Translation of the report and consolidated financial statements originally issued in Spanish - See Note 31 to the consolidated financial statements

Banco de Crédito del Perú and Subsidiaries

Consolidated financial statements as of December 31, 2007 and 2006 together with the Report of Independent Auditors

ERNST & YOUNG

MEDINA, ZALDIVAR, PAREDES & ASOCIADOS

Translation of the report and consolidated financial statements originally issued in Spanish - See Note 31 to the consolidated financial statements

Banco de Crédito del Perú and Subsidiaries

Consolidated financial statements as of December 31, 2007 and 2006

Content

Translation of the report originally issued in Spanish - See Note 31 to the consolidated financial statements

Independent auditor's report

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

We have audited the accompanying consolidated financial statements of Banco de Crédito del Perú (a subsidiary of Credicorp Ltd., a holding incorporated in Bermuda) and Subsidiaries which comprise the consolidated balance sheets as of December 31, 2007 and 2006, and the consolidated statements of income, changes in shareholders' equity and cash flows for each of the three years ended December 31, 2007, 2006 and 2005, and the summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements of Banco de Crédito del Perú 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

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 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

Independent auditor's report (continued)

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

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, 2007 and 2006, and the consolidated results of their operations and their consolidated cash flows for each of the three years ended December 31, 2007, 2006 and 2005; in accordance with accounting principles prescribed by the Superintendencia de Banca, Seguros y AFP (SBS) for Peruvian financial entities.

Lima, Peru,
February 26, 2008

Medina, Zaldívar, Paredes
& Asociados

Countersigned by:

Juan Paredes
C.P.C. Register Nº22220

Banco de Crédito del Perú and Subsidiaries

Consolidated balance sheets

As of December 31, 2007 and 2006

	Note	2007 S/(000)	2006 S/(000)
Assets			
Cash and due from banks:	5		
Cash and clearing		1,640,603	1,493,727
Deposits in Peruvian Central Bank		5,388,548	4,493,105
Deposits in local and foreign banks		1,356,262	2,000,972
Accrued interest on cash and due from banks		14,461	10,001
		8,399,874	7,997,805
Interbank funds		14,982	80,030
Trading, available-for-sale and held-to-maturity investments, net	6	8,938,054	5,858,344
Loans, net	7	23,899,174	18,144,725
Permanent investments, net	8	105,232	98,820
Property, furniture and equipment, net	9	676,766	625,775
Other assets, net:			
Financial instruments at fair value through profit and loss	10	753,139	201,416
Other, net	10	926,521	706,032
Total assets		43,713,742	33,712,947
Off-balance sheet accounts -	19		
Contingent operations		16,102,004	10,419,963
Other		165,999,737	104,317,311
Total		182,101,741	114,737,274

	Note	2007 S/(000)	2006 S/(000)
Liabilities and shareholders' equity			
Deposits and obligations	11	32,700,088	26,704,353
Interbank funds		307,042	121,541
Due to banks and correspondents	12	4,064,569	1,443,875
Bonds and subordinated notes issued	13	2,160,284	1,704,545
Other liabilities, net	10	1,273,924	877,754
Total liabilities		40,505,907	30,852,068
Shareholders' equity	15		
Capital stock		1,286,528	1,286,528
Legal reserve		546,519	546,519
Special reserve		491,350	366,258
Retained earnings		883,438	661,574
Total shareholders' equity		3,207,835	2,860,879
Total liabilities and shareholders' equity		43,713,742	33,712,947
Off-balance sheet accounts -	19		
Contingent operations		16,102,004	10,419,963
Other		165,999,737	104,317,311
Total		182,101,741	114,737,274

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

Translation of the consolidated financial statements originally issued in Spanish - See Note 31

Banco de Crédito del Perú and Subsidiaries

Consolidated income statements

For the years ended December 31, 2007, 2006 and 2005

	Note	2007 S/(000)	2006 S/(000)	2005 S/(000)
Financial income and expenses				
Financial income	20	2,883,881	2,250,418	1,791,436
Financial expenses	20	(1,138,649)	(810,418)	(518,756)
Gross financial margin		1,745,232	1,440,000	1,272,680
Provision for loan losses, net	21	(185,142)	(147,532)	(95,643)
		1,560,090	1,292,468	1,177,037
(Loss) gain for exchange difference		(38,932)	(77,105)	35,814
Net financial margin		1,521,158	1,215,363	1,212,851
Non - financial income				
Commissions from banking services, net	22	883,586	755,002	700,982
Net gain on securities	23	57,526	25,087	26,032
Net gain on foreign exchange transactions		184,667	136,559	100,241
Other non - financial income	24	364,138	222,015	180,467
		1,489,917	1,138,663	1,007,722
Operating expenses				
Salaries and employees' benefits	25	(1,016,326)	(757,584)	(586,120)
Administrative expenses		(510,093)	(424,216)	(384,156)
Depreciation and amortization	9(a) and 10(e)	(128,707)	(120,667)	(123,473)
Provision for assets seized	10(f)	(11,596)	(9,668)	(50,469)
Taxes and contributions		(54,600)	(48,273)	(42,054)
Goodwill amortization	10(g)	(5,880)	(5,880)	(5,880)
Other operating expenses	24	(62,127)	(54,835)	(81,212)
		(1,789,329)	(1,421,123)	(1,273,364)
Income before workers' profit sharing and income tax		1,221,746	932,903	947,209
Workers' profit sharing	14(b)	(40,746)	(35,504)	(35,629)
Income tax	14(b)	(297,562)	(235,825)	(219,846)
Net income		883,438	661,574	691,734
Basic and diluted earnings per share (in Nuevos Soles)	26(b)	0.6867	0.5142	0.5377
Weighted average number of outstanding shares, adjusted by stock splits (in thousands)	26(b)	1,286,528	1,286,528	1,286,528

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

Banco de Crédito del Perú and Subsidiaries

Consolidated statements of changes in shareholders' equity

For the years ended December 31, 2007, 2006 and 2005

	Number of outstanding shares (in thousands)	Capital stock S/(000)	Legal reserve S/(000)	Special reserve S/(000)	Retained earnings S/(000)	Total S/(000)
Balances as of January 1st, 2005	1,226,433	1,286,528	546,519	258,965	326,234	2,418,246
Shares issued by the restatement of the capital stock, note 15(a)	60,095	-	-	-	-	-
Cash dividends, note 15(d)	-	-	-	-	(318,872)	(318,872)
Net income	-	-	-	-	691,734	691,734
Balances as of December 31, 2005	1,286,528	1,286,528	546,519	258,965	699,096	2,791,108
Transfer to special reserve, note 15(c)	-	-	-	107,293	(107,293)	-
Cash dividends, note 15(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 15(c)	-	-	-	125,092	(125,092)	-
Cash dividends, note 15(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

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

Translation of the consolidated financial statements originally issued in Spanish - See Note 31

Banco de Crédito del Perú and Subsidiaries

Consolidated cash flows statements

For the years ended December 31, 2007, 2006 and 2005

	2007 S/(000)	**2006** S/(000)	**2005** S/(000)
Cash flows from operating activities			
Net income	883,438	661,574	691,734
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for loan losses, net of recoveries	185,142	147,532	95,643
Depreciation and amortization	128,707	120,667	123,473
Goodwill amortization	5,880	5,880	5,880
Deferred income tax and workers' profit sharing	(35,924)	(18,336)	(47,407)
Provision for assets seized	11,596	9,668	50,469
Net gain from sale of securities	(57,526)	(25,087)	(26,032)
Recovery of provision for buildings impairment, net	-	(14,540)	-
Provision for buildings impairment	-	-	(15,146)
Net gain from sale of assets seized	(39,710)	(41,075)	(43,980)
Changes in asset and liability accounts:			
Other assets	(813,852)	106,760	(95,614)
Other liabilities	443,116	100,058	232,380
Net cash provided by operating activities	710,867	1,053,101	971,400

Translation of the consolidated financial statements originally issued in Spanish - See Note 31

Consolidated statements of cash flows (continued)

	2007 S/(000)	2006 S/(000)	2005 S/(000)
Cash flows from investing activities			
Gain on sales of property, furniture and equipment	5,115	42,386	48,625
Gain on sales of assets seized	65,021	95,735	92,700
Purchase of property, furniture and equipment	(152,435)	(103,174)	(108,799)
Net cash (used in) provided by investing activities	(82,299)	34,947	32,526
Cash flows from financing activities			
Net increase in deposits and obligations	5,995,106	3,804,828	4,673,511
Net purchase in trading securities	(3,019,496)	(560,105)	(1,950,587)
Net (purchase) sale in permanent investments	(9,100)	15	8,063
Net increase (decrease) in due to banks and correspondents	2,806,824	(1,847,797)	2,669,894
Net increase in bonds and subordinated notes issued	455,739	163,158	91,963
Net increase in loan portfolio	(5,972,536)	(2,348,799)	(2,274,274)
Cash paid for purchase of loan portfolio, note 2	(11,602)	-	(1,152,100)
Cash dividends	(536,482)	(591,803)	(318,872)
Net cash (used in) provided by financing activities	(291,547)	(1,380,503)	1,747,598
Net increase (decrease) in cash and cash equivalents	337,021	(292,455)	2,751,524
Cash and cash equivalents at the beginning of year	8,077,835	8,370,290	5,618,766
Cash and cash equivalents at the end of year	8,414,856	8,077,835	8,370,290
Supplementary cash flow information			
Cash paid during the year for:			
Interests	1,087,145	770,897	492,974
Income tax	239,834	251,702	149,802

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, 2007 and 2006

1. Operations

Banco de Crédito del Perú (hereinafter "the Bank" or "BCP") was incorporated in 1889 and it is a subsidiary of Credicorp Ltd. (a holding incorporated in Bermuda in 1995), which owns 97.33 percent of its capital stock as of December 31, 2007 (97.24 percent of its capital stock as of December 31, 2006).

The address of Bank's main office is Calle Centenario N°156, La Molina, Lima, Peru. As of December 31, 2007, the Bank and its Subsidiaries had 273 branches and agencies in Peru and 2 branches abroad (235 branches and agencies in Peru and 2 branches abroad as of December 31, 2006).

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 universal bank, in accordance with prevailing Peruvian legislation. The Bank is authorized to receive third-party deposits and invest them, together with its own capital, in loan placements and securities acquisitions; likewise, the Bank may grant guarantees and letters of credit, engage in any type of financing transaction or banking service and other activities as allowed by law. Furthermore, the Bank may engage in underwriting and brokerage activities related to the stock exchange 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 information of the Bank and its Subsidiaries, which are included in the consolidation process as of December 31, 2007 and 2006, before the eliminations for consolidation purposes, are as follows:

Entity	Activity and country	Percentage of participation		Assets		Liabilities		Shareholders' equity		Net income (loss)	
		2007 %	2006 %	2007 S/(000)	2006 S/(000)	2007 S/(000)	2006 S/(000)	2007 S/(000)	2006 S/(000)	2007 S/(000)	2006 S/(000)
Banco de Crédito del Perú	Banking, Peru	-	-	41,286,745	31,544,303	38,078,910	28,683,424	3,207,835	2,860,879	883,438	661,574
Banco de Crédito de Bolivia and Subsidiaries	Banking and financial, Bolivia	95.92	95.92	2,459,293	2,088,905	2,206,986	1,864,116	252,307	224,789	78,965	44,294
Inversiones BCP Ltda.	Holding, Chile	99.99	99.99	86,397	82,412	-	-	86,397	82,412	9,142	8,431
Crédito Leasing S.A.	Financial, Peru	100.00	100.00	970,524	826,680	899,377	762,236	71,147	64,444	20,440	13,738
Credifondo S.A.F. - Sociedad Administradora de Fondos – SAF	Mutual funds, Peru	100.00	100.00	77,840	55,069	6,618	5,320	71,222	49,749	34,504	13,077
Creditítulos Sociedad Titulizadora S.A.	Securitization management, Peru	100.00	100.00	4,195	30,498	226	974	3,969	29,524	197	12,041
Credibolsa - Sociedad Agente de Bolsa S.A.	Brokerage, Peru	100.00	100.00	56,123	35,101	22,227	14,669	33,896	20,432	24,644	11,180
Solución Financiera de Crédito del Perú S.A.	Financial, Peru	100.00	100.00	122,578	91,968	107,246	77,416	15,332	14,552	1,428	510
Inmobiliaria BCP S.A.	Real estate, Peru	100.00	100.00	8,043	8,154	8	23	8,035	8,131	(96)	(1,309)
Inversiones Conexas S.A.	Real estate, Peru	100.00	100.00	4,338	5,596	34	64	4,304	5,532	1,871	2,762
BCP - Sociedad de Propósito Especial	Securitization management, Peru	100.00	100.00	486	4,554	1	-	485	4,554	(526)	3,946

The consolidated financial statements as of December 31, 2006 and for the year then ended, have been approved by the General Shareholders' Meeting dated on March 30, 2007. The accompanying consolidated financial statements as of December 31, 2007, have been approved by the Audit Committee and the Management on February 25, 2008, and will be submitted to the final approval by the Board of Directors and the General Shareholders' Meeting within the period established by law. In Management's opinion, the accompanying consolidated financial statements will be approved by the Board of Directors and the General Shareholders' Meeting without modifications.

2. Acquisition of the loan portfolio from the Peruvian Branch of Bank Boston N.A. -

In January 2005, BCP agreed to purchase from Bank of America, the main shareholder of United States Fleet Boston, the loan portfolio of the Peruvian Branch of Bank Boston N.A. and the loan portfolio of Peruvian clients abroad maintained in the United States Fleet Boston, for approximately US$289.2 million and US$64.3 million, respectively (equivalent to S/942.5 million and S/209.6 million, respectively, as of the incorporation date). The transaction was carried out at market prices. The portfolios were incorporated to the Bank during February 2005.

The acquired loan portfolios comprise mainly corporate loans, mortgage loans and lease operations.

3. Significant accounting policies

In the preparation and presentation of the accompanying consolidated financial statements, the Bank and its Subsidiaries' Management has complied with the regulations established by the Superintendencia de Banca, Seguros y AFP (hereinafter "SBS") in force in Peru as of December 31, 2007 and 2006. Significant accounting principles and practices used in the preparation of the consolidated financial statements of the Bank and its Subsidiaries are described below:

(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 accounting records of the Bank which are maintained in nominal Peruvian currency (Nuevos Soles), in accordance with SBS regulations, and supplementary maintained in accordance with International Financial Reporting Standards - IFRS approved and in force in Peru as of December 31, 2007 and 2006.

The accounting records of the subsidiaries and branches established abroad are kept in the currency of the country of incorporation and the balances are translated into Nuevos Soles for calculating the value of the equity share using the current exchange rate as of the date of each balance sheet. The resulting translation differences are recognized in the consolidated income statements.

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

(ii) Accounting changes -
On December 28, 2006, the SBS modified the accounting treatment related to the financial derivatives used by Peruvian financial entities (see paragraph (g) below). This treatment became applicable since January 1st, 2007 and, according to SBS accounting standards, the changes were made prospectively.

As a result of adopting the modifications established by the SBS, the Indexed Certificates of Citigroup, which were recorded at cost in the caption "Available-for-sale investments" as of December 31, 2006, have been recorded at their fair value and reclassified to the caption "Other assets, net" in the consolidated balance sheet and are shown as "Financial instruments at fair value through profit and loss" as of December 31, 2007 and 2006 (for comparative purposes), note 10(b). In addition, the unrealized gain of these instruments as of December 31, 2006, amounting to S/8.3 million, has been recorded prospectively as part of the results for the year 2007, according to SBS regulations, in the caption "Other non - financial income", note 24.

Likewise, since December 2007, as coordinated with the SBS, the Bank records in off-balance sheet accounts the sales with repurchase agreements (repos) that carries out with its investments, when it transfer the legal property to the counterparty, note 19(g). Previously, the Bank recorded these investments and their related obligation as assets and liabilities on the consolidated balance sheet. The aforementioned accounting practice has been applied prospectively and has no effects on the Bank's consolidated result; since the differences between the book value and the amount agreed to transfer the investments are recorded in the caption "Other assets" and "Other liabilities", note 10(a).

(b) Consolidation -
Subsidiaries are all entities (including special purpose entities) over which the Bank has the power to govern the 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 the Banco de Crédito del Perú Group or "BCP Group". All subsidiaries have been consolidated for the years ended December 31, 2007, 2006 and 2005.

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

The accounting records of the companies of the BCP Group comply with the information requirements established by SBS and by the legal regulators of the countries where its subsidiaries are located. The BCP Group's financial statements, that are included in annual reports and other public financial information, are presented in accordance with these requirements.

The accounting records of the subsidiaries and branches 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 current exchange rate as of the date of each balance sheet. All the translation differences have been recorded in the 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 the Management has the intention to settle them on a net basis or to realize the assets and settle the liability simultaneously.

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

(d) Recognition of revenues and expenses -

Financial revenues and expenses for interests are recognized on an accrual basis over the related contract period for the transaction and the interest rates determined based on negotiations with clients, except for interest generated from past due, refinanced, restructured or under legal collection loans, and loans classified in the categories of doubtful and loss. The 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, the interest is again recorded on an accrual basis.

Interest revenues include the 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 accrued basis.

(e) Loans and allowance for loan losses -

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

Leasing operations are registered as financial leases, recording as loans the principal of the installments pending collection. Financial revenues are based on a pattern that reflects a constant interest rate over the leasing period.

The Management of the Bank and its Subsidiaries determines the allowance for loan losses in accordance with the guidelines established by the SBS. In accordance with such criteria, the Management periodically conducts a formal review and analysis of the loan portfolio; all the loans are classified under the following categories: normal, potential problem, substandard, doubtful or loss, based on their economic and financial situation, and other relevant information of each client.

For commercial loans, the classification takes into consideration several factors, such as the payment history of the particular loans, the history with the borrower's management, operating history, repayment capability and availability of funds to the borrower, status of any collateral and guarantee, the borrower's financial statements, the borrower's risk classification made by other financial institutions in the market and other relevant factors. For micro-business, consumer and residential mortgage, the classification is based on how long payments are overdue.

In accordance with the established regulations, the computation of the allowance is made considering the classifications 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 credit certificates), or readily preferred guarantees (treasury bonds issued by the Central Government, securities used to determine the Lima Stock Exchange Selective Index, among others) or preferred guarantees (primary lien/pledge on financial instruments, securities and property, first agriculture or mining pledge, insurance on export credits, among others), considered at their net realizable value as determined by an independent appraisal. Likewise, the provision's computation must consider the guarantor's classification, in cases of credits with subsidiary responsibilities of an entity in the financial or insurance system (loans affected to substitution of credit counterpart).

The allowance for loan losses also includes estimated losses for loans with problems that have not been specifically identified the date of the consolidated balance sheet date. The allowances for direct credits are presented deducting their balances in the assets, while allowances for indirect credits are presented as liabilities in the caption "Others liabilities, net", note 10(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 provisions is provided.

The allowance for loan losses is established based in the risk classifications and taking into consideration the guarantees obtained by the Bank and its Subsidiaries. The only guarantees (collateral) accepted are those ones received and classified as "preferred", "highly liquid preferred" or "readily preferred". Such collateral must be relatively liquid, have legally documented ownership, have no liens outstanding and have updated independent appraisals.

Likewise, in calculating the allowance for clients classified in doubtful or lost categories for more than 36 and 24 months, respectively, the value of the collateral is not taken into account and the required allowance is calculated as if such loans were not supported by any collateral.

As of December 31, 2007, the Bank has recorded allowances for loan losses that exceeds the minimum established by the SBS, with the aim of covering additional risks that are identified in the loan portfolio for approximately S/74.2 million (S/28.6 million as of December 31, 2006). These allowances are according to SBS standards.

On November 10, 2006, SBS issued the Resolution N° 1494-2006, which began in force on that date. This resolution modified and clarified certain treatments regarding the classification of the loan portfolio, its interests Accounting Treatment, and the allowance for loans losses calculation for retail borrowers; the implementation of this Resolution did not have a significant effect on the accompanying consolidated financial statements.

On September 22, 2006, the SBS issued the Resolution N° 1237-2006 “Risk management Standards for Retail Borrowers with High Leverage Levels”, which established a requirement for provisions to cover unused revolving credit lines for micro-business and consumer loans from June 30, 2007 onwards. On July 16th 2007, SBS issued the Resolution N° 930-2007 which modified the date of implementation from January 31, 2008 onwards. In Management’s opinion, the Bank does not estimate that need to record provisions in addition to those already recorded as of December 31, 2007.

(f) Foreign currency transactions -

Assets and liabilities denominated in foreign currency are recorded by applying to the foreign currency amount the exchange rate at the transaction date and are expressed in Peruvian currency at the end of each month using the exchange rates established by the SBS at that date, as explained in note 4. Exchange gains or losses generated from the restatement of foreign currency transactions at the exchange rates prevailing as of the dates of the consolidated balance sheets, are recorded in the consolidated income statement of the year.

(g) Derivative financial instruments -

By means of SBS Resolution N° 1737-2006, dated December 28, 2006, the SBS approved the “Regulation for Trading and Accounting of Derivatives for Financial Entities”. This regulation modified the accounting treatment for financial derivatives used by Peruvian financial entities, which is consistent with the international accounting criteria and practices established in IAS 39, Financial Instruments: Recognition and Measurement, in force in Peru. This standard became applicable since January 1st, 2007 and had a transition period for its application until March 31, 2007. It should be applied prospectively.

The regulation establishes accounting criteria for trading operations, hedge and embedded derivatives, which are explained below:

Trading -

Derivate financial instruments are initially recognized in the consolidated balance sheet at cost, afterwards 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.

In the case of foreign currency forwards and interest rate and currency swaps, they are recorded at their estimated fair value, with an asset or liability being recognized in the consolidated balance sheets, as applicable, and the corresponding gain or loss being recognized in the consolidated income statements. In addition, forward and swap operations are also recorded in off-balance sheet accounts at their notional amount, note 19(d).

This accounting treatment is consistent with the previous me contained in SBS regulations for the year 2006 and earlier; therefore, the application of this new standard has not generated any differences.

Hedge -
A derivative financial instrument that seeks to achieve financial hedge for a given risk is designated as for “hedge purposes” if, at its negotiation, it is foreseen that the fair value changes or cash flows are expected to be highly effective in offsetting the fair value or cash flow changes of the hedge 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 hedge relation exist. 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 immediately termination of the hedge relationship and to record the derivative financial instrument as trading.

As of December 31, 2007 and 2006, the Bank and its subsidiaries do not maintain derivatives for hedging purposes.

Embedded derivatives -
Certain derivatives embedded in other financial instruments (host contract) are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not carried at fair value through profit or loss. These embedded derivatives are 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 derivative) at fair value through profit and loss.

As of December 31, 2007, the Bank has Certificates Indexed to Credicorp stock price that will be settled in cash, and Credit Linked Notes acquired in order to provide financial instruments with the same characteristics, risks and benefits to its clients; they 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 10(b) and 10(c). As of December 31, 2006, the Bank only had Indexed Certificates at Credicorp’s stock price, note 3(a)(ii).

(h) Trading, available-for-sale, and held-to-maturity investments -

Initially, the Bank and its Subsidiaries record these investments at the acquisition cost and afterwards at their valuation criteria in accordance with their classification. The valuation criteria of the investments according to its classification are 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 statements.

  The interest income from these investments is recognized when accrued and the dividends when declared.

- Available-for-sale securities - These are investments that are not maintained for sale in the short term, nor are they guaranteed to be held until their maturity. These investments are valued based on the global portfolio basis at the lower of the average acquisition cost or the estimated market value. The allowances recorded for these investments do not affect the results of the period. These allowances are recorded in a specific equity account established for investment fluctuation until the sale of these investments takes place. When sold, the unrealized losses originated from the impairment, previously recognized as a part of the equity, are included in the result 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 should be recorded affecting the results of the year.

  The interest income from these investments are recognized when accrued and the dividends when declared.

  In the case of debt securities, the entities must update the accounting value of such instruments every month through the accrual of capital discounts or premiums.

- Securities held-to-maturity - They represent those securities that the Bank has decided to maintain until their maturities. They are recorded at their acquisition cost, which may be adjusted for downgrades in the issuer's credit rating affecting the corresponding allowance. 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 statements.

  Allowance is recorded individually for changes in the credit risk of the issuer similar to the treatment for direct loans. These allowances directly affect the consolidated results of the year.

The consolidated results of the year are not affected by the fluctuations in the market price of the securities classified within this category, except when a significant reduction in the security price takes place.

If a held-to-maturity security is sold, any securities acquired again from the same issuer can not be recorded in this category within the term of one year since the date on which the sale takes place, unless expressly authorized by the SBS.

The difference between the proceeds received from the sale of investment securities and their book value is recognized in the consolidated income statements.

In any of the aforementioned cases, if the SBS deems necessary to constitute a provision for any investment, such provision must be determined based on each individual security and recorded in the consolidated result of the year.

(i) Permanent investments -

Comprise investments maintained for long term in companies considered of interest for the Bank and its Subsidiaries. The investments in shares are recorded at the equity's participation method or at the stock-market price, the lower, less the provision for impairment estimated to be other than temporary.

The equity value must be determined according to SBS requirements. In the case of investments listed on security exchanges, when market value demonstrate a loss tendency resulting from non-temporary circumstances, the SBS is able to require the recording of an allowance for such fluctuation by the amount of the difference between the market value and the equity value.

(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 statements 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 for the asset. The cost and the corresponding accumulated depreciation and impairment of assets sold or retired are eliminated from the corresponding accounts and the related gain or loss is included in the consolidated income statements.

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.

Lands are not depreciated. Depreciation is computed on a straight-line basis over the following estimated useful lives as follows:

	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 methods are periodically reviewed to ensure that the method and period of depreciation chosen are consistent with the economic benefit and useful life expectations of property, furniture and equipment items.

(k) Assets seized -

Assets seized included in the caption “Other assets, net” of the consolidated balance sheets, are initially recorded at the value assigned to them through legal proceeding, out of court settlement, market value or at the unpaid value of the debt, the lower. Simultaneously to the establishment of this value, a provision equivalent to 20 percent of the legal settlement or recoverable asset value should be recorded; for this purpose is permitted to use the allowance for loan losses that was originally provided for the related loan.

By means of SBS Resolution N°1535-2005, dated October 2005; the SBS has made additional modifications and refinements to the regulation for the treatment of assets seized and recovered and their provisions, and to the Accounting Manual for Financial Entities. Therefore, the constitution and recording of provisions for the properties were modified since October 2005.

Until September 30, 2005, the following criteria were used to determine the provision that must be recorded for such properties:

- Property that is not real estate - It must be recorded from the date seized, additional to the initial provision, a provision for the decrease in the realization value of the property below its net book value. Beginning in such date, it started provisioning, on a monthly basis the equivalent to one twelfth of the book value of the property, net of the aforementioned provisions. A full provision was required for property not sold or surrendered under financial lease after twelve months from its recovery or allocation.

- Real estate - At the end of the twelfth month after it is seized, the Bank must obtain an appraisal of the immediate realization value and provided for, if applicable, a provision for impairment. If the appraisal value is higher than the net book value, such higher value is not recorded. In addition, as of the thirteenth month after the seized of the property, uniform monthly provisions equivalent to one twelfth of the net book value as of such date are recorded until the full value is reached.

Since October 2005, the Bank and its Subsidiaries recomputed the amount of the accumulated provision at such date and comply with the new provision requirements according to the following criteria:

- Property that is not real state - A monthly provision equivalent to one twelfth of the book value of the property will be provided starting from the first month of seizure or recovery, less the initial provision recorded when it is seized, until completing a provision of one hundred percent of the seized value or recovery value of such property.

- Real estate - After three and a half years, uniform monthly provisions must be provided for at the end of each month over the net book value obtained in the eighteenth or twelfth month, depending on whether the approval of the extension by the SBS was obtained or not, respectively, up to completing the amount equivalent to one hundred percent of the book value of the property not sold.

  The update of the appraisals of such property, which should not be older than 1 year, necessarily implies the constitution of provisions for impairment, when the net realization value of the property is lower than its net book value. If the net realization value is higher than the net book value, the higher value will not be recognized for accounting purposes.

According to SBS standards, the excess in the provision, determined by recomputation of the provision, can not be recognized as income and must be used in the future for provisions that the Bank and its Subsidiaries' assets may require, note 10(f).

(l) Intangible assets -
Intangible assets included in the "Other assets, net" caption of the consolidated balance sheets are comprised principally of software acquisition and developments used in Bank and its Subsidiaries' operations. The software licenses acquired by the Bank and its subsidiaries are capitalized on basis of the incurred cost to acquire or used a specific program. 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 the amortization period and the method 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. (subsidiary of the Bank), and the amount paid for such assets on March 2003. Goodwill is amortized using the straight-line method over its estimated useful life, which is 5 years.

(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 face value, recognizing the accrued interest in the consolidated results of the year. Discounts granted or premiums generated in their placement are deferred in the other assets and other liabilities captions of the consolidated balance sheets, respectively, and are amortized during the term of each bond.

(o) Income tax and workers’ profit sharing -
Income tax and worker’s profit sharing are computed based on taxable income determined for tax purposes, based on income tax principles that differ from accounting principles used by the Bank and its Subsidiaries. Therefore, the accounting for income tax and workers’ profit sharing are both in accordance with the principles of 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 eliminate the carrying amount of its assets and liabilities at the consolidated balance sheets dates.

Deferred tax assets and liabilities are recognized without taking into consideration the time in which it is estimated that temporary differences will be written off. Deferred assets are recognized when sufficient future tax benefits are probable for applying the deferred assets. As at the date of the 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, the Bank and its subsidiaries determines its deferred tax and workers' profit sharing based on the tax rate applicable to its non-distributed profits recognizing any additional tax for the distribution of dividends on the date on which the liability is recognized.

(p) Supplementary plan for workers' profit sharing -

The Bank has a supplementary plan for worker's profit sharing, that grants stock appreciation rights (SAR´s) over certain number of Credicorp´s shares (the Bank's main shareholder); this plan is granted to certain executives of the Bank, with at least one year of service. According to the conditions of the plan, such SAR´s 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 market price of the shares at the date of the execution and the fixed exercise price, note 17. The cost of such profit sharing is recorded as a component of the services accrued at the consolidated balance sheet date, multiplied by the difference between the market price of the options as of such grant date and the exercise price. The price of the SAR´s is estimated using a binomial method in accordance with IFRS 2 "Share-based payments".

When the Bank revises or amends the terms of the SAR´s' the effect of such changes is recognized in the consolidated results of the year.

(q) Impairment -

When changes on certain events indicate that the value of an asset could not be recoverable, the Bank and its Subsidiaries review the value of property, furniture and equipment, goodwill and intangible assets in order to verify if there is no permanent impairment in their values. When the book value of the asset exceeds its recoverable value, a loss for impairment is recognized in the consolidated income statements for each caption mentioned above. The recoverable value is the greater amount between the net sale price and its useful value. The net sale price is the amount that can be obtained from the sale of an asset in a free market, while the useful value 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 the cash generating unit.

(r) Fiduciary activities -

Assets and revenues from trust operations in which there is a commitment to return said assets to the clients and in which the Bank and its Subsidiaries participate as trustees, have been excluded from these consolidated financial statements, because the Bank and its Subsidiaries are not owners of such assets and do not assume the risk and rewards that have these assets. The Bank and its Subsidiaries record these operations in the caption "Off-balance sheet accounts" of the consolidated balance sheets and the commissions for these activities are include in the 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 the notes unless the possibility of an outflow of economic resources is remote.

Contingent assets are not recognized in the financial statements; however, they are disclosed when their contingency degree is 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 sheets dates. Additional shares that should be retired or issued due to the restatement of the capital stock due to the adjustment for inflation of the consolidated financial statements and the capitalization of retained earnings are deemed to be stock splits; thus, for the computation of the weighted average number of shares, such shares are considered as if they had always been retired or issued, respectively.

As of December 31, 2007 and 2006, 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 -

In accordance with the established by the SBS, investments sold subject to repurchase agreements (repos) are presented in the consolidated financial statements as pledge assets, when the transfer has been made with an agreement to repledge 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 agreement period using the effective interest method.

As explained in the note 3(a) (ii), from December 2007 investments in which the legal ownership is transferred, even when subject to repurchase agreements (repos), are derecognizing from the caption “Trading, available-for-sale and held-to-maturity investments, net”, recognizing the future commitment of repurchase the investments at contract maturity as a contingent operation in the caption “off-balance sheet accounts”. The differential between the book value of the instrument subject to the repurchase agreement and the future commitment to reacquire the investments at contract maturity is recorded in the caption “Other assets, net” (if the value of the instrument is greater than the commitment to reacquire the said instrument) and “Other liabilities, net” (if the value of the instrument is less than the commitment to reacquire it).

(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, overnight deposits and inter-bank funds.

(x) Consolidated financial statements as of December 31, 2006 -
When it has been necessary, the comparative amounts have been reclassified to make them comparable with the current year presentation. The main reclassifications to the balances of the financial statements as of December 31, 2006, are as follows:

Reclassification in the consolidated balance sheet -

- As of December 31, 2006, the Indexed Certificates of Citigroup amounted to S/150.2 million were presented as part of the caption “Trading, available-for-sale and held-to-maturity investments, net” on the consolidated balance sheet. As a result of the adoption of SBS Resolution N° 1737-2006, such asset has been recorded at fair value in the caption “Other assets, net” of the consolidated balance sheets and are shown separately as “Financial instruments at fair value through profit and loss” as of December 31, 2007 and 2006 (for comparative purposes), note 3(a)(i).

Management considers that this reclassification result in a better presentation of the Bank’s financial statements and is consistent with the SBS regulations.

(y) New accounting pronouncements -

Up to date, the standards indicated in the following paragraphs have been approved in Peru by the National Accounting Standards Board (CNC, for its Spanish denomination) and its application is mandatory in Peru since January 1st, 2006; however, because these standards only apply in a supplementary manner to the accounting rules established by the SBS in its Accounting Manual, they will not have any significant effect in the preparation of the consolidated financial statements of the Bank and its Subsidiaries:

- IASB Improvements Project, that has reviewed the IAS 1, 2, 8, 10, 16, 17, 21, 24, 27, 28, 31, 32, 33 and 40 (revised on 2003) and the IAS 39 (revised on 2004).

- In addition, as a result of the revision of the standard related to business combination, it was issued IFRS 3 – Business Combinations, and were reviewed the IAS 36 –Impairment of assets and IAS 38 - Intangible Assets.

- Also, there have been issued the following International Financial Reporting Standards: IFRS 1- First-time adoption of International Financial Reporting Standards, IFRS 2- Shared-Based Payment, IFRS 3 – Business Combinations, IFRS 4 – Insurance Contract, IFRS 5 – No current assets available for sale and discontinued operations and IFRS 6 – Exploration and evaluation of Mineral resources.

Likewise, there are several International Financial Reporting Standards - IFRS issued at international level and in force since and after January 1st, 2007; nevertheless, in Peru have no been approved yet neither by the CNC nor by the SBS ; therefore, these standards do not have a local effective date. In the case that their application became in force in Peru, Management considers that will not have any effect on the net income and the net equity of the Bank and its Subsidiaries. For information purposes, such IFRS are detailed as follows:

- IFRS 7 - Financial Instruments - Disclosures, effective at international level since January 1st, 2007. The objective of the IFRS 7 is to provide disclosures in the financial statements that enable users to evaluate the significance of financial instruments for the entity’s financial position and performance; to understand the nature and extent of risk arising from financial instruments to which the entity is exposed and how the entity manages those risks.

- IFRS 8, Operating Segments, effective for accounting periods beginning on or after January 1st, 2008.

- IFRIC 1 to IFRIC 13, includes several accounting topics which are internationally in force for annual periods that begins since September 1st 2004 until July the 1st 2008.

- IAS 23 (Reviewed) “Financing costs”, which is in force for annual periods up to or on January 1st 2009.

- Revisions of IFRS 3 “Business combination and consolidation” and IFRS 27 “Consolidation of separate financial statements”, effective modifications for periods beginning on or after July 1st, 2009. This standard establishes that its application is not retroactive; therefore it will not have effects for the Bank and its subsidiaries.

- IFRS 2, “Share based payments- Vesting conditions and cancellation”, effective for financial years beginning on or after January 1st 2009. This standard restricts the definition of “Vesting condition” to a condition that includes an implicit or explicit requirement of provide services.

- IAS 1 (Reviewed) “Presentation of financial statements”, effective for financial years beginning or on after January 1st 2009. The standard separates owners and non owners – changes in equity. In addition, the standard introduces the statement of comprehensive income.

- IAS 32 and IAS 1 modifications “Puttable financial instruments”, effective for annual periods beginning on or after January 1st 2009.

The Bank and its subsidiaries do not expect that the impact of the application of these standards being significant in its consolidated financial statements.

4. 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, 2007, the weighted average exchange rate in the market published by SBS for transactions in US Dollars was S/2.995 for buying and S/2.997 for selling (S/3.194 and S/3.197 as of December 31, 2006, respectively). As of December 31, 2007, the exchange rate established by SBS to record assets and liabilities in foreign currencies was S/2.996 for each US Dollar and S/ 0.396 for each Bolivian Peso (S/3.196 and S/0.403, as of December 31, 2006, respectively). A detail of the Bank and its Subsidiaries' foreign currency assets and liabilities is shown below:

	2007		2006	
	U.S. Dollars US$(000)	**Bolivian Peso** US$(000)	**U.S. Dollars** US$(000)	**Bolivian Peso** US$(000)
Assets				
Cash and due from banks	2,370,944	64,016	2,096,422	69,338
Trading, available-for-sale, and held-to-maturity securities, net	392,773	157,654	378,994	40,564
Loans, net	5,435,550	69,039	4,129,605	61,120
Other assets	304,799	6,645	94,909	4,584
	8,504,066	297,354	6,699,930	175,606
Liabilities				
Deposits and obligations	(7,085,382)	(233,874)	(5,581,861)	(138,435)
Due to banks, correspondents and interbank funds	(1,208,898)	(2,418)	(453,354)	(2,962)
Bonds and subordinated notes issued	(339,846)	-	(354,099)	-
Other liabilities	(289,922)	(22,889)	(201,863)	(8,863)
	(8,924,048)	(259,181)	(6,591,177)	(150,260)
Net forward operations – net long position	320,602	(37,843)	30,970	(8,602)
Net asset (liability) position	(99,380)	330	139,723	16,744

The derivatives net long position as of December 31, 2007, corresponds to foreign currency forward purchase and sale operations for approximately US$1,277.9 million and US$957.4 million equivalent to S/3,828.6 and S/2,868.3 million, respectively, (US$592.1 million and US$561.1 million equivalent to S/1,892.3 and S/1,793.3 million, respectively as of December 31, 2006), note 19(d).

As of December 31, 2007, the Bank and its Subsidiaries have contingent operations in foreign currency for approximately US$4,023.8 million, equivalent to approximately S/12,055.3 million (approximately US$2,344,1 million, equivalent to approximately S/7,491.7 million, as of December 31, 2006), note 19.

In prior years, the devaluation (revaluation) of Peruvian currency 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 - INEI (National Institute of Statistics and Informatics), are shown as follows:

Year	Devaluation (revaluation) %	Inflation %
2003	(1.5)	2.0
2004	(5.2)	4.9
2005	4.5	3.6
2006	(6.8)	1.1
2007	(6.3)	3.9

5. Cash and due from banks

As of December 31, 2007, cash and due from banks include approximately US$959.0 million and S/695.6 million (US$1,433.2 million and S/773.0 million as of December 31, 2006) 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.

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, 2007, this excess amounts to approximately US$1,222.5 million, equivalent to approximately S/3,662.5 million, and earns interest in US Dollars at an annual rate of 3.50 percent (US$1,068.9 million equivalent to approximately S/3,416.2 million, and earned interest in US Dollars at an annual rate of 2.67 percent as of December 31, 2006).

In January and February 2008, the BCRP modified 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 Peruvian currency and foreign currency. These modifications must be applied to the computation of the legal reserve of January and February 2008, respectively. In Management's opinion, these modifications will not have a significant impact on the Bank and its subsidiaries operations.

As of December 31, 2007, cash and due from banks includes an overnight operation with the Central Reserve Bank of Peru – BCRP amounted to US$1,000 million equivalent to S/.2,996 million, (two operations amounted to S/.120.0 million and US$70.0 million, equivalent to S/223.7 million, as of December 31, 2006), this operation has earned interests with a nominal annual rate of 4.45 percent, and had a maturity of 2 days (3.75 and 4.97 percent, respectively, and maturity of 4 days as of December 31, 2006).

Deposits in local and foreign banks correspond mainly to balances in Peruvian currency and US Dollars, as well as minimal amounts maintained in other currencies. All deposits are unrestricted, and earn interests at market rates. As of December 31, 2007 and 2006, the Bank and its Subsidiaries do not have significant deposits in any specific financial institution.

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

(a) This item is made up as follows:

	2007 S/(000)	2006 S/(000)
Trading securities		
Listed equity securities	74,763	88,316
Sovereign bonds - Republic of Peru (b)	56,343	-
Peruvian treasury bonds (b)	6,347	-
Corporate and leasing bonds	5,146	20,623
Mutual funds participation	2,290	7,221
Other	6,312	5,516
	151,201	121,676
Investments available-for-sale		
BCRP negotiable certificates of deposit (c)	6,492,472	4,080,213
Sovereign bonds - Republic of Peru (b)	511,375	262,551
Mutual funds participation (d)	400,136	121,397
Treasury notes from Central Bank of Bolivia and other countries	372,695	90,778
Peruvian treasury bonds (b)	248,385	157,637
Corporate and leasing bonds (e)	205,573	245,528
Participation in Bolivia's RAL fund (h)	169,696	163,648
Bonds of international financial entities (f)	134,208	206,392

	2007 S/(000)	2006 S/(000)
Treasury bonds of foreign governments (g)	63,679	272,521
Listed equity securities	42,871	10,495
Securitization instruments	29,404	34,499
Non - listed equity securities	3,516	5,193
Other	494	619
	8,674,504	5,651,471
Held-to-maturity securities	65,523	69,897
	8,891,228	5,843,044
Allowance for investments available-for-sale and held-to-maturity securities (j)	(6,263)	(8,966)
Balance of trading, available-for-sale and held-to-maturity securities, net	8,884,965	5,834,078
Accrued interest of investments available-for-sale and held-to-maturity	53,089	24,266
Total trading, available-for-sale and held-to-maturity investments, net	8,938,054	5,858,344

(b) The sovereign bonds are issued in Peruvian Currency by the Peruvian Government. As of December 31, 2007, these bonds accrue interest at annual rates that range between 3.34 and 6.44 percent (between 4.38 and 7.21 percent as of December 31, 2006), with maturities between July 2008 and August 2026 (between February 2007 and August 2026 as of December 31, 2006).

The Peruvian treasury bonds correspond to global bonds issued in foreign currency by the Peruvian Government. As of December 31, 2007, these bonds accrued interest at annual interest rates that range between 5.25 and 6.66 percent (between 5.06 and 8.04 percent as of December 31, 2006), with maturity between January 2008 and May 2018 (between January 2008 and May 2018 as of December 31, 2006).

(c) BCRP negotiable certificates of deposit are negotiable financial instruments issued at discount, denominated in Peruvian currency and with current maturities. These certificates have been acquired in public auctions and negotiated in the Peruvian secondary market. As of December 31, 2007, annual interest rates in Peruvian currency range between 4.93 and 6.01 percent (between 4.39 and 6.35 percent as of December 31, 2006), with maturities between January 2008 and April 2010 (between January 2007 and December 2009 as of December 31, 2006).

(d) As of December 31, 2007 and 2006, the Bank and its Subsidiaries maintain participations in several local mutual funds. The market value of such participations amount approximately to US$133.7 and US$40.5 million, respectively, equivalent approximately to S/400.6 and S/129.4 million as of December 31, 2007 and 2006.

(e) As of December 31, 2007 and 2006, the Bank and its Subsidiaries holds corporate bonds for the amount of S/203.5 and S/243.3 million, respectively, with maturities between January 2008 and May 2030 as of December 31, 2007 (between January 2027 and May 2030 as of December 31, 2006). These bonds accrue interests at annual effective interest rates that range between 4.25 and 6.87 percent for bonds in Peruvian currency (between 2.91 and 6.31 percent as of December 31, 2006) and between 3.16 and 11.00 annual percent for bonds in US Dollars (between 1.12 and 7.95 annual percent as of December 31, 2006).

As of December 31, 2007 and 2006, the Bank and its Subsidiaries also hold leasing bonds issued by local financial entities in US Dollars for the approximate amount of S/2.1 and S/2.2 million, respectively, with maturities between January 2008 and May 2008 as of December, 2007 (January 2007 and May 2008 as of December 2006). As of December 31 2007, such bonds earn interest at annual effective rates of 5.13 percent (between 4.24 and 6.36 percent as of December 31, 2006).

(f) As of December 31, 2007, bonds of international financial entities comprise mainly USS$32.8 million, equivalent to S/98.3 million, corresponding to debt instruments issued in US Dollars by Corporación Andina de Fomento - CAF (approximately US$55.1 million issued by "Corporación Andina de Fomento - CAF" equivalent to S/174.6 million as of December 31, 2006). As of December 31, 2007, such bonds have maturities between April 2008 and November 2011, (between January 2007 and July 2009 as of December 31, 2006). Annual interest rates range between 3.81 percent and 5.89 percent (between 4.19 percent and 5.91 percent as of December 31, 2006).

(g) As of December 31, 2007, includes US$15.4 million, equivalent to S/46.2 million, correspond to instruments issued by the Colombian Government, US$5.0 million equivalent to S/15.0 million, correspond to instruments issued by the Government of Chile and US$0.8 million, equivalent to S/2.5 million, correspond to securities issued by US Government Sponsored Enterprises (approximately US$50.6,US$ 5.0, and US$29.7 million equivalent to S/161.6, S/16.0 and S/94.9 million, respectively, as of December 31, 2006). Such instruments have maturities between January 2008 and January 2017 (between February 2007 and January 2017 as of December 31, 2006) and accrue interest at annual rates that ranges between 4.04 and 6.39 annual percent (between 3.68 and 6.97 annual percent as of December 31, 2006).

(h) The participation quotas in the Fund "Requirement of Cash Assets" (RAL for its Spanish denomination), stated at Bolivian Pesos, comprises investments made by Banco de Crédito de Bolivia in the Central Bank of Bolivia as a collateral for the deposits maintained with the public. Such fund has restrictions for its use and it is required for all the banks established in Bolivia. The fund accrues interest at an average annual rate of 5.42 and 5.61 percent as of December 31, 2007 and 2006, respectively.

(i) As of December 31, 2007 and 2006, the Bank maintain repurchase agreement operations (repos) on the following investments:

	2007	**2006**
	S/(000)	S/(000)
BCRP negotiable certificates of deposits	728,074	535,686
Public treasury bonds of foreign governments	175,138	-
Peruvian Treasury bonds	114,157	60,200
Bonds of international financial entities	-	128,036
	1,017,369	723,922

As of December 31 2007, from the total repurchase agreement operations (repos) of the Bank, there are operations in Peruvian currency and US dollars, with investments which legal ownership has been transferred to the acquirers of said securities; these investments amount to S/1,009.4 million, accrue interest at effective interest rates that range between 5.51 and 5.80 annual percent in Peruvian currency and between 4.85 and 6.00 annual percent in US dollars, and their maturity are between January 2008 and December 2008 (S/663.7 million, accrue interests at effective interest rates that range between 4.85 and 5.15 annual percent in Peruvian currency and between 5.41 and 5.51 percent in US dollars, and their maturities are between January 2007 and February 2007, as of December 31, 2006). From December 2007 onwards, these operations have been recorded in accordance with the criteria established by the SBS, note 3(v); thus, the commitment to repurchase such investments are included in the caption "Off-balance sheet accounts" and are presented as "Contingent operations", note 19(g).

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

	2007 S/(000)	2006 S/(000)
Balance as of January 1st	8,966	10,195
Provision of the year, note 23	662	5,766
Recoveries	(2,332)	(949)
Use for sales	(1,033)	(6,046)
Balance as of December 31	6,263	8,966

The allowance recorded by the Bank and its Subsidiaries corresponds to specific investments for which Management estimates other than temporary impairment. As of December 31, 2007 and 2006, there are no additional allowances to be recorded that would affect the net equity of the Bank and its Subsidiaries as to such dates.

(k) As of December 31, 2007 and 2006, the reconciliation between the book value and the market value of available-for-sale and held-to-maturity investments is as follows:

	2007 S/(000)	2006 S/(000)
Book value, net of allowance	8,733,763	5,712,402
Unrealized gains	49,927	43,617
Unrealized losses	(12,274)	(5,776)
Estimated market value	8,771,416	5,750,243

The 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, 2007 and 2006 arise from the variation of the interest rates and not for changes in the risk classification of the investments. Moreover, the Bank and its subsidiaries have decided and have the capacity to maintain these investments until the recovery of their fair value, which can occur at their maturity; therefore, no impairment exists for these investments.

(l) As of December 31, 2007 and 2006, the balance of investment in trading, available-for-sale and held-to-maturity investments classified by maturity date is as follows:

	2007	**2006**
	S/(000)	S/(000)
Up to 3 months	2,633,949	2,090,108
From 3 months to 1 year	4,646,925	2,426,345
From 1 to 3 years	925,030	420,434
From 3 to 5 years	166,624	323,184
More than 5 years	397,550	478,969
Without maturity (shares)	121,150	104,004
Total	8,891,228	5,843,044

7. Loans, net

(a) This item is made up as follows:

	2007 S/(000)	2006 S/(000)
Direct loans		
Loans	17,323,725	13,273,575
Leasing receivables	3,350,430	2,201,037
Credit cards	2,028,837	1,401,855
Discounted notes	973,841	819,883
Factoring receivables	329,344	284,991
Advances and overdrafts	380,726	269,100
Refinanced and restructured loans	264,998	397,689
Past due and under legal collection loans	186,898	240,438
	24,838,799	18,888,568
Add (less)		
Accrued interest from out current credits	196,099	157,019
Deferred interest on discounted notes and leasing receivables	(491,825)	(297,290)
Allowance for credit losses (f)	(643,899)	(603,572)
Total direct loans	23,899,174	18,144,725
Indirect loans, note 19(a)	4,648,716	3,887,738

(b) As of December 31, 2007 and 2006, 51 percent of the commercial direct loan portfolio was concentrated in 463 and 443 clients, respectively.

(c) As of December 31, 2007 and 2006, the distribution of the loan portfolio by economic sectors is as follows:

	2007		2006	
	S/(000)	%	S/(000)	%
Manufacturing	6,494,410	26.1	5,077,126	26.9
Mortgage loans	3,539,777	14.3	2,824,420	15.0
Commerce	2,395,001	9.6	2,138,017	11.3
Consumer loans	2,513,057	10.1	1,717,971	9.1
Micro-business loans	1,381,577	5.6	980,753	5.2
Leaseholds and real estate activities	1,302,360	5.2	730,914	3.9
Mining	1,221,020	4.9	926,835	4.9
Electricity, gas and water	1,050,868	4.2	819,874	4.3
Communications, storage and transportation	983,516	4.0	801,698	4.2
Financial services	969,799	3.9	703,774	3.8
Community services	598,246	2.4	561,100	3.0
Fishing	556,565	2.2	473,399	2.5
Agriculture	851,254	3.4	440,613	2.3
Education, health and other services	467,154	1.9	233,359	1.2
Construction	284,423	1.2	214,038	1.1
Other	229,772	1.0	244,677	1.3
Total	24,838,799	100	18,888,568	100.0

(d) As of December 31, 2007 and 2006, the credit risk classification of the Bank and its Subsidiaries' loan portfolio, according to SBS standards, is as follows:

	2007						2006					
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	23,122,171	93.1	4,540,341	97.7	27,662,512	93.8	17,029,781	90.2	3,699,927	95.2	20,729,708	91.0
Potential problems	1,120,783	4.5	87,377	1.9	1,208,160	4.1	1,090,434	5.7	111,996	2.9	1,202,430	5.3
Substandard	198,793	0.8	14,416	0.2	213,209	0.7	199,761	1.1	58,797	1.5	258,558	1.1
Doubtful	263,917	1.1	3,535	0.1	267,452	0.9	385,578	2.0	11,855	0.3	397,433	1.8
Loss	133,135	0.5	3,047	0.1	136,182	0.5	183,014	1.0	5,163	0.1	188,177	0.8
	24,838,799	100	4,648,716	100	29,487,515	100	18,888,568	100.0	3,887,738	100.0	22,776,306	100.0

(e) Financial entities in Peru should constitute their allowance for credit losses based on the aforementioned risk classification and using the following percentages, which differ 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
	%	%	%	%
Normal	1.00	1.00	1.00	1.00
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

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

	2007 S/(000)	2006 S/(000)
Balance as of January 1st	668,476	739,933
Net provision, note 21	193,414	130,404
Loan portfolio sold and written-off (g)	(121,209)	(153,142)
Exchange rate difference and other	(41,782)	(48,719)
Balance as of December 31(*)	698,899	668,476

(*) As of December 31, 2007, the movement in the allowance for credit losses includes direct and indirect credits for approximately S/643.9 and S/55.0 million, respectively (approximately S/603.6 and S/64.9 million, respectively, as of December 31, 2006). The allowance for indirect credits is shown in the "Other liabilities, net" caption of the consolidated balance sheets, note 10(a).

In Management's opinion, the allowance for credit losses recorded as of December 31, 2007 and 2006 has been established in accordance with SBS regulations in force as of those dates, note 3(e).

(g) In 2006, the Bank sold fully provisioned portfolio of past due loans to an affiliate for approximately S/29.9 million. The sale price generated gain of approximately S/2.7 million. In 2007, the Bank and its Subsidiaries did not sell provisioned portfolio of past due loans. Likewise, in 2007, the Bank and its Subsidiaries made a write-off of a fully provided loan portfolio for approximately S/121.2 million (approximately S/123.2 million in 2006).

(h) 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.

(i) Interest accrued on the loan portfolio is determined considering current interest rates prevailing in the market.

(j) As of December 31, 2007 and 2006, the gross direct loan portfolio has the following maturity schedule:

	2007 S/(000)	**2006** S/(000)
Outstanding loans -		
Up to 1 month	6,161,061	5,363,666
From 1 to 3 months	3,637,411	2,602,690
From 3 months to 1 year	4,483,301	3,823,887
From 1 to 3 years	4,438,973	2,638,902
From 3 to 5 years	2,346,392	1,424,111
More than 5 years	3,584,763	2,794,874
Past due loans -		
Up to 4 months	66,680	66,010
More than 4 months	98,402	64,160
Loans under legal collection	21,816	110,268
Total	24,838,799	18,888,568

8. Permanent investments, net

(a) This item is made up as follows:

	2007					2006				
	Book value S/(000)	**Provision** S/(000)	**Net book value** S/(000)	**Unrealized gains** S/(000)	**Estimated fair value** S/(000)	**Book value** S/(000)	**Provision** S/(000)	**Net book value** S/(000)	**Unrealized gains** S/(000)	**Estimated fair value** S/(000)
Listed equity securities (b)	86,330	-	86,330	183,765	270,095	82,320	-	82,320	192,473	274,793
Investments in financial institutions (c)	18,957	(55)	18,902	-	18,902	18,196	(1,696)	16,500	-	16,500
	105,287	(55)	105,232	183,765	288,997	100,516	(1,696)	98,820	192,473	291,293
Allowance for impairment of permanent investments	(55)					(1,696)				
Total	105,232					98,820				

(b) This caption comprises 2.93 percent participation in shares maintained by Inversiones BCP Ltda. on Banco de Crédito e Inversiones de Chile - BCI Chile. As of December 31, 2007 and 2006, the market price of each share according to its quotation in the Santiago's stock exchange (Chile) is equivalent to approximately S/.270.1 and S/.274.8 million, respectively, net of its tax effect.

(c) As of December 31, 2007, this caption comprises mainly S/5.4 and S/4.9 million corresponding to 34.83 and 28.27 percent of the participation of Banco de Crédito del Perú in Visanet del Perú S.A.C. and Corporación de Servicios de Información - Infocorp S.A., respectively (as of December 31, 2006, approximately for S/6.2 and S/3.4 million which represent the 35.66 and 28.27 percent, respectively).

9. Property, furniture and equipment, net

(a) The movement of property, furniture and equipment and accumulated depreciation for the years ended 2007 and 2006 is as follows:

	Land S/(000)	Buildings and other constructions S/(000)	Installations S/(000)	Furniture and fixtures S/(000)	Computer hardware S/(000)	Equipment and vehicles S/(000)	Work in progress and in transit units S/(000)	2007 S/(000)	2006 S/(000)
Cost -									
Balance as of January 1st	55,361	583,971	270,069	187,615	574,526	63,751	10,980	1,746,273	1,708,758
Additions	15,526	1,704	22,601	9,597	37,446	11,151	54,410	152,435	103,174
Recovery of provision for buildings impairment, note 24	-	-	-	-	-	-	-	-	15,146
Retirements and transfers	(5,612)	7,017	3,001	(3,082)	(612)	(752)	(14,230)	(14,270)	(80,805)
Balance as of December 31	65,275	592,692	295,671	194,130	611,360	74,150	51,160	1,884,438	1,746,273
Accumulated depreciation -									
Balance as of January 1st	-	296,173	170,462	155,793	471,061	27,009	-	1,120,498	1,062,909
Depreciation of the year	-	18,308	21,553	8,425	41,853	7,706	-	97,845	95,845
Retirements and transfers	-	(6,573)	(438)	(2,403)	(450)	(807)	-	(10,671)	(38,256)
Balance as of December 31	-	307,908	191,577	161,815	512,464	33,908	-	1,207,672	1,120,498
Net book value	65,275	284,784	104,094	32,315	98,896	40,242	51,160	676,766	625,775

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

(c) As of December 31, 2007, the Bank has property available for sale for approximately S/20.2 million, net of accumulated depreciation which amounts to approximately S/13.5 million (approximately S/23.4 million net of accumulated depreciation which amounts to approximately S/16.1 as of December 31, 2006).

(d) Management periodically reviews the assets´ residual value, the useful life and the selected depreciation method to ensure that are consistent with the economic benefits and life expectations for use of property, furniture and equipment items. In Management's opinion, there is no evidence of impairment of property, furniture and equipment as of December 31, 2007 and 2006.

(e) As of December, 31 2007, the Bank and its Subsidiaries have sold fixed assets for approximately S/5.1 million, which had a net cost of S/3.6 million (S/42.4 and S/42.5 million, respectively, as of December 31, 2006). As of December 31, 2007, none of these sales were carried out to related companies (sales with related companies were approximately S/35.2 million as of December 31, 2006).

10. Other assets and other liabilities

(a) These items are made up as follows:

	2007 S/(000)	2006 S/(000)
Other assets, net		
Financial instruments at fair value through profit and loss -		
Indexed certificates - Citigroup (b)	467,035	150,157
Credit linked notes(c)	151,481	-
Derivatives receivable, note 19(d)	134,623	51,259
	753,139	201,416
Other, net-		
Deferred income tax and workers' profit sharing, note 14(a)	232,809	137,218
VAT credits, net	166,274	41,594
Intangible assets, net (e)	132,358	84,506
Accounts receivable	103,618	113,357
Operations in process (d)	102,319	161,613
Assets seized, net (f)	82,690	86,072
Differential for repurchase agreements with transfer of legal ownership, note 3(v) y 6(i)	56,284	-
Deferred expenses	31,931	28,749
Leasing contracts cancelled receivable, net of provision	1,221	1,600
Goodwill (g)	980	6,860
Income tax prepayments, net	-	28,058
Other	16,037	16,405
	926,521	706,032
Total	1,679,660	907,448

	2007 S/(000)	2006 S/(000)
Other liabilities, net		
Payroll taxes, salaries and other personnel expenses payable	507,005	274,215
Accounts payable	246,507	152,519
Operations in process (d)	108,046	117,631
Provision for sundry risks (h)	104,111	105,028
Derivatives payable, note 19(d)	93,112	25,776
Deferred income tax and workers' profit sharing, note 14(a)	74,664	14,997
Allowance for indirect credit losses, note 7(f)	55,077	64,904
Income tax prepayment, net	39,593	-
Differential for repurchase agreements with transfer of legal ownership, note 3(v) y 6(i)	15,335	-
Deposit Insurance Fund	9,784	9,001
Transfers received in process (i)	-	81,702
Allowance for regulation changes of assets seized (f)	-	11,022
Minority interest	10,300	9,176
Other	10,390	11,783
Total	1,273,924	877,754

(b) In July 2006, the Bank signed a contract with Citigroup Global Market Holdings Inc., Citigroup Capital Limited and Citigroup Capital Market Inc. (hereinafter "Citigroup"), with the purpose of acquire "indexed certificates" to Credicorp stock to offset the volatility generated by the liabilities and related expenses that result from the stocks appreciation rights (SAR´s) plan that the Bank and its subsidiaries maintain in options over the Credicorp stocks appreciation, note 17. Likewise, in March 2007, the Bank signed an additional contract with similar conditions of the contract signed in July 2006.

These transactions consist of the purchase of up to 2,100,000 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 its maturity.

According to SBS Resolution N° 1737-2006, note 3(g), these certificates indexed to the performance of the share of Credicorp Ltd. (BAP) 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, 2007, the Bank has acquired 2,009,523 certificates at a total cost of US$89.4 million, equivalent to US$44.5 per certificate on average (1,212,023 certificates, US$ 47.0 million and US$38.7, respectively, as of December 31, 2006). The estimated market value of the certificates amounts to US$155.9 million, equivalent to US$77.6 per certificate on average (US$49.6 million, and US$40.9, respectively, as of December 31, 2006). The difference between the cost and the estimated market value of approximately US$66.5 million (equivalent approximately to S/207.8 million) has been recorded in the year 2007 in the caption "Other non - financial income", according to SBS regulations, note 24. As of December 31 2007, approximately S/8.3 million of the difference between the cost and the estimated market value corresponds to the year 2006.

(c) During the year 2007, the Bank has acquired debt instruments in the form of "Credit linked notes", which have been issued by Bear Stearns Global Asset Holdings Ltd.; and are linked to the credit risk of debt instruments issued by the Peruvian Government or any successor of this ("Credit default swap"). Such instruments have been acquired by the Bank with the purpose of providing financial investments with the same terms, risks and benefits to certain clients.

According to SBS Resolution N° 1737-2006, note 3(g), these notes include an embedded derivative which risks are not closely related to the risk of the host contract. In this sense, the Bank has decided to designate these hybrid instruments at fair value through profit and loss; therefore, separation of the embedded derivative is not required.

As of December 31, 2007, the Bank has acquired and provided to its clients "Credit linked notes" for an amount of approximately US$34.3 million (equivalent to S/102.7 million) and S/48.8 million. These instruments have a maturity of 5 years from their issuance date and earn interests in Peruvian currency between 7.07 and 7.39 percent and in US dollars between 5.46 and 6.25 percent. The estimated market value of such instruments amounts to S/151.5 million. The difference between the cost and the estimated market value of the assets and liabilities has been recorded in the caption "Other non - financial income" in the consolidated income statements, according to the accounting principles described in note 3(g). Likewise, the corresponding liabilities are recorded in the caption "Deposits and obligations", note 11(b).

(d) Operations in process include deposits received, loans disbursed and/or collected, transferred funds and other similar types of transactions, which are traded at the end of the month and only reclassified to their final balance sheets accounts until the beginning days of the following month. These transactions do not affect the Bank and its Subsidiaries´ net income.

(e) The movement of intangible assets for the years ended December 31, 2007 and 2006, is as follows:

Description	**Software** S/(000)	**Other developments** S/(000)	**2007** S/(000)	**2006** S/(000)
Cost -				
Balance as of January 1st	78,352	113,253	191,605	148,006
Additions (i)	30,953	48,083	79,036	49,111
Retirements (ii)	(13,930)	(24,940)	(38,870)	(5,512)
Balance as of December 31	95,375	136,396	231,771	191,605
Accumulated amortization -				
Balance as of January 1st	39,629	67,470	107,099	88,214
Amortization of the year	14,663	16,199	30,862	24,822
Retirements (ii)	(13,768)	(24,780)	(38,548)	(5,937)
Balance as of December 31	40,524	58,889	99,413	107,099
Net book value	54,851	77,507	132,358	84,506

(i) During the year 2007, the Bank has capitalized disbursements related to the implementation of several system projects, mainly those related to the ERP project (aimed to the implementation and development of SAP system) and the SERIVA project (aimed to the implementation and development of the integrated operations of Capital Market department).

(ii) During the year 2007, the Bank and its subsidiaries writing - off certain intangible assets fully amortized and out of use for approximately S/38.5 million.

(f) As of December 31, 2007 and 2006, the caption assets seized includes land, buildings, machinery and equipment received in payment of loans. The movement for the caption, as of December 31, 2007 and 2006, is summarized as follows:

	2007	**2006**
	S/(000)	S/(000)
Cost -		
Balance as of January 1st	213,666	254,439
Additions	44,547	86,526
Retirements	(72,013)	(127,299)
Balance as of December 31	186,200	213,666
Provision -		
Balance as of January 1st	127,594	162,795
Provision of the year	11,596	9,668
Reversal of provision for changes in regulations (*)	11,022	27,770
Provision used for sales	(46,702)	(72,639)
Balance as of December 31	103,510	127,594
Net book value	82,690	86,072

(*) As explained in note 3(k), in October 2005, the procedure to compute and record the provisions for assets seized was modified. BCP has recalculated such provisions according to new regulations, estimating an excess in its provision for approximately S/43.7 million, amount transferred to caption "Other liabilities, net". According to SBS regulations, this excess can not be reversed and must be used to cover future losses in the value of other assets. As of December 31, 2007, the Bank has applied such excess to provide for additional requirements of provisions for seized assets, using the remaining amount of S/11.0 million (S/27.8 million as of December, 31 2006).

As of December 2007, the net book value includes S/10.0 and S/15.3 million of lands and buildings, respectively (S/14.1 and S/39.1 million, respectively, as of 31 December 2006). Moreover, the amount at this date includes S/45.6 million correspondent to assets acquired to be assigned to leasing operations (S/28.6 as of 31 December 2006).

During the year 2007 and 2006, the Bank and its Subsidiaries have sold assets seized for an approximate amount of S/65.0 and S/95.7 million, respectively, with a net gain of approximately S/39.7 and S/41.1 million, respectively, which is included in the caption "Other non - financial income" in the consolidated income statements, note 24.

In Management's opinion, the provision for seized assets recorded as of December 31 2007 and 2006 is according to SBS regulations in force as of such dates.

(g) Corresponds to the difference between the estimated fair market value of the net assets acquired from the minority shareholders of Solución Financiera de Crédito del Perú S.A. (subsidiary of the Bank note 1) and the price paid for such assets on March 2003. As of December 31, 2007, the original purchased value of goodwill amounts to approximately S/29.4 million and the accumulated amortization to S/28.4 million (S/29.4 and S/22.6 million, respectively as of December 31, 2006).

(h) As of December 31, 2007 and 2006, comprise the allowance related to the adjustments to the market value of the acquired liabilities in the merge with Banco Santander Central Hispano - Perú (in 2002) and Solución Financiera de Crédito del Perú (in 2004), the allowance for the estimated losses in the legal claims against the Bank and other similar obligations that have been recorded based on Management's and its legal advisors' best estimates.

(i) Corresponded to cash transfers received from other local banks to customers of BCP that were not processed during the last day of the year 2006 due to problems in the BCRP system used by the banks for these transactions. Such operations were regularized during the first days of January 2007, without any effect on the Bank's results.

11. Deposits and obligations

(a) This item is made up as follows:

	2007 S/(000)	2006 S/(000)
Non-interest bearing deposits and obligations -		
In Peru	8,683,234	5,009,007
In other countries	1,256,052	1,212,705
	9,939,286	6,221,712
Interest bearing deposits and obligations -		
In Peru	17,006,568	16,826,188
In other countries	5,613,096	3,544,013
	22,619,664	20,370,201
	32,558,950	26,591,913
Interest payable	141,138	112,440
Total	32,700,088	26,704,353

The Bank and its Subsidiaries have established a policy to pay interests on demand deposits and savings accounts according to 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.

(b) As of December 31, 2007 and 2006, the balance of deposits and obligations by type of transaction is made up as follows:

	2007 S/(000)	2006 S/(000)
Time deposits (*)	12,510,430	9,013,332
Demand deposits	9,939,289	7,925,903
Saving accounts	7,133,508	6,238,889
Severance indemnities deposits	2,690,139	2,476,985
Bank certificates in foreign currency	277,195	207,589
Repurchase agreements with clients, note 6(i)	8,389	729,215
Total	32,558,950	26,591,913

(*) 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 10(c)

(c) Interest rates applied to different deposits and obligations accounts are determined by the Bank and its Subsidiaries considering interest rates prevailing in the local markets.

(d) As of December 31, 2007, time deposits and bank certificates above US$100,000 amount to approximately to S/11,051.9 and S/146.8 million, respectively, equivalent to approximately US$3,688.9 and US$49.0 million, respectively (S/10,698.0 y S/114.7 million respectively equivalent to approximately US$ 3,347.3 and US$ 35.9 million, respectively, as of December 31, 2006).

(e) As of December 31, 2007 and 2006, approximately S/9,649.3 and S/8,562.9 million of the total deposits and obligations, respectively, are covered by the “Fondo de Seguro de Depósitos” (Deposit Insurance Fund).

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

	2007 S/(000)	2006 S/(000)
Up to 3 months	7,279,828	5,660,207
From 3 months to 1 year	1,830,842	1,744,795
From 1 to 3 years	567,038	767,333
From 3 to 5 year	90,852	616,205
More than 5 years	2,741,870	224,792
Total	12,510,430	9,013,332

As of December 31, 2007, the amounts over 5 years correspond mainly to time deposits received from a related company of Credicorp Ltd.

12. Due to banks and correspondents

(a) This item is made up as follows:

	2007 S/(000)	2006 S/(000)
By type -		
Promotional credit lines (b)	587,827	568,569
Due to banks and correspondents with local and foreign financial institutions (c)	3,449,497	862,496
	4,037,324	1,431,065
Interest payable	27,245	12,810
Total	4,064,569	1,443,875
By term -		
Short-term debt	2,833,858	926,749
Long-term debt	1,203,466	504,316
Total	4,037,324	1,431,065

(b) Promotional credit lines represent loans granted to BCP mainly by Corporación Financiera de Desarrollo (COFIDE) to promote the social development in Peru. As of December 31, 2007, they have maturities between March 2008 and December 2027 and their interest rates fluctuated between 5.73

and 7.75 percent annual (between January 2007 and December 2021 and their effective interest rate fluctuated between 5.65 and 7.90 percent annual as of December 31, 2006). These credit lines are secured by a loan portfolio amounting to US$196.2 million and US$177.9 million, equivalent approximately to S/587.8 million and S/568.6 million as of December 31, 2007 and 2006, respectively. These lines include covenants specifying the use of the funds, financial conditions that the borrower must maintain and other administrative matters.

(c) As of December 31, 2007, due to banks and correspondents with local and foreign financial institutions, comprise mainly loans to fund foreign trade operations and working capital, granted by 33 foreign entities (11 as of December 31, 2006); of which 5 represent approximately 46 percent of the balance as of December 31, 2007 (7 represent approximately 42 percent of the balance as of December 31, 2006).

The increase in 2007 corresponds mainly to three loans of US$100 million each one (total equivalent to S/898.8 million), with maturity in three months, that will be replaced by a syndicated loan that is being negotiated; as well as other loans granted to BCP with the objective of finance the increase of its operations mainly in foreign trade operations and direct loans.

Some of the loan agreements include standard clauses requiring the Bank to comply with financial ratios, use of funds criteria and other administrative matters. In Management's opinion, such standard clauses do not limit the normal operations of the Bank and are fulfilled in the application of the standard international banking practices for these transactions.

As of December 31, 2007, due to bank and correspondents with financial entities have maturities that range mainly between January 2008 and February 2009 (range between January and April 2007 as of December 31, 2006). Likewise, interest rates range between 4.88 and 5.73 percent as of December 31, 2007 (range between 3.85 and 5.76 percent as of December 31, 2006).

(d) As of December 31, 2007 and 2006, the balance of this caption, classified by maturity, is as follows:

	2007	**2006**
	S/(000)	S/(000)
Up to 3 months	1,883,619	762,964
From 3 months to 1 year	950,239	163,785
From 1 to 3 years	1,119,913	68,970
From 3 to 5 years	17,057	70,315
More than 5 years	66,496	365,031
Total	4,037,324	1,431,065

13. Bonds and subordinated notes issued

(a) This item is made up as follows:

	Weighted average annual interest rate				
	2007 %	2006 %	Maturity	2007 S/(000)	2006 S/(000)
Bonds					
Corporate bonds (i)	6.59	6.23	Between February 2008 and December 2014	391,000	301,000
Leasing bonds (ii)	6.10	5.53	Between January 2008 and November 2010	519,905	600,300
Mortgage bonds (ii)	7.70	7.69	Between May 2011 and April 2012	61,951	80,429
Subordinated bonds	6.72	6.82	Between January 2008 and May 2027	321,722	325,264
Mortgage certificates	-	-		200	326
				1,294,778	1,307,319
Subordinated notes -					
Subordinated negotiable certificates notes (iii)				359,520	383,520
Subordinated notes (iv)				483,280	-
				842,800	383,520
Total bonds and subordinated debt				2,137,578	1,690,839
Interest payable				22,706	13,706
Total				2,160,284	1,704,545

(i) During 2007, the Bank issued corporate bonds for S/150.0 million (S/151.0 million during 2006) and redeemed bonds for S/60.0 million (S/168.7 million during 2006); representing a net increase of S/90.0 million (net decrease of S/17.7 million during 2006). The detail of the new issuances is the following:

Issuances 2007	Amount S/(000)	Currency	Maturity
Second Program of Corporate Bonds BCP -			
First Issuance - Series A (*)	150,000	Peruvian Nuevos Soles	19/12/2014

Issuances 2006	Amount S/(000)	Currency	Maturity
First Program of Corporate Bonds BCP -			
Sixth Issuance - Series B	20,000	Peruvian Nuevos Soles	08/08/2008
Sixth Issuance - Series A	20,000	Peruvian Nuevos Soles	27/02/2008
Eighth Issuance - Series B	35,000	Peruvian Nuevos Soles	06/09/2010
Eighth Issuance - Series C	25,000	Peruvian Nuevos Soles	21/09/2010
Eighth Issuance - Series D	16,000	Peruvian Nuevos Soles	11/10/2010
Ninth Issuance - Series B	25,000	Peruvian Nuevos Soles	03/03/2011
Tenth Issuance - Series B	10,000	Peruvian Nuevos Soles	24/03/2013
	151,000		

(*) To hedge this issuance, it has been obtained a "cross currency swap" operation from JPMorgan Chase & Co, with the objective of convert the currency risk profile of the bonds issued from Peruvian currency to US dollars. Likewise, the fixed annual nominal interest rate of 6.84 percent has been changed to a variable interest rate of six-month Libor plus 0.84 percent. In this sense, the Bank seeks to reduce the risk of funds in Peruvian currency, generating a liability in US dollars at market interest rates, which will be used to finance the loans in said currency, note 19(h).

(ii) Leasing and mortgage bonds are collateralized by the fixed assets financed with these resources.

During the year 2007, the Bank and its Subsidiaries have issued leasing bonds for S/118.7 million and redeemed bonds for S/164.8 millions (S/133.0 millions during year 2006). The detail of the new issuances is the following:

Issuances 2007	Amount S/(000)	Currency	Maturity
Second Issuance - Series A	29,960	US$ Dollars	10/06/2009
Second Issuance - Series B	44,940	US$ Dollars	13/07/2009
Second Issuance - Series C	28,837	US$ Dollars	13/08/2009
Fourth Issuance - Series A	15,000	Peruvian Nuevos Soles	12/01/2010
	118,737		

(iii) In November 2006, BCP through its Panama branch, issued Subordinated Negotiable Certificates Notes amounted to US$120 million on the international market with maturity on 2021. These certificates accrued a fixed annual interest rate of 6.95 percent for the first 10 years, with payment each six months.

After the first 10 years, the interest rate is change to a variable interest rate, established as Libor plus 2.79 percent, with quarterly payments. At the end of the first 10 years, the Bank can redeem 100 percent of the debt, without penalties. This subordinated debt has certain financial and operating covenants; which, in Management's opinion, the Bank is in compliance at the consolidated balance sheets dates.

(iv) In October 2007 the Bank, through its Panama branch, issued subordinated notes amounted to S/483.3 million on the international market with maturity on 2022. These certificates accrue a fixed annual interest rate of 7.17 percent for the first 10 years, with payment each six months.

After the first 10 years, the interest rate is changed to a variable interest rate, established as the average of at least three valuations on the internal rate of return of sovereign bonds issued by the Peruvian government (with maturity on 2037), plus 150 basic points, with payments each six months . At the end of the first 10 years, the Bank can redeem the total amount of the notes without penalties. This subordinated debt has certain financial and operating covenants; which, in Management's opinion, the Group is in compliance at the consolidated balance sheet date.

(b) The issued bonds balance classified by maturity is as follows:

	2007 S/(000)	2006 S/(000)
Up to 3 months	167,779	64,186
From 3 months to 1 year	309,656	200,478
From 1 to 3 years	489,669	589,996
From 3 to 5 years	177,684	361,930
More than 5 years	992,790	474,249
Total	2,137,578	1,690,839

14. Deferred income tax and workers' profit sharing

(a) Deferred assets and liabilities from workers' profit sharing and income tax are made up as follows:

	2007 S/(000)	2006 S/(000)
Deferred assets -		
Stock appreciation rights provision, note 17	84,523	36,265
Allowance for credit losses	79,156	41,613
Provision for sundry expenses	27,766	22,780
Allowance for assets seized	16,458	21,398
Provision for sundry risks	10,219	8,286
Past due interests	11,420	6,876
Other	3,267	-
Total deferred assets, note 10(a)	232,809	137,218
Deferred liabilities -		
Valuation of indexed certificates - Citigroup	(66,704)	-
Exchange difference	(4,103)	(4,523)
Leasing operations, net	(3,857)	(9,165)
Intangible assets	-	(1,309)
Total deferred liabilities, note 10(a)	(74,664)	(14,997)
Net balance	158,145	122,221

(b) Amounts presented in the consolidated balance sheets as of December 31, 2007 and 2006, as well as the consolidated income statements for the years then ended are shown below:

Consolidated balance sheets	Deferred assets		Deferred liabilities	
	2007 S/(000)	**2006** S/(000)	**2007** S/(000)	**2006** S/(000)
Income tax	200,069	117,237	(64,122)	(13,725)
Workers' profit sharing	32,740	19,981	(10,542)	(1,272)
	232,809	137,218	(74,664)	(14,997)

Consolidated income statements	Workers' profit sharing		Income tax	
	2007 S/(000)	**2006** S/(000)	**2007** S/(000)	**2006** S/(000)
Current	44,235	38,419	329,997	251,246
Deferred	(3,489)	(2,915)	(32,435)	(15,421)
	40,746	35,504	297,562	235,825

(c) Reconciliation of effective tax rate to statutory tax rate for the years 2007 and 2006 is as follows:

	2007 %	**2006** %
Income before income taxes	100.00	100.00
Theoretical expense	30.00	30.00
Effect on taxable income		
Non-taxable financial revenues	(13.03)	(13.34)
Effect of non-deductible expenses		
Non-deductible financial expenses	3.01	5.22
Other non - deductible expenses	4,38	4.40
Income tax, current and deferred	24.36	26.28

15. Net shareholders' equity

(a) Capital stock -

As of December 31, 2007 and 2006, the capital stock of the Bank is composed by 1,286.5 million fully subscribed and paid common shares, each with a face value of one Peruvian Nuevo Sol.

The General Shareholders' Meeting held on March 31, 2005, approved an increase of the capital stock for 60.1 million of shares, corresponding to the restatement of capital stock due to the inflation as of December 31, 2004.

In Board of Directors session held on July 19, 2007, was approved a commitment to capitalize retained earnings correspond to the year 2007, which amount to S/221.8 million (equivalent approximately to US$70 million).

(b) Legal reserve -

Pursuant to legislation in force, the Bank and its subsidiaries 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 the Bank's net income.

As of December 31, 2007 and 2006, the Bank and its Subsidiaries have reached the minimal amount required by the legislation in force at to date.

The subsidiaries of the Bank also must recognize this reserve in their individual financial statements. As of December 31, 2007 and 2006, the report of legal reserves of the subsidiaries amounts to approximately S/76.5 and S/79.1 million, respectively.

(c) Special reserve -

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

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

(d) Dividend distribution -

The General Shareholders' Meetings held on March 31, 2007, March 31, 2006 and March 31, 2005, agreed to distribute dividends in the amount of approximately S/536.5, S/591.8 and S/318.9 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.

As indicated in paragraph (a), in Board of Directors session held on June 19, 2007, was approved a commitment to capitalize retained earnings correspond to the year 2007, which amount to S/221.8 million (equivalent approximately to US$70 million).

(e) Shareholders' equity for legal purposes (Regulatory capital) -
As of December 31, 2007, contingent assets and indirect loans weighted by credit risk and the minimal equity required for market risk applicable to currency risk, determined by the Bank according to current legal regulations, amounted to approximately S/25,775.4 and S/80.0 million, respectively (S/18,904.8 and S/77.3 million as of December 31, 2006, respectively), generating a global leverage ratio for credit and market risk that is approximately 8.44 times the regulatory capital of the Bank (8.46 times the regulatory capital of the Bank according to regulations in force as of December 31, 2006). According to the Banking Law, this ratio cannot be more than 11 time higher the regulatory capital.

16. Tax situation

(a) The Bank and its Subsidiaries are subject to Peruvian Tax Law. As of December 31, 2007, 2006 and 2005 the statutory income tax was 30 percent on taxable income.

(b) Article 8 of the Legislative Decree N°970 extended up to December 31, 2008, the exemption from Income Tax on capital gains derived from the transfer of securities registered in the Stock Exchange Public Record through centralized trading mechanisms, as well as the interest accrued by these instruments.

(c) For income tax and value added tax purposes, the transfer prices in transactions between related parties and with entities located in tax heaven countries or territories, require the presentation of supporting documents and information on the valuation methods and criteria applied for the price determination. Based on the analysis of the operations of the Bank and its Subsidiaries, Management and its internal legal advisors consider that no significant contingencies will result for the Bank and its Subsidiaries as a consequence of application of such provisions as of December 31, 2007 and 2006.

Superintendence Resolution N° 008-2007-SUNAT excluded, for fiscal years 2006 and 2007, the obligation to have a technical study of transfer prices with respect to the transactions made by taxpayers domiciled in the country with their domiciled related companies.

(d) The tax authorities have the right to review and, if applicable, amend the annual income tax return of the Bank and its Subsidiaries up to four years after its presentation. The income tax returns of the Bank for 2006 and 2007, and from 2002 to 2007 in the case of its Subsidiaries are pending of review by the tax authorities.

Because the potential interpretations that the tax authorities may give to legal rules in force, it is not possible to determine to date whether the reviews will generate liabilities for the Bank and its Subsidiaries. Therefore, any higher tax, penalty interest and sanction imposed as a result of such fiscal reviews would 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 any significant consequences on the consolidated financial statements as of December 31, 2007 and 2006.

As indicated in note 18(b), in the case of the Bank, the 2001, 2002, 2003, 2004 and 2005 fiscal years have been reviewed by the tax authorities in 2005, 2006 and 2007. Likewise, in the case of Crédito Leasing S.A., the tax authorities have completed the review of the fiscal year 2001. The results of such reviews have not generated any major additional liabilities for the Bank and its Subsidiaries.

17. Stock appreciation rights

As indicated in note 3(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's service in the Bank. The SARs expire after eight years and 25 percent of them may be exercised during each of the first four years of the plan.

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, 2007 and 2006, 258,075 and 819,425 SARs had been exercised under this plan for an approximate amount of US$11.8 and US$26.4 million (equivalent to S/36.9 and S/84.4 million) for the years, 2007 and 2006, respectively, plus the income tax on behalf of the executives and employees that is assumed by the Bank and its Subsidiaries at 30 percent of the amount paid.

The number of SARs issued and not exercised as of December 31, 2007 and 2006 and the prices of such rights as of said dates are as follows:

Year of Issuance	Number of outstanding SARs issued as of December 31, 2007	Number of Vested SARs as of December 31		Exercise price	
		2007	2006	2007	2006
				US$	US$
2000	49,750	49,750	53,750	8.50	8.80
2001	73,000	73,000	74,000	5.30	5.60
2002	92,500	92,500	97,500	6.98	7.28
2003	151,900	151,900	196,250	8.17	8.47
2004	226,450	226,450	283,453	10.99	11.29
2005	360,750	330,594	246,194	16.00	16.30
2006	433,800	277,550	186,406	25.32	25.62
2007	547,875	229,500	-	48.50	-
	1,936,025	1,431,244	1,137,553		

Bank's Management has estimated the fair value of the SARs as of December 31, 2007 and 2006, using the binomial option pricing model, with assumptions obtained from the relevant available market information. The key assumptions used are as follows:

Key assumptions	2007	2006
Expected volatility	32.70%	31.31%
Risk free interest rate	3.50%	4.71%
Expected lifetime	4.82 years	5.05 years
Quoted price of Credicorp shares at year-end	US$76.30	US$40.94

The movement of the SARs for the years 2007 and 2006 are as follows:

	2007			2006		
	Outstanding SARs	Vested SARs		Outstanding SARs	Vested SARs	
	Number	Number	Amount S/(000)	Number	Number	Amount S/(000)
Balance as of January 1st	1,610,600	1,137,552	108,255	1,961,275	1,504,556	71,200
Granted and vested	586,000	553,486	60,950	535,000	503,280	32,356
Exercised	(258,075)	(258,075)	(36,732)	(819,425)	(819,425)	(86,281)
Decrease	(2,500)	(1,719)	(271)	(66,250)	(50,858)	(5,122)
Increase in the option fair value	-	-	120,107	-	-	96,102
Balance as of December 31	1,936,025	1,431,244	252,309	1,610,600	1,137,553	108,255

In accordance with the signed contracts, the Bank and its Subsidiaries assume the payment of the income tax of this benefit on behalf of its executives and employees, which corresponds to 30 percent of the benefit. The Bank and its Subsidiaries estimate the amount over the basis of the liability recorded for the vested benefits and records it in the same caption of this plan.

The liabilities recorded for this plan are included in "Payroll taxes, salaries and other personnel expenses payable"; in the caption "Other liabilities, net" of the consolidated balance sheets; and the expenses in the caption "Salaries and employee's benefits" on the consolidated income statements. In 2007 and 2006, the SARs prices were modified and informed to the executives of the Bank.

The Bank signed contracts with Citigroup by which have acquired certificates linked to the yield of Credicorp's shares, to obtain an economic hedge of the market value variations of the SARs granted to its executives and employees, note 10(b).

18. Commitments and contingencies

(a) Commitments -

- In November 2005, Panamanian Branch entered into an agreement with a foreign related party in which guarantees the collection of BCP's future inflows from electronic messages sent through the Society for Worldwide Interbank Financial Telecommunications ("SWIFT") and utilized within the network to instruct correspondent bank to make a payment of a certain amount to a beneficiary that is not a financial institution. For this transaction the related party had a loan with guarantee of the mentioned rights for US$280.0 million (equivalents to S/960.4 million), with a maturities up to 2012.

- In March 2006, the Panama Branch, entered into an additional agreement of the year 2005 with the same foreign related party in which guarantees the collection of BCP's future inflows from electronic messages sent through the Society for Worldwide Interbank Financial Telecommunications ("SWIFT") and utilized within the network to instruct correspondent bank to make a payment of a certain account to a beneficiary in Peru that is not a financial institution. For this transaction, the related party obtained a loan for US$100.0 million with maturity in 2016.

- Similarly, in July 2007, the Panama branch, entered into an agreement with the said foreign related party in which guarantees the collection of BCP's future inflows from electronic messages sent through the Society for Worldwide Interbank Financial Telecommunications ("SWIFT") and utilized within the network to instruct correspondent bank to make a payment of a certain account to a beneficiary in Peru that is not a financial institution. For this transaction, the related party obtained a loan for US$350.0 and US$150.0 million (equivalent to S/1,048.6 and S/449.4 million, respectively), with maturities on 2017 and 2014, respectively.

These loans obtained by the related party include covenants that must be fulfilled by the Bank which, in Management's opinion, have been fulfilled as of December, 2007 and 2006.

(b) Contingencies -

- As of December 31, 2007 and 2006, the Bank has received tax assessments from the Tax Authority as a result of the review of the income tax corresponding to the year 1999. In this respect, the Tax Authority determined a lower credit balance corresponding to the income tax for approximately S/5.9 million. The Bank has filed the corresponding claim, which also includes the claim for the respective fines amounting to approximately S/11.6 million as of December 31, 2007. (S/10.1million as December, 31 2006). The Management and its legal advisors believe that this situation will not generate significant additional liabilities as of December 31, 2007 and 2006.

- The fiscal years 2001, 2002, 2003, 2004 and 2005 have been reviewed by the Tax Authority; as a result of such revisions, no important additional expenses have arisen in excess to the previously accounted for in the Bank.

- As of December 31 2007 and 2006, Credito Leasing SA, a Bank's subsidiary, has received Tax assessments from the Tax Authority as a result of the review of the income tax corresponding to the year 2001. Respect to this, the Tax Authority determined a fine that amounts to S/2.4 million approximately for which Credito Leasing S.A. has filed an appeal. The Bank's Management and its legal counsels consider that the claim is going to have a favorable result for Credito Leasing S.A.

- In addition, the Bank and its Subsidiaries have several pending legal claims (law suits), related to their activities which, in Management's and its legal advisors' opinion, will not result in additional liabilities to the ones already registered by the Bank and its subsidiaries; therefore, the Management has not consider necessary to make an additional provision to those ones already recorded for these contingencies, note 10(h).

19. Off-balance sheet accounts

(a) This item is made up as follows:

	2007 S/(000)	2006 S/(000)
Contingent operations		
Guarantees and stand-by letters of credit (c)	3,247,201	2,929,141
Import and export letters of credit (c)	1,294,193	814,828
Due from bank acceptances	107,322	143,769
	4,648,716	3,887,738
Foreign currency forwards contracts (d)	6,696,983	3,685,606
Responsibilities under credit line agreements (i)	3,242,017	2,603,927
Repurchase agreements (g)	980,253	-
Foreign currency swap contracts (d)	355,181	156,231
Foreign currency and interest rates swap contracts (h)	151,058	-
Other contingent operations	27,796	86,461
Total contingent operations	16,102,004	10,419,963
Other off-balance sheet accounts -		
Risk classification of assets and contingents	51,489,217	19,629,686
Securities in custody	42,494,416	35,239,348
Guarantees received (e)	32,316,671	19,994,412
Securities in stock	7,436,466	2,752,798
Securities in collection	6,760,332	5,610,583
Written-off loans	2,884,411	2,988,345
Insurance coverage	2,668,009	2,531,165
Letter of credit advised	1,399,869	1,515,929
Trust and debt trust commissions (f)	844,163	449,185
Securities granted as warranties	604,167	631,548
Other	17,102,016	12,974,312
Total other off-balance sheet accounts -	165,999,737	104,317,311
Total	182,101,741	114,737,274

(b) In the normal course of its business, the Bank and its Subsidiaries take part on transactions with off-balance sheet risk exposure. These transactions expose the Bank and its Subsidiaries to additional credit risk in addition to the amounts recognized in the consolidated balance sheets. Credit risk for off- consolidated balance sheet financial instruments is defined as the possibility of sustaining a loss because any other party of a financial instrument fails to perform in accordance with the terms of the contract. 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 amount specified in these instruments. The Bank and its Subsidiaries use the same credit policies in making commitments and conditional obligations as it does 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 and 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. Risks associated with these credits are reduced by the participation of third parties.

(d) As of December 31, 2007 and 2006, the derivative operations maintained by the Bank and its Subsidiaries are related to purchase and sale agreements for foreign currency forward operations, and interest rate swap operations. 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. Risk arises from the possibility that the counter-party to the transaction does not perform as agreed and from the variations in the exchange rates in the currencies in which transactions are done. As of December 31, 2007 and 2006, foreign currency forward purchase and sale agreements referred to above include notional amounts of approximately S/6,696.9 and S/3,685.6 million, respectively (equivalent to US$2,235.2 and US$ 1,153.2 million, respectively, note 4), with maturities mainly not longer than one year. These agreements are executed to satisfy client requirements and are recognized in the consolidated financial statements at fair market value. As of December 31, 2007 and 2006, foreign currency swap transactions were realized for a notional amount of approximately to S/355.2 and S/156.0 million, respectively (equivalent to US$118.5 and US$48.9 million, respectively).

In addition, as of December 31, 2007, the interest rate swap operations were realized for an notional amount of approximately S/1,827.1 million, equivalent to US$609.8 million (approximately S/1,173.1 million equivalent to US$367.1 million as of December 31, 2006) which are included in the "Other off-balance sheet accounts" in this note.

The fair value of forwards and swaps contracts asset and liabilities as of December 31, 2007, amount approximately to S/134.6 and S/93.1 million, respectively (approximately S/51.3 and S/25.8 million, respectively, as of December 31, 2006), which has been included in the consolidated balance sheets, note 10(a)

(e) 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.

(f) The Bank and its Subsidiaries provide custody, trust, corporate administration, investment management and consulting services to third parties, which imply that the Bank and its Subsidiaries are involved in decisions over consignation (distribution), and the purchase and sale of these products. Assets kept as trust are not included in the consolidated financial statements. As of December 31, 2007 and 2006, assets managed on behalf of the Bank's clients amounted to S/751.2 and S/223.5 million, respectively.

In addition, as of December 31, 2007 and 2006, the net equity of the investment mutual funds managed by a subsidiary of the Bank amount approximately to S/5,863.1 and S/3,941.9 million, respectively.

(g) Correspondent 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 3(v). As of December, 31 2007, such repurchase operations include Peruvian treasury bonds, BCRP negotiable certificates of deposit, and treasury bonds of foreign governments; amounted to S/980.3 million approximately, accrue interests at effective annual rates that range between 5.51 and 5.80 percent for repurchase agreements in Peruvian currency, and between 4.85 and 6.00 percent for the repurchase agreements in US dollars, with maturities between January and December 2008.

(h) Correspondent to the notional value of a cross currency swap, which works as an economic hedge of a Bank's corporate bonds issuance, note 13(a)(i). By this operation, in economic terms, the issued debt in Peruvian currency was converted to US dollars, as well the interest rate of the debt was converted from a fixed interest rate in Peruvian currency of 6.84 percent nominal annual to a variable six-month Libor plus 0.84 percent. As of December 31 2007, the fair value of this hedge instrument recorded as a loss in the income statement amounts approximately to US$0.6 million (equivalent to S/1.9 million) and is included in the caption "Financial expenses" in the consolidated income statements.

(i) The responsibilities under credit lines agreements do not correspond to commitments to grant credits; and include credit lines and other consumer loans that are cancelable upon notification to the consumer.

20. Financial income and expenses

This item is made up as follows:

	2007 S/(000)	2006 S/(000)
Financial income		
Interest on loan transactions	2,145,425	1,707,434
Interest from investments in trading, available-for-sale and held-to-maturity securities	445,626	228,386
Interest from available and inter-bank funds	214,025	257,973
Fluctuation for derivative financial instruments position - forwards	43,300	23,736
Commission on loans and other financial transactions	20,337	14,440
Other	15,168	18,449
	2,883,881	2,250,418
Financial expenses		
Interest on deposits and obligations	(624,135)	(419,390)
Interest and commissions on deposits from local financial entities and international organizations	(188,923)	(143,445)
Interest on loans from banks and correspondents	(139,988)	(108,053)
Interest on bonds and subordinate notes issued	(116,880)	(94,585)
Premiums for the Deposit Insurance Fund	(39,733)	(36,216)
Fluctuation for derivative financial instruments position – swaps	(9,277)	929
Other	(19,713)	(9,658)
	(1,138,649)	(810,418)
Gross financial margin	1,754,232	1,440,000

21. Provision for loan losses, net

This item is made up as follows:

	2007 S/(000)	2006 S/(000)
Provision (recovery) for:		
Loan losses, note 7(f)	193,414	130,404
Country risk	(6,993)	17,489
Accounts receivable	(1,279)	(361)
Total	185,142	147,532

22. Commissions from banking services, net

This item is made up as follows:

	2007 S/(000)	2006 S/(000)
Commissions from banking services		
Transfers and collections services	249,958	223,487
Maintenance of accounts	138,061	128,496
Credit and debit card services	102,833	93,011
Insurance commissions	77,542	84,265
Commissions to establishments affiliated to VISA network	72,532	55,591
Commissions for contingent operations	70,855	62,217
Trust commissions	66,927	33,869
Commissions for brokerage activities	29,261	17,069
Commissions for consulting and technical studies	28,485	19,588
Withholding and collection services	22,152	20,666
Services related to leasing income	10,347	7,522
Commissions for checks issuance	10,128	12,465
Other	122,858	107,105
	1,001,939	865,351
Expenses related to commissions from banking services		
Insurers expenses	(52,713)	(48,988)
Credit and debit card expenses	(34,571)	(29,136)
Expenses related to leasing commissions	(11,011)	(8,164)
Expenses of checks issuance	(3,776)	(3,674)
Consulting and technical studies expenses	(4,018)	(5,580)
Expenses related to VISA network	(6,255)	(5,071)
Other	(6,009)	(9,736)
	(118,353)	(110,349)
Balance, net	883,586	755,002

23. Net gain on securities

This item is made up as follows:

	2007 S/(000)	2006 S/(000)
Net gain from purchase and sale of securities	33,021	19,654
Net gain from trading securities measurement	29,176	20,874
Provision for impairment of investments, note 6(j)	(662)	(5,766)
Other, net	(4,009)	(9,675)
Total	57,526	25,087

24. Other non financial income and other operating expenses

These items are made up as follows:

	2007 S/(000)	2006 S/(000)
Other non financial income		
Gain from indexed certificates, note 10(b)	207,819	-
Recoveries of loans previously written-off	71,154	112,764
Net gain from sales of assets seized, note 10(f)	39,710	41,075
Recoveries of interest previously written-off	12,492	11,686
Income from technical outsourcing services	3,845	3,155
Income from lease of own assets	2,002	4,526
Recovery of provision for buildings impairment, net of depreciation, note 9(a)	-	14,540
Other	27,116	34,269
Total	364,138	222,015
Other operating expenses		
Provision for legal and client claims	(10,361)	(6,904)
Expenses from third party services and other	(8,479)	(8,350)
Provision for sundry risks	(6,976)	(5,629)
Collection expenses	(4,341)	(4,193)
Provision for accounts receivable	(3,391)	(3,812)
Maintenance of assets seized	(2,169)	(3,310)
Other	(26,410)	(22,637)
Total	(62,127)	(54,835)

25. Salaries and employees´ benefits

This item is made up as follows:

	2007 S/(000)	2006 S/(000)
Salaries	389,558	328,142
Stock appreciation rights	253,455	158,703
Supplementary worker's profit sharing	90,192	67,880
Gratifications	67,954	57,266
Social security	46,017	37,360
Severance indemnities	34,002	29,250
Vacations, medical assistance and others	135,148	78,983
Total	1,016,326	757,584
Average number of employees	11,722	10,023

26. Earnings per share

(a) As of December 31, 2007 and 2006, the weighted average of the outstanding shares amounts to 1,286,528 equivalents to the number of outstanding shares at such dates.

The base used for share calculation includes the capital stock restatement effect and the capitalization of income, as indicated in note 3(u).

(b) The computation of basic and diluted earnings per share as of December 31, 2007, 2006 and 2005, is shown below:

Year	**Income (numerator)** S/(000)	**Shares (denominator)** (en thousands)	**Earnings per share** S/
2007	883,438	1,286,528	0.6867
2006	661,574	1,286,528	0.5142
2005	691,734	1,286,528	0.5377

27. Risk Assessment

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

The Bank and its Subsidiaries seek to increase these margins by consolidating its short-term funds and lending at longer periods at higher rates, while maintaining sufficient liquidity to comply with any withdrawals that may be made.

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

The Bank and its Subsidiaries also trades financial instruments in the "Over-the- counter" and the exchange markets, including derivative instruments for benefiting from the short term market of shares and bonds, and the fluctuations of the exchange and interest rates. Management establishes limits to the exposure to market positions during the daily and overnight operations. The exposure to the 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 takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rates, currency, commodities and equity products; all of which are exposed to general and specific market movements and changes in the level of volatility of prices such as interest rates, credit spreads, foreign exchange rates and equity prices. Due to the nature of the 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 foreign 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 the current positions were to be held unchanged for one trading session taking into account a specific significance level. The measurement is structured so that daily losses exceeding the VaR figure on average occur, on average not more than one trading sessions out of one hundred. Actual outcomes are monitored regularly to test the validity of the assumptions and parameters used in the VaR calculation.

The 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 its available cash resources from overnight deposits, current account, maturing deposits, loans drawdown, guarantees and other calls. 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 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 Management of the Bank and its Subsidiaries. It is unusual for banks to be completely matched, as transacted business if often based on uncertain terms and of different types. An unmatched position potentially enhances profitability, but also increases the risk of losses.

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

The liquidity requirements to support calls under guarantees and standby letters of credit are considerably less than the amount of the commitment, 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 not necessarily represents future cash requirements, as many of these commitments will expire or without being funded.

The notes to the consolidated financial statements include an analysis of the main assets and liabilities of the Bank and its Subsidiaries 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 its fair value and cash flow risks. Interests margins may increase as a result of such changes, but may reduce or create losses in case of unexpected movements arise. The 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.

Resources for investing are mainly obtained form short-term liabilities, the interest of which are agreed at fixed and variable interest rates prevailing in the international markets. 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 of the Bank and its Subsidiaries are disclosed in Notes 7(i) y (j), 11(c) y (f) 12 y 13.

Currency risk -
The Bank and its Subsidiaries take on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The 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 US Dollars. Foreign currency transactions are made at the free market exchange rates of the countries where the Bank and its Subsidiaries' branches are established. As of December 31, 2007 and 2006, the Bank and its Subsidiaries' assets and liabilities by currencies are shown in note 4.

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 balance sheet date. Significant changes in the economy or in the health of 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 balance sheet date. Management, therefore, carefully 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 in the level of credit risk by product, industry sector and by country are approved by the Board of Directors.

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

As of December 2007, the 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, loans and indirect loans, without consider 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.

28. 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.

A significant portion of the Bank and its Subsidiaries' assets and liabilities are short-term financial instruments, with a remaining maturity of under one-year. These short-term financial instruments are considered to have a fair value equivalent to their carrying value at the balance sheet date.

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 market value.

- Trading securities are recorded at their estimated fair value on the balance sheet; in consequence, their book values are the same to their fair value.

- Available-for-sale investments are recognized at the lower of the cost or estimated market value; in consequence, the un-realized potential gains have been considered in such estimated market value, determined on the basis of the stock-market prices or on the investment's measurement; thus its book value is different form the market value as indicated in note 6(k).

- The fair value of loans is similar to their book value because such loans are mainly of a short-term nature and/or at variable rates; and is shown net of their respective allowance for loan losses, which are considered by the Management as the approximate recoverable amount at the date of the consolidated financial statements.

- Management considers that the book value of the permanent investments approximates their fair value, because most of them are not trading securities and are recorded at its equity's participation value, except for the participation in Inversiones BCP Ltda, which estimated market value is indicated in note 8(a).

- The financial instruments at fair value through profit and loss, included in the caption "Other assets" are designated at its estimated market value, in consequence its book value is the same as such market value.

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

- Due to banks and correspondents generate interest contracted at variable interest rates and/or preferred rates similar to the market rates. 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 according with the issuance. The book value do not differ to the market value due mainly to theses bonds are recorded at the lower of their cost or estimated value, therefore, such values are approximately to their acquisition value.

- As disclosed in note 19, the Bank and its Subsidiaries have various commitments to extend credit, open documentary credits and outstanding guarantees and it has received guarantees in endorsement of the granted credits. Based on the level of fees currently charged from 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 has estimated that the difference between the book value and the fair value is not significant.

- Except for currency forwards and interest rate swaps, the Bank and its Subsidiaries do not enter into other agreements, generally described as derivative transactions. The Bank and its Subsidiaries record these derivatives in the balance sheet at their fair market value.

- In consequence, as of December 31, 2007 and 2006, the Management considers that the estimated market values of the financial instruments do not differ significantly from their book value, except for the fair values indicated in notes 6(k) and 8(a).

29. Financial information by geographical area

As of December 31, 2007 and 2006, segment information by geographical area of the Bank and its Subsidiaries is as follows (amounts expressed in million of Nuevos Soles):

	2007					2006				
	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	3,759	1,572	120	633	32,519	2,952	1,302	113	581	27,859
Panama	305	29	-	-	7,507	173	24	-	-	2,681
Bolivia	240	115	9	43	2,460	197	88	8	43	2,090
United States of America	70	29	-	1	1,228	67	26	-	2	1,083
	4,374	1,745	129	677	43,714	3,389	1,440	121	626	33,713

30. Transactions with related parties and related companies

(a) During the years 2007 and 2006, the Bank and its Subsidiaries have acquired bonds, granted loans, supplied and requested banking services, correspondent relationships and other operations with related Credicorp´s subsidiaries which balances are shown below:

	2007 S/(000)	2006 S/(000)
Assets -		
Cash and due form banks	17,068	2,627
Loans, net	213,937	215,636
Other assets	14,203	3,961
Liabilities -		
Deposits and obligations	2,757,560	2,218,523
Due to banks and correspondents	30,367	-
Bonds and Subordinated notes issued	84,400	103,572
Other liabilities	2,840	3,353
Contingent operations	131,828	3,835
Other off-balance sheet accounts	992,436	217,538
Income -		
Financial income	16,658	33,824
Financial expenses	122,134	138,442
Other income	24,390	20,293
Other expenses	18,625	29,301

Loans and other contingent credits with related entities, not subsidiaries of Bank's Group, are summarized as follows:

	Related Companies	
	2007 S/(000)	2006 S/(000)
Direct loans	448,831	216,694
Contingent loans	90,039	185,591
Derivatives, market value	539	567
Deposits	94,940	75,122

Likewise, as of December 31, 2007 and 2006, the Bank and its Subsidiaries have securities available-for-sale in related companies amounting S/16.8 and S/0.8 million as of December 31, 2007 and 2006, respectively.

The Bank signed up insurance coverage with El Pacífico-Peruano Suiza Compañia de Seguros y Reaseguros (PPS), which premiums amounted to S/56.7 million in 2007 (S/.74.9 million in 2006).

The Bank also receives Pacífico Vida S.A's fees for the selling of life insurance, through its Bank's offices and agencies to customers who have saving accounts, which balances amounted to approximately S/5.1 and S/4.3 million in 2007 and 2006, respectively.

According to Peruvian legislation, loans granted to relate parties can not be done on terms no more favorable than would been offered to general public. The Bank's Management considers that they have carried out all the established requirements in current legal disposals for the transactions with related companies or persons. The loans have guarantees and collaterals given by the related party. The loans to related parties as of December 31, 2007, have maturities between January 2008 and September 2017 and accrue interest at an average interest rate between 5.8 and 9.3 percent. As of December 31, 2007, the allowance for loan losses with related parties amounts to US$0.2 million (US$0.1 million as of December 31, 2006). This amount is established based on an assessment performed on a continuous basis in the financial position of the related party and the market where it operates.

(b) Loans to employees -

The Bank and its Subsidiaries grant loans to their employees and officers for periods according to the different types of loans that maintain the Bank with third parties. The loans are mainly mortgage loans and are shown in the caption "Loans, net" of the consolidated balance sheets. Generally, the interest rates applied are lower than the market interests rates; however, others terms of the loans are the same as the market. As of December 31, 2007 and 2006, the balance of the loans and other facilities for employees, directors and key executives of the Bank and its Subsidiaries amounted to S/125.7 and S/97.2 million, respectively.

(c) The Bank's key executive's compensation for the years 2007 and 2006, considering all the payments granted, is as follows:

	2007	2006
	S/(000)	S/(000)
Stock appreciation rights, note 17	81,229	72,559
Salaries	16,582	14,750
Directors compensation	3,482	2,500
Other	38,798	21,768
Total	140,091	111,577

31. Explanation added for translation into English

The accompanying translated consolidated financial statements originally issued in Spanish are presented on the basis of accounting principles generally accepted in Peru for financial entities, as discussed 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.