/	12/01/2010
	118,737	118,737		
Subordinated bonds BCP -				
First Issuance Series A	15,000	15,000	S/	25/05/2027

(*) As a result of several financial derivatives contracted, see note 9(c), cash flows from these bonds have been changed from Nuevos Soles to U.S. Dollars and the fixed interest rates in Nuevos Soles of 6.81 percent, 5.78 percent and 6.84 percent, respectively have been changed to a fixed interest rate in U.S. Dollars of 4.095 percent, 4.02 percent and 4.40 percent, respectively.

(ii) Leasing and mortgage bonds are collateralized by the fixed assets financed by the Bank.

(iii) The subordinated notes were issued through the Bank's Panamanian Branch and have certain financial and operating covenants which, in Management's opinion, the Bank is in compliance with at the consolidated balance sheet dates.

(iv) In November 2016, the interest rate will change to a variable interest rate, established as Libor plus 2.79 percent, with quarterly payments. At that date, the Bank can redeem 100 percent of the debt, without penalties.

(v) In October 2017, the interest rate will change to a variable interest rate, established as the average of at least three valuations over the interest rate of return for sovereign bonds issued by the Peruvian Government (with maturity in 2037) plus 150 basis points, with semi-annual payments. At that date, the Bank can redeem 100 percent of the debt, without penalties. A cross currency swap has been contracted over the terms of this debt, see note 9(c); as a result the principal amount and interest rate have been changed from Nuevos Soles to U.S. Dollars and from a fixed interest rate in Nuevos Soles to a variable interest rate of six-month Libor plus 99 basis points in U.S. Dollars.

(b) Bonds and subordinated notes balances classified by maturity are as follows:

	2008 S/(000)	2007 S/(000)
Up to 3 months	5,387	167,779
From 3 months to 1 year	201,766	309,656
From 1 to 3 years	748,242	489,669
From 3 to 5 years	236,750	177,684
More than 5 years	1,280,101	992,790
Total	2,472,246	2,137,578

13. Deferred income tax and workers' profit sharing

(a) These items are made up as follows:

	2008 S/(000)	2007 S/(000)
Deferred assets -		
Allowance for loan losses	113,769	79,156
Stock appreciation rights provision, note 16	42,732	84,523
Provision for sundry expenses	31,919	27,766
Allowance for seized assets	11,452	16,458
Provision for sundry risks	4,134	10,219
Allowance for impairment of investments	2,427	-
Past due interests	5,810	11,420
Other	11,429	3,267
Total deferred assets, note 9(a)	223,672	232,809
Deferred liabilities -		
Exchange difference	(17,136)	(4,103)
Leasing operations, net	(4,073)	(3,857)
Valuation of Citigroup indexed certificates	(3,009)	(66,704)
Other	(645)	-
Total deferred liabilities, note 9(a)	(24,863)	(74,664)
Net balance	198,809	158,145

(b) Amounts presented in the consolidated balance sheets as of December 31, 2008 and 2007, and in the consolidated income statements for the years then ended are shown below:

Consolidated balance sheets	Deferred assets		Deferred liabilities	
	2008 S/(000)	2007 S/(000)	2008 S/(000)	2007 S/(000)
Income tax	192,082	200,069	(21,856)	(64,122)
Workers' profit sharing	31,590	32,740	(3,007)	(10,542)
	223,672	232,809	(24,863)	(74,664)

Consolidated income statements	Workers' profit sharing		Income tax	
	2008 S/(000)	2007 S/(000)	2008 S/(000)	2007 S/(000)
Current	47,942	44,235	331,854	329,997
Deferred	(6,385)	(3,489)	(34,279)	(32,435)
	41,557	40,746	297,575	297,562

(c) Reconciliation of the effective tax rate to the statutory tax rate for the years 2008 and 2007 is as follows:

	2008 %	2007 %
Income before income taxes	100.00	100.00
Theoretical expense	30.00	30.00
Effect on taxable income		
Non-taxable financial revenue	(16.25)	(13.03)
Effect of non-deductible expenses		
Non-deductible financial expenses	5.84	3.01
Other non - deductible expenses	2.85	4.38
Income tax, current and deferred	22.44	24.36

14. Net shareholders' equity

(a) Capital stock -

As of December 31, 2008 and 2007, the Bank's capital stock comprised by 1,508.3 and 1,286.5 million, respectively, fully subscribed and paid common shares, each with a face value of one Nuevo Sol.

The General Shareholders Meeting held on March 28, 2008, approved the capitalization of retained income corresponding to year 2007 for an amount of S/221.8 million (equivalent approximately to US$70 million).

The Board of Directors Meetings held on May 28, 2008 and October 29, 2008, approved a commitment to capitalize retained earnings corresponding to year 2008, for an amount of S/400.0 and S/320.0 million, respectively.

(b) Legal reserve -

Pursuant to legislation in force, the Bank must reach a legal reserve of at least 35 percent of its paid-in capital. This reserve is to be funded through an annual appropriation of at least 10 percent of its net income. As of December 31, 2008 and 2007, the Bank has reached the minimal amount required.

The Bank's Subsidiaries established in Peru must also record this reserve in their individual financial statements. As of December 31, 2008 and 2007, the Subsidiaries' reported legal reserves amounts to approximately S/96.0 and S/76.5 million, respectively.

(c) Special reserve -

The special reserve has been funded through the appropriation of accumulated results and is considered to be unrestricted.

The General Shareholders Meetings held on March 28, 2008, March 30, 2007 and March 31, 2006, approved an increase of the special reserve for approximately S/290.5, S/125.1 and S/107.3 million, respectively.

(d) Dividend distribution -

The General Shareholders Meetings held on March 28, 2008, March 30, 2007 and March 31, 2006, agreed to distribute dividends for an amount of approximately S/371.2, S/536.5 and S/591.8 million, respectively.

Under current legislation, there is no restriction for overseas remittance of dividends or repatriation of foreign investment. Individual persons and corporations not domiciled in Peru must pay an additional tax of 4.1 percent on dividends received, which must be retained and paid by the entity that distributes the dividends.

(e) Shareholders' equity for legal purposes (Regulatory capital) -
As of December 31, 2008, contingent assets and indirect loans weighted by credit risk and the minimum equity required for market risk applicable to currency risk, determined by the Bank following current legal regulations, amounted to approximately S/33,873.5 and S/150.5 million, respectively (S/25,775.4 and S/80.0 million as of December 31, 2007, respectively), generating a global leverage ratio for credit and market risk of 8.68 times the Bank's regulatory capital (8.44 times as of December 31, 2007). According to the Banking Law, this ratio cannot be higher than 11 times.

In June 2008, by means of Legislative Decree (LD) N°1028, the Banking Law was modified; requiring that regulatory capital must be equal to or more than 10 percent of assets and contingencies weighted by credit risk plus 10 times the regulatory capital required for operating and market risk; this ratio will increase gradually until July 2011 in accordance with the percentages and dates established in LD N°1028. In addition to credit and market risk, LD N°1028 seeks to cover the operating risks of financial institutions with new capital contributions.

15. Tax situation

(a) The Bank and its Subsidiaries are subject to Peruvian Tax Law. As of December 31, 2008 and 2007, the statutory income tax was 30 percent on taxable income.

(b) The exemption of income and capital gains taxes arising from the disposal of securities through the Lima Stock Exchange, as well as interest relating thereto and any interest or other earnings from debt instruments issued by the Peruvian public sector, has been extended until December 31, 2009.

Starting January 1, 2010, interest and other capital gains from debt instruments issued by the Peruvian Republic and interest and capital gains from BCRP negotiable certificates of deposit used as monetary regulations, will not be subject to income tax.

(c) For income tax and value added tax purposes, the transfer prices agreed in transactions between related parties and with entities located in tax havens, require the presentation of supporting documents and information on the valuation methods and criteria applied for the agreed price. Based on an analysis of the Bank and its Subsidiaries' operations, Management and its internal legal advisors consider that no significant contingencies will result for the Bank and its Subsidiaries as a consequence of the application of such provisions as of December 31, 2008 and 2007.

(d) The Tax Authority has the right to review and, if applicable, amend the annual income tax returns of the Bank and its Subsidiaries established in Peru up to four years after their presentation.

For the Bank its 2008 and 2007 income tax returns are pending to be reviewed by the Tax Authority. As at the date of this report, the 2006 income tax return is being reviewed.

For the Subsidiaries, except for year 2001 and 2003 tax returns for Credileasing and Soluciones en Procesamiento, respectively, which have already been reviewed, and the tax returns for year 2006 for Credifondo and year 2007 for Credibolsa that are undergoing review; as of the date of this report, tax returns for the years 2004 to 2008 are pending to be reviewed by the Tax Authority.

Because of the potential different interpretations that the Tax Authority may give to legal rules in force, it is not possible to determine to date whether the reviews will generate additional liabilities for the Bank and its Subsidiaries. Therefore, any higher tax, penalty, interest or sanction imposed as a result of such reviews will be applied to the results of the year in which they are determined. Nevertheless, in Management and its internal legal advisors' opinion, any possible additional tax assessment would not have significant consequences on the consolidated financial statements as of December 31, 2008 and 2007.

As indicated in note 17(b), the Bank has pending legal claims with the Tax Authority, related to income tax reviews for the years 1999, 2004 and 2005.

16. Stock appreciation rights

As indicated in note 2(p), the Bank and its Subsidiaries have granted options on Credicorp's (the Bank's majority shareholder) stock appreciation rights (SARs) to certain key executives and employees who have at least one year of service to the Bank. At the grant date and in each one of the subsequent three years, the granted SARs may be exercised up to 25 percent of all SARs granted in the plan. The SARs expire after eight years.

At the end of the fourth year and until the expiration date of the SARs, all of the unexercised SARs may be exercised at any time. As of December 31, 2008 and 2007, 451,925 and 258,075 SARs had been exercised under this plan for an approximate amount of US$17.8 and US$12.3 million (equivalent to S/55.9 and S/36.7 million) for the years 2008 and 2007, respectively, plus the income tax on behalf of the executives and employees that is assumed by the Bank and its Subsidiaries, equivalent to 30 percent of the amount paid.

As of December 31, 2008 and 2007, the number of SARs issued and not exercised and their prices are as follows:

Year of issuance	**Number of outstanding SARs issued as of December 31, 2008**	**Number of vested SARs as of December 31**		**Exercise price**	
		2008	**2007**	**2008** US$	**2007** US$
2000	-	-	49,750	8.00	8.50
2001	60,000	60,000	73,000	4.80	5.30
2002	60,000	60,000	92,500	6.48	6.98
2003	133,650	133,650	151,900	7.67	8.17
2004	183,450	183,450	226,450	10.49	10.99
2005	235,450	235,450	330,594	15.50	16.00
2006	329,550	299,550	277,550	24.82	25.32
2007	433,875	269,891	229,500	48.00	48.50
2008	551,250	240,469	-	72.04	-
	1,987,225	1,482,460	1,431,244		

Bank's Management has estimated the SARs' fair value as of December 31, 2008 and 2007, using the binomial option pricing model, with assumptions obtained from the relevant available market information. The key assumptions used are as follows:

Key assumptions	**2008**	**2007**
Expected volatility	34.98%	32.70%
Risk free interest rate	6.21%	3.50%
Expected lifetime	4.71 years	4.82 years
Quoted price of Credicorp shares at year-end	US$49.96	US$76.30

The movement of the SARs for the years ended December 31, 2008 and 2007 is as follows:

	2008			2007		
	Outstanding SARs	Vested SARs		Outstanding SARs	Vested SARs	
	Number	Number	Amount	Number	Number	Amount
			S/(000)			S/(000)
Balance as of January 1	1,936,025	1,431,244	252,309	1,610,600	1,137,552	108,255
Granted and vested	572,500	503,141	26,730	586,000	553,486	60,950
Exercised	(451,925)	(451,925)	(55,858)	(258,075)	(258,075)	(36,732)
Decrease	(69,375)	-	-	(2,500)	(1,719)	(271)
Increase (decrease) in the option fair value	-	-	(95,622)	-	-	120,107
Balance as of December 31	1,987,225	1,482,460	127,559	1,936,025	1,431,244	252,309

The liabilities recorded for this plan, including the income tax assumed by the Bank and its Subsidiaries, are included in "Payroll taxes, salaries and other personnel expenses payable" and in the caption "Other liabilities, net" of the consolidated balance sheets; and the expenses are included in the caption "Salaries and employees' benefits" of the consolidated income statements. During 2008 and 2007, the SARs prices were modified and informed to the Bank and its Subsidiaries executives and employees.

The Bank has signed several contracts with Citigroup by which it has acquired certificates linked to the yield of Credicorp's shares, note 9(b).

17. Commitments and contingencies

(a) Commitments -

In November 2005, March 2006 and July 2007; the Bank's Panamanian Branch entered into several debt agreements with a foreign related party (CCR Inc., an entity consolidated by Credicorp Ltd.) for which the Bank guarantees the collection of future inflows from electronic messages sent through the Society for Worldwide Interbank Financial Telecommunications ("SWIFT") and utilized within the network to instruct correspondent banks to make a payment of a certain amount to a beneficiary that is not a financial institution. For these transactions the related party was granted several loans, which are secured by the above mentioned future inflows; the amounts of the loans received are the following:

Year of Issuance	Loan amount US$(million)	Equivalent amount in S/(million)	Maturity
2005	280.0	879.2	2012
2006	100.0	314.0	2016
2007	350.0	1,099.0	2017
2007	150.0	471.0	2014
2008	300.0	942.0	2015

The loans obtained by the related party include covenants that must be fulfilled by the Bank and its Subsidiaries which, in Management's opinion, have been fulfilled as of December, 2008 and 2007.

(b) Contingencies -

As of December 31, 2008 and 2007, the Bank has received tax assessments from the Tax Authority as a result of:

The review of year 1999 income tax return: The Tax Authority determined a lower income tax credit balance for approximately S/5.9 million plus fines for approximately S/13.6 million, as of December 31, 2008. The Bank filed the corresponding claim, which was resolved in 2008, ordering further examination of the disputed issues. At the date of this report, the Tax Authority is carrying out the ordered examination.

The review of years 2004 and 2005 income tax returns: The Tax Authority determined a higher income tax for approximately S/6.1 million plus interest and fines for S/3.4 million. The Bank has filed the corresponding claim and paid the amount demanded under protest.

In Management and its internal legal advisors' opinion any possible additional tax assessment would not have any significant consequences on the consolidated financial statements as of December 31, 2008 and 2007.

In addition, the Bank and its Subsidiaries have several pending legal claims, related to their normal operations which, in Management and its legal advisors' opinion, will not result in additional liabilities to the ones already recorded by the Bank and its Subsidiaries; therefore, Management has not considered necessary to record for an additional amount, note 9 (h).

18. Off-balance sheet accounts

(a) This item is made up as follows:

	2008 S/(000)	2007 S/(000)
Contingent operations (b) -		
Guarantees and stand-by letters of credit	4,650,621	3,247,201
Import and export letters of credit (c)	783,245	1,294,193
Due from bank acceptances (c)	730,300	107,322
	6,164,166	4,648,716
Foreign currency forwards contracts (d)	7,871,447	6,813,698
Responsibilities under credit line agreements (e)	3,877,788	3,242,017
Repurchase agreements (f)	917,024	980,253
Foreign currency and interest rates swap contracts (d)	870,870	151,058
Foreign currency swap contracts (d)	719,546	355,181
Other contingent operations	4,999	27,796
Total contingent operations	20,425,840	16,218,719
Other off-balance sheet accounts -		
Securities in custody	96,955,082	42,494,416
Risk classification of assets and contingent operations	68,835,524	51,489,217
Guarantees received (g)	46,200,240	32,316,671
Debt instruments under collection	8,406,938	6,760,332
Trust and debt trust commissions (h)	6,306,665	7,377,802
Interest Rate Swaps (d)	4,604,780	1,827,082
Written-off loans	3,066,972	2,884,411
Securities granted as warranties	2,915,045	604,167
Insurance coverages	2,750,143	2,668,009
Letters of credit advised	1,431,839	1,399,869
Other	12,709,515	16,061,046
Total other off-balance sheet accounts -	254,182,743	165,883,022
Total	274,608,583	182,101,741

(b) In the normal course of its business, the Bank and its Subsidiaries are party to transactions with off-balance sheet risk exposure. These transactions expose them to credit risk in addition to the amounts recognized in the consolidated balance sheets. The Bank's exposure to losses under commitments to extend credit, provide export and import letters of credit and guarantees is represented by the contractual amounts specified in the related contracts.

The Bank and its Subsidiaries apply the same credit policies in making commitments and conditional obligations as they do for on-balance sheet instruments, including the requirement to obtain collateral to support off-balance sheet financial instruments when it is deemed necessary. Collateral held varies, but it may include deposits held in financial institutions, securities or other assets.

Because most of the contingent transactions are expected to expire without any performance being required, the total committed amounts do not necessarily represent future cash requirements.

(c) Export and import letters of credit, guarantees and stand by letters are conditional commitments issued by the Bank and its Subsidiaries to guarantee the performance of a customer to a third party. Export and import letters of credit are mainly issued as credit enhancements for overseas commercial transactions. The related credit risk is reduced by the participation of third parties.

Due from bank on acceptances represent collection rights for the Bank and its Subsidiaries that arise at the time of negotiation of the letters of credit, consisting of a collection right from the local importer (in the case of imports) or a collection right from the correspondent bank (in the case of exports).

(d) Foreign currency forwards are commitments to buy or sell currency at a future date at a contracted price and the seller commits to pay at a determined date a specific foreign currency amount. These agreements are executed to satisfy client requirements and are recognized in the consolidated financial statements at fair market value. As of December 31, 2008 and 2007, they had maturities mainly not longer than one year.

Currency swap operations are agreements to exchange United States dollars for Nuevos Soles or vice versa. These contracts are entered into in order to satisfy the needs of clients and are recorded at their estimated fair values. As of December 31, 2008, foreign currency swaps had maturities between January 2009 and September 2015 (between April 2008 and December 2014 as of December 31, 2007).

Currency and interest rate swaps are agreements to exchange payment of U.S. Dollar denominated principal and interest for Nuevos Soles. These operations were carried out in order to hedge certain liabilities, see note 9(c), and are recorded at their estimated fair values. As of December 31, 2008, these contracts had maturities between April 2011 and October 2017 (December 2014 as of December 31, 2007).

Interest rate swaps are agreements to exchange fixed and variable interest rates in the same currency for a reference amount and based on a reference interest rate, for example Libor. As of December 31, 2008, interest rate swaps were carried out for trading purposes and to hedge certain liabilities, see note 9(c), and are recorded at their estimated fair values. As of December 31, 2008, they had maturities between March 2009 and February 2018 (between February 2008 and March 2017 as of December 31, 2007).

The risk in all such transactions arises from the possibility of the counterparty failing to comply with the terms and conditions agreed and of the reference rates at which the transactions take place changing.

(e) Responsibilities under credit lines agreements do not correspond to commitments to grant credits; and include credit lines and other consumer loans (credit cards) that are cancelable upon notification to the client.

(f) Corresponds to the future commitment to reacquire investments subject to repurchase agreements (repos), in which the legal ownership of the investments has been transferred according to SBS regulations, note 2(v). As of December 31, 2008 and 2007, the investments subject to repurchase agreements are detailed in note 5(j).

(g) The balance of the caption "Guarantees received" is stated at the value of the guarantee agreed as of the date of the loan contract. This balance does not necessarily represent the market value of guarantees received by the Bank and its Subsidiaries.

(h) The Bank and its Subsidiaries provide custody, trust, corporate administration, investment management and consulting services to third parties, which entail that the Bank and its Subsidiaries be involved in decisions over consignation (distribution), and the purchase and sale of these products. Assets kept in trust are not included in the consolidated financial statements. As of December 31, 2008 and 2007, assets managed on behalf of the Bank and its Subsidiaries clients amounted to S/5,117.5 and S/6,880.5 million, respectively.

19. Financial income and expenses

These items are made up as follows:

	2008 S/(000)	2007 S/(000)
Financial income		
Interest from loan portfolio	2,807,602	2,145,425
Interest from cash and due from banks and inter-bank funds	199,344	214,025
Interest from trading, available-for-sale and held-to-maturity investments	661,908	445,626
Fluctuation from derivative financial instruments position - forwards	94,308	43,300
Fluctuation from hedging derivatives instruments	49,592	-
Commissions on loan portfolio and other transactions	25,990	20,337
Other	17,068	15,168
	3,855,812	2,883,881
Financial expenses		
Interest on deposits and obligations	(891,042)	(624,135)
Interest and commissions on deposits from local financial entities and international organizations	(248,969)	(188,923)
Interest on due to banks and correspondents	(241,378)	(139,988)
Interest on bonds and subordinated notes issued	(161,202)	(116,880)
Fluctuation from hedging derivatives instruments	(48,375)	-
Deposit Insurance Fund Fee	(46,685)	(39,733)
Fluctuation from derivative financial instruments position – swaps	(20,939)	(9,277)
Other	(33,576)	(19,713)
	(1,692,166)	(1,138,649)
Gross financial margin	2,163,646	1,745,232

20. Provision for loan losses, net

This item is made up as follows:

	2008 S/(000)	2007 S/(000)
Provision (recovery) for:		
Loan losses, note 6(f)	270,267	193,414
Country risk	2,042	(6,993)
Accounts receivable	154	(1,279)
Total	272,463	185,142

21. Banking services commisions, net

This item is made up as follows:

	2008 S/(000)	2007 S/(000)
Income		
Transfer and collection services	322,572	249,958
Maintenance of accounts	156,979	138,061
Credit and debit card services	115,728	102,833
Commissions from parties affiliated to the credit / debit card network	92,274	72,532
Commissions for contingent operations (indirect loans)	81,745	70,855
Trust services	68,001	66,927
Commissions for special services - credipago	37,794	29,579
Insurance commissions	34,854	77,542
Fees for consulting and technical studies	28,500	28,485
Withholding and collection services	24,801	22,152
Brokerage services	13,940	29,261
Fees related to leasing transactions	12,676	10,347
Checks issuances	10,145	10,128
Other	86,546	93,279
	1,086,555	1,001,939

Expenses		
Credit and debit card	(43,628)	(34,571)
Leasing commissions	(14,101)	(11,011)
Issuances of checks	(7,870)	(3,776)
Credit / debit card network	(7,018)	(6,255)
Insurances	(6,809)	(52,713)
Consulting and technical studies	(3,692)	(4,018)
Other	(12,739)	(6,009)
	(95,857)	(118,353)
Balance, net	990,698	883,586

22. Net gain on securities

This item is made up as follows:

	2008 S/(000)	2007 S/(000)
Net gain from purchase and sale of securities	72,364	16,873
Participation in permanent investments	23,683	16,148
Net (loss) gain from valuation of trading securities	(12,819)	29,176
Provision for impairment of trading, available-for-sale and held-to-maturity investments , note 5(k)	(7,510)	(662)
Other, net	(763)	(4,009)
Total	74,955	57,526

23. Other non financial income and other operating expenses

These items are made up as follows:

	2008 S/(000)	2007 S/(000)
Other non financial income		
Recoveries of loans previously written-off	64,619	71,154
Income from Visa Inc. restructuring (a)	44,093	-
Net gain from sales of seized assets, note 9(g)	41,641	39,710
Collection of interest previously written-off	12,982	12,492
Income from technical outsourcing services	3,328	3,845
Gain from indexed certificates, note 9(b)	-	207,819
Other	67,923	29,118
Total	234,586	364,138
Other operating expenses		
Loss from indexed certificates, note 9(b)	(190,994)	-
Provision for legal claims	(9,586)	(10,361)
Expenses from third party services and other	(7,589)	(8,479)
Collection expenses	(2,363)	(4,341)
Maintenance of seized assets	(1,216)	(2,169)
Provision for accounts receivable	(815)	(3,391)
Provision for sundry risks	(84)	(6,976)
Other	(17,573)	(26,410)
Total	(230,220)	(62,127)

(a) On October 2007, the Visa organization of affiliated entities completed a global restructuring to combine its affiliated operating entities, including Visa International, under a single holding company, Visa Inc. The Bank and its Subsidiaries, as affiliate members of Visa International, received shares of Visa Inc., which on March 2008 was subject to an initial public offering (IPO) on the New York Stock Exchange (NYSE). The Bank and its Subsidiaries sold approximately 56 percent of their shares in Visa Inc. as part of the IPO, recording an income of S/44.1 million.

24. Salaries and employees´ benefits

This item is made up as follows:

	2008 S/(000)	2007 S/(000)
Salaries	501,033	389,558
Stock appreciation rights	(86,898)	253,455
Supplementary workers' profit sharing	108,336	90,192
Legal gratifications	76,413	67,954
Social security	58,596	46,017
Severance indemnities	43,238	34,002
Vacations, medical assistance and others	130,529	135,148
Total	831,247	1,016,326
Average number of employees	14,573	11,722

25. Earnings per share

(a) As of December 31, 2008, 2007 and 2006, the weighted average of outstanding shares was determined as follows:

	Outstanding shares (in thousands)	Shares for the calculation (in thousands)	Effective days before the year ended	Weighted outstanding average shares (in thousands)
2006				
Balances as of January 1, 2006	1,286,528	1,286,528		1,286,528
Capitalization of income in 2008	221,760	221,760	365	221,760
Balances as of December 31, 2006	1,508,288	1,508,288		1,508,288
2007				
Balances as of January 1, 2007	1,508,288	1,508,288	365	1,508,288
Balances as of December 31, 2007	1,508,288	1,508,288		1,508,288
2008				
Balances as of January 1, 2008	1,508,288	1,508,288	365	1,508,288
Balances as of December 31, 2008	1,508,288	1,508,288		1,508,288

(b) The computation of earnings per share as of December 31, 2008, 2007 and 2006, is shown below:

Year	Income (numerator) S/(000)	Shares (denominator) (en thousands)	Earnings per share S/
2008	1,334,546	1,508,288	0.8848
2007	883,438	1,508,288	0.5857
2006	661,574	1,508,288	0.4386

26. Risk Assessment

The Bank and its Subsidiaries' activities are mainly related to the use of financial instruments including derivatives. The Bank and its Subsidiaries accept deposits from their customers at both fixed and floating rates and with different terms, with the intention of obtaining profit from interest margins by investing those funds in high-quality assets.

The Bank and its Subsidiaries seek to increase these margins by consolidating their short-term funds and lending at longer periods at higher rates, while maintaining sufficient liquidity to fund customers' withdrawals.

The Bank and its Subsidiaries seek to raise their interest margins by obtaining above average margins, net of provisions, through lending to commercial and retail borrowers with a range of credit standings. The exposure not only comprises loans and non-contingent advances but also any other indirect loans, such as letters of credit and stand-by letters of credit.

The Bank and its Subsidiaries also trade financial instruments in the "Over-the- counter" and exchange markets, including derivative financial instruments, to benefit from short term movements in market values of shares and bonds, and the fluctuations of exchange and interest rates. Management establishes limits to the Group's exposure to market positions for daily and overnight operations. The exposure to exchange and interest rates related to these operations is normally offset and controlled through the fluctuations in the net cash amounts required to settle market positions.

Market risks -

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

The Bank and Subsidiaries separate exposures to market risk into two groups: (i) those that arise from value fluctuation of trading portfolios due to movements of market rates or prices (Trading Book) and (ii) those that arise from changes in the structural positions of non-trading portfolios due to movements of the interest rates, prices and exchange ratios (ALM Book).

Trading portfolios include those liquid positions arising from market-making transactions where the Bank and its Subsidiaries act as principal with clients or with the market. Non-trading portfolios consist of relatively illiquid positions, mainly banking assets and liabilities (deposits and loans) and non-trading investments (available-for-sale).

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

The daily market Value at Risk (VaR) is an estimate of the maximum potential loss that might arise if current positions were to be held unchanged for one trading session, taking into account a specific level of confidence. The measurement is structured so that daily losses exceeding the VaR figure on average occur, not more than one trading session out of one hundred. Actual outcomes are monitored regularly to test the validity of the assumptions and parameters used in the VaR calculation.

Management of the risks associated with long-term and structural positions is called Asset and Liability Management (ALM). Non-trading portfolios which comprise the ALM Book are exposed to different sensitivities that can bring about a deterioration in the value of the assets compared to its liabilities and hence to a reduction of its net worth. The sensitivities to which the portfolio is exposed are of interest rate and exchange rate type, and management of re-pricing gaps.

Liquidity risk -

The Bank and its Subsidiaries are exposed to daily calls on available cash resources from overnight deposits, current account, maturing deposits, loan drawdowns, guarantees and other. The Bank and its Subsidiaries do not maintain cash resources to meet all of these needs, as experience shows that a minimum level of reinvestment of maturity funds can be predicted with a high level of certainty. The Bank and its Subsidiaries' Management sets limits on the minimum proportion of funds available to meet such calls and the minimum level of inter-bank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demands.

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

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

Liquidity requirements to support calls under guarantees and stand by letters of credit are considerably less than the committed amount, because the Bank and its Subsidiaries do not generally expect the third party to draw funds under the agreement. The total outstanding contractual amount of commitments to extend credit does not necessarily represent future cash requirements, as many of these commitments will expire without being funded.

The notes to the consolidated financial statements include an analysis of the Bank and its Subsidiaries' main assets and liabilities by maturities based on contractual maturity dates.

Cash flow and fair value risks due to changes in interest rates -
The Bank and its Subsidiaries are exposed to the effect of fluctuations in the prevailing levels of market interest rates on both their fair value and cash flow risks. Interest margins may increase as a result of such changes, but may reduce or create losses in case of unexpected movements arise. Management of the Bank and its Subsidiaries sets limits on the level of mismatch of interest rate reprising that may be undertaken, which is monitored periodically.

The Bank and its subsidiaries also negotiate instruments in the stock and over-the-counter markets including financial derivatives instruments, aimed at taking advantage of short term movements in the market and to hedge the risk of fluctuations in exchange and interest rates.

Resources for investing are mainly obtained form short-term liabilities, interest on which is agreed at fixed and variable interest rates prevailing in the market. Loans, customer deposits and other financing instruments are subject to risk derived from interest rate fluctuations. The relevant contract maturity characteristics and interest rates of such financial instruments are disclosed in Notes 5, 6(h) and (i), 10(a) and (d), 11 and 12.

Currency risk -
The Bank and its Subsidiaries take on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on their financial position and cash flows. Management sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily.

Most assets and liabilities are maintained in Nuevos Soles and U.S.Dollars. Foreign currency transactions are made at the free market exchange rates of the countries where the Bank and its Subsidiaries are established. As of December 31, 2008 and 2007, the Bank and its Subsidiaries' assets and liabilities by currencies are shown in note 3.

Credit risk -
The Bank and its Subsidiaries take on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. The Bank and its Subsidiaries provide impairment provisions for losses that have been incurred at the consolidated balance sheet date. Significant changes in the economy or in a particular industry segment, that represents a concentration in the Bank and its Subsidiaries' portfolio, could result in losses that are different from those provided for at the consolidated balance sheet date. Management, therefore, manages its exposure to credit risk.

The Bank and its Subsidiaries structure the levels of credit risk that they undertake by placing limits on the amount of risk accepted in relation to one borrower or groups of borrowers, and to geographical and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review. Limits on the level of credit risk by product, industry sector and by country are approved by the Board of Directors.

Exposure to credit risk is managed through regular analyses of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits when appropriate. Exposure to credit risk is also managed in part by obtaining corporate and personal guarantees, but there is a significant portion in personal loans (consumer loans) where no such guarantees can be obtained.

As of December 2008 and 2007, Management of the Bank ant its Subsidiaries have estimated that their maximum exposure to credit risk is represented by the book value of the financial assets that presents credit risk, which comprise, mainly, deposits in banks, trading securities, investments available-for-sale, financial instruments at fair value through profit and loss, loans and indirect loans, without considering the fair value of the guarantees and collaterals. The exposure for each borrower, including banks, is further restructured by sub-limits covering on and off balance sheet exposures, and daily delivery risk limits to trading items such as forward foreign exchange contracts. Real exposures compared against established limits are monitored daily.

27. Fair value

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

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

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

- Cash and due from banks represent cash and short-term deposits that do not represent significant credit or interest risks; in consequence, their book value is equivalent to their fair value.

- Trading securities are recorded at their estimated fair value at the dates of the consolidated balance sheets; in consequence, their book and fair values are the same.

- Available-for-sale investments are recognized at the lower of cost or estimated fair value; in consequence, the unrealized potential gains have been considered when estimating fair value, which is determined considering stock-market prices or other valuation techniques; thus, their book value is different from their fair value as indicated in note 5(l).

- Fair value of loans are similar to their book value because they are mainly short-termed, granted at variable interest rates; and are shown net of their respective allowance for loan losses. The net amounts are considered by Management as the approximate recoverable amounts at the dates of the consolidated financial statements.

- Management considers that the book values of permanent investments approximates their fair value, because most of the items are recorded at their equity value, except for certain investments held by Inversiones BCP Ltda., which estimated fair values are indicated in note 7(b).

- Financial instruments at fair value through profit and loss, included in the caption "Other assets" are recorded at their estimated fair value.

- The fair value of deposits and obligations is similar to its book value due, mainly, to their current maturities and interest rates, which are comparable to other similar liabilities in the market at the dates of the consolidated balance sheets.

- Due to banks and correspondents generate interest contracted at variable interest rates and/or preferred rates similar to the ones prevailing in the market. As a result, it is considered that their book value approximates their fair values.

- Bonds and subordinated notes accrue interest at fixed or variable rates. Their fair value was estimated using discounted cash flows at rates prevailing in the market for liabilities with similar characteristics; the estimated fair value approximates the book value as of the consolidated balance sheets dates.

- As disclosed in note 18, the Bank and its Subsidiaries have various commitments to extend loans, open documentary credits and outstanding guarantees and it has received guarantees in endorsement of the granted loans. Based on the level of fees currently charged for granting such commitments and open documentary credits, taking into account maturity and interest rates, together with the present creditworthiness of the counterparties, the Bank and its Subsidiaries have estimated that the difference between the book value and the fair value is not significant.

Considering the above detailed explanations, as of December 31, 2008 and 2007, Management considers that the estimated fair values of the Bank and its Subsidiaries' financial instruments do not differ significantly from their book value, except for the fair values indicated in notes 5(l) and 7(b).

28. Financial information by geographical area

As of December 31, 2008 and 2007, segment information by geographical area is as follows (amounts expressed in millions of Nuevos Soles):

	2008					2007				
	Total income	Gross financial margin	Depreciation and amortization	Property, furniture and equipment	Total assets	Total income	Gross financial margin	Depreciation and amortization	Property, furniture and equipment	Total assets
Peru	4,543	1,919	128	792	44,059	3,759	1,572	120	633	32,519
Panama	510	61	-	-	7,817	305	29	-	-	7,507
Bolivia	396	162	10	49	2,946	240	115	9	43	2,460
United States of America	32	22	-	2	673	70	29	-	1	1,228
	5,481	2,164	138	843	55,495	4,374	1,745	129	677	43,714

29. Transactions with related parties and related companies

(a) During the years 2008 and 2007, the Bank and its Subsidiaries have acquired bonds, granted loans, supplied and requested several services, correspondent relationships and other operations with Credicorp´s subsidiaries, balances are shown below:

	2008 S/(000)	2007 S/(000)
Assets -		
Cash and due form banks	18,051	17,068
Loans, net	325,050	213,937
Other assets	16,310	14,203
Liabilities -		
Deposits and obligations	4,877,663	2,757,560
Due to banks and correspondents	-	30,367
Bonds and subordinated notes issued	31,605	84,400
Other liabilities	3,556	2,840
Contingent operations	40,897	131,828
Other off-balance sheet accounts	1,193,437	992,436
Income -		
Financial income	15,611	16,658
Financial expenses	277,330	122,134
Other income	89,794	24,390
Other expenses	55,742	18,625

Loans and other contingent credits with related entities, not Credicorp's subsidiaries, are as follows:

	2008 S/(000)	2007 S/(000)
Direct loans	451,705	281,930
Indirect loans	74,022	42,022
Derivatives, market value	13,122	1,156
Deposits	108,860	94,940

As of December 31, 2008 and 2007, the Bank and its Subsidiaries hold debt or equity instruments, presented as securities available-for-sale, issued by related entities for an amount of S/12.5 and S/16.8 million, respectively.

The Bank has contracted insurance coverage with El Pacífico-Peruano Suiza Compañia de Seguros y Reaseguros (PPS), the related premiums amounted to S/80.5 million in 2008 (S/56.7 million in 2007); the accrued part is recorded in the caption "Administrative expenses" of the consolidated statement of income.

The Bank receives fees from Pacífico Vida S.A for the sale of life insurance policies through its offices and agencies to customers who have saving accounts; fees received amounted to approximately S/6.2 and S/5.1 million in 2008 and 2007, respectively.

According to Peruvian legislation, loans to related parties cannot be granted on terms more favorable than those that would have been offered to the general public. Management believes that the Group has complied with all legal requirements for transactions with related parties. Loans granted to related parties are secured by guarantees and collaterals. Loans granted to related parties as of December 31, 2008, have maturities between February 2009 and July 2017 and accrue interest at interest rates that range between 5.25 and 14.0 percent (maturities between January 2008 and September 2017 and interest rates between 5.8 and 9.3 percent, as of December 31, 2007). As of December 31, 2008, the allowance for loan granted to related parties amounts to US$1.9 million (US$1.1 million as of December 31, 2007) and was established based on an individual assessment of the related parties financial positions and the market where they operate.

(b) As of December 31, 2008 and 2007, the Group has participation quotas in several mutual funds managed by one of its Subsidiaries, the detail is the following:

	2008 S/(000)	**2007** S/(000)
Trading and available-for-sale investments -		
- Mutual funds - Credifondo U.S. Dollars	229,084	334,733
- Mutual funds - Credifondo Nuevos Soles	29,146	20,603
- Real estate fund - Credifondo	-	955
Total	258,230	356,291

As of December 31, 2008, the Bank had entered into foreign exchange sales with mutual funds managed by Credifondo S.A. Sociedad Administradora de Fondos, with a notional amount of S/.77,019 (sales operations with notional amounts of S/.100,145, respectively as of December 31, 2007), which are included under the caption "Contingent operations" of the consolidated balance sheet, see note 18.

(c) Loans to employees and their families -
The Bank and its Subsidiaries grant loans to their employees and families for terms that depends on the different types of loans granted to third parties. Loans granted to employees and their families are mainly mortgage loans and are included under the caption "Loans, net" of the consolidated balance sheets. Generally, interest rates applied are lower than market interest rates; however, others terms are similar to those prevailing in the market. As of December 31, 2008 and 2007, the balance of loans and other facilities granted to employees, family members, directors and key executives of the Bank and its Subsidiaries amounted to S/494.0 and S/346.1 million, respectively.

(d) The Bank's key executive's compensation for the years 2008 and 2007, considering all payments made, is as follows:

	2008	**2007**
	S/(000)	S/(000)
Stock appreciation rights, note 16	84,695	81,229
Salaries	16,542	16,582
Directors compensation	4,091	3,482
Other	25,409	38,798
Total	13,737	140,091

30. Explanation added for translation into English

The accompanying translated consolidated financial statements were originally issued in Spanish and are presented on the basis of accounting principles generally accepted in Peru for financial entities, as described in note 3. Certain accounting practices applied by the Bank and its Subsidiaries that conform to generally accepted accounting principles in Peru for financial entities may not conform in a significant manner with generally accepted accounting principles applied in other countries. In the event of a discrepancy, the Spanish language version prevails.