ASSURANCE

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

Banco de Crédito del Perú and Subsidiaries

Consolidated financial statements as of December 31, 2005 and 2004 together with the Report of Independent Auditors

ERNST & YOUNG

MEDINA, ZALDIVAR, PAREDES & ASOCIADOS

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

Banco de Crédito del Perú and Subsidiaries

Consolidated financial statements as of December 31, 2005 and 2004 together with the Report of Independent Auditors

Content

Medina, Zaldívar, Paredes & Asociados
Sociedad Civil

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

Report of Independent Auditors

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

We have audited the accompanying consolidated balance sheets of Banco de Crédito del Perú (a subsidiary of Credicorp Ltd., a holding incorporated in Bermuda) and Subsidiaries as of December 31, 2005 and 2004, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the three years ended December 31, 2005, 2004 and 2003. These consolidated financial statements are the responsibility of the Bank's Management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards in Peru. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Banco de Crédito del Perú and Subsidiaries as of December 31, 2005 and 2004, and the consolidated results of its operations and its cash flows for the three years ended December 31, 2005, 2004 and 2003, in conformity with accounting principles prescribed by the Superintendencia de Banca, Seguros y AFP (SBS) for Peruvian financial entities.

Countersigned by:

Medina, Zaldívar, Paredes & Asociados

Juan Paredes
C.P.C. Register Nº22220

Lima, Peru,
February 22, 2006

Banco de Crédito del Perú and Subsidiaries

Consolidated balance sheets

As of December 31, 2005 and 2004

	Note	2005 S/(000)	2004 S/(000)
Assets			
Cash and due from banks:	5		
Cash and clearing		1,233,691	825,730
Deposits in Peruvian Central Bank		5,485,095	3,611,678
Deposits in local and foreign banks		1,686,851	1,121,675
Accrued interest on cash and due from banks		8,557	6,784
		8,414,194	5,565,867
Interbank funds		500	52,899
Trading, available-for-sale and held-to-maturity investments, net	6	5,573,466	3,596,847
Loans, net	7	16,029,984	12,754,756
Permanent investments	8	98,835	106,898
Property, furniture and equipment, net	9	645,849	698,542
Other assets	10	726,790	655,981
Total assets		31,489,618	23,431,790
Off-balance sheet accounts -	19		
Contingent operations		9,438,226	6,391,662
Other		100,683,842	77,194,380
Total		110,122,068	83,586,042

	Note	2005 S/(000)	2004 S/(000)
Liabilities and shareholders' equity			
Deposits and obligations	11	22,899,525	18,226,014
Interbank funds		259,316	218,311
Due to banks and correspondents	12	3,153,897	525,008
Other liabilities	10	844,385	594,787
Bonds issued	13	1,541,387	1,449,424
Total liabilities		28,698,510	21,013,544
Shareholders' equity	15		
Capital stock		1,286,528	1,286,528
Legal reserve		546,519	546,519
Special reserve		258,965	258,965
Retained earnings		699,096	326,234
Total shareholders' equity		2,791,108	2,418,246
Total liabilities and shareholders' equity		31,489,618	23,431,790
Off-balance sheet accounts -	19		
Contingent operations		9,438,226	6,391,662
Other		100,683,842	77,194,380
Total		110,122,068	83,586,042

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

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

Banco de Crédito del Perú and Subsidiaries

Consolidated statements of income

For the years ended December 31, 2005, 2004 and 2003

	Note	2005 S/(000)	2004 S/(000)	2003 S/(000)
Financial income and expenses				
Financial income	20	1,791,436	1,493,523	1,695,391
Financial expenses	20	(518,756)	(414,377)	(481,281)
Gross financial margin		1,272,680	1,079,146	1,214,110
Provision for loan losses, net	21	(95,643)	(101,884)	(325,395)
		1,177,037	977,262	888,715
Gain (loss) for exchange difference		35,814	(59,185)	(14,265)
Net financial margin		1,212,851	918,077	874,450
Non financial income (expense)				
Commissions from banking services		700,982	651,122	680,071
Net gain (loss) on securities	22	26,032	(5,023)	7,001
Net gain on foreign exchange transactions		100,241	81,050	81,580
Other income	23	180,467	181,432	259,568
		1,007,722	908,581	1,028,220
Operating expenses				
Salaries and employees' benefits	24	(480,170)	(463,599)	(493,721)
Administrative expenses		(384,156)	(409,047)	(437,716)
Depreciation and amortization	9(a) and 10(d)	(123,473)	(132,098)	(138,403)
Provision for assets seized	10(c)	(50,469)	(93,508)	(107,525)
Taxes and contributions		(42,054)	(44,467)	(43,345)
Merger expenses	2(a)	-	(13,213)	(68,404)
Goodwill amortization	10(e)	(5,880)	(5,880)	(4,900)
Other operating expenses	23	(81,212)	(70,371)	(43,501)
		(1,167,414)	(1,232,183)	(1,337,515)
Income before the result from exposure to inflation, workers' profit sharing and income tax		1,053,159	594,475	565,155
Loss from exposure to inflation	3(a)	-	(53,985)	(28,842)
Workers' profit sharing	14(b)	(141,579)	(81,003)	(89,187)
Income tax	14(b)	(219,846)	(140,227)	(123,209)
Net income		691,734	319,260	323,917
Basic and diluted earnings per share (in Nuevos Soles)	25(c)	0.53	0.2482	0.2518
Weighted average number of shares outstanding, adjusted by stock splits (in thousands)	25(a)	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, 2005, 2004 and 2003

	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, 2003	1,076,532	1,171,283	546,515	146,336	270,103	2,134,237
Shares issued by the restatement of the capital stock, note 15(a)	18,200	-	-	-	-	-
Capitalization of income and reinvestment, note 15(a)	107,653	115,186	-	-	(115,186)	-
Transfer to special reserve	-	-	-	39,731	(39,731)	-
Cash dividends, note 15(d)	-	-	-	-	(113,944)	(113,944)
Other	-	59	-	-	-	59
Net income	-	-	-	-	323,917	323,917
Balances as of December 31, 2003	1,202,385	1,286,528	546,515	186,067	325,159	2,344,269
Shares issued by the restatement of the capital stock, note 15(a)	24,048	-	-	-	-	-
Transfer to special reserve	-	-	-	72,898	(72,898)	-
Cash dividends, note 15(d)	-	-	-	-	(245,287)	(245,287)
Other	-	-	4	-	-	4
Net income	-	-	-	-	319,260	319,260
Balances as of December 31, 2004	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

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

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

Banco de Crédito del Perú and Subsidiaries

Consolidated statements of cash flows

For the years ended December 31, 2005, 2004 and 2003

	2005 S/(000)	2004 S/(000)	2003 S/(000)
Cash flows from operating activities			
Net income	691,734	319,260	323,917
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for loan losses, net of recoveries	95,643	101,884	325,395
Depreciation and amortization	123,473	132,098	138,403
Goodwill amortization	5,880	5,880	4,900
Deferred income tax and workers' profit sharing	(36,458)	(39,536)	14,313
Provision for assets seized	50,469	93,508	107,525
Net loss (gain) from sale of securities	(26,032)	5,023	(7,001)
Net loss (gain) from sale of property, furniture and equipment	378	9,979	5,977
Net gain from sale of assets seized	(43,980)	(57,972)	(67,892)
Changes in asset and liability accounts:			
Other assets	(106,941)	(212,463)	(231,788)
Other liabilities	261,331	125,198	(409,319)
Net cash provided by operating activities	1,015,497	482,859	204,430

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

Consolidated statements of cash flows (continued)

	2005 S/(000)	2004 S/(000)	2003 S/(000)
Cash flows provided by (used in) investing activities			
Gain on sales of property, furniture and equipment	48,931	66,392	46,472
Gain on sales of assets seized	92,701	203,899	252,307
Additions in property, furniture and equipment	(108,799)	(108,102)	(89,617)
Net cash provided by investing activities	32,833	162,189	209,162
Cash flows provided by (used in) financing activities			
Net increase (decrease) in deposits and obligations	4,673,511	(1,159,967)	(2,580,262)
Net purchase in trading and available-for-sale securities	(1,950,587)	(400,191)	(1,002,460)
Net sale (purchase) in permanent investments	8,063	(51,524)	289,219
Net increase (decrease) in due to banks and correspondents	2,669,894	369,597	(223,617)
Net increase (decrease) in bonds issued	91,963	(75,124)	(332,256)
Net decrease (increase) in loan portfolio, note 7	(2,274,274)	1,023,449	1,247,037
Cash paid for purchase of loan portfolio, note 7	(1,152,100)	-	-
Cash dividends	(318,872)	(245,287)	(113,944)
Net cash provided by (used in) financing activities	1,747,598	(539,047)	(2,716,283)
Net increase (decrease) in cash and cash equivalents	2,795,928	106,001	(2,302,691)
Cash and cash equivalents at the beginning of year	5,618,766	5,512,765	7,815,456
Cash and cash equivalents at the end of year	8,414,694	5,618,766	5,512,765
Supplementary cash flow information			
Cash paid during the year for:			
Interest	492,974	440,391	424,722
Income taxes	149,802	132,779	214,500

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, 2005 and 2004

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 company incorporated in Bermuda in 1995), which owns 96.22 percent of its capital stock as of December 31, 2005 and 2004.

The Bank, whose operations are governed by "Ley General del Sistema Financiero y de Seguros y Orgánica de la Superintendencia de Banca, Seguros y AFP" (SBS) - Ley 26702 (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 an 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 those activities are carried out by Subsidiaries organized for such purposes.

The address of the Bank's main office is Calle Centenario N°156, La Molina, Lima, Peru. As of December 31, 2005, the Bank and its Subsidiaries had 9,146 employees, 218 branches and agencies in Peru and 2 branches abroad (9,458 employees, 220 branches and agencies in Peru and 2 branches abroad as of December 31, 2004).

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 participation. The main summary financial information of the Bank and its Subsidiaries, which are included in the consolidation as of December 31, 2005 and 2004, before the eliminations for consolidation purposes are as follows:

Entity	Activity and country	Percentage of participation		Total assets		Total liabilities		Total shareholders' equity		Net income (losses)	
		2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
				S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
Banco de Crédito del Perú	Banking, Peru	-	-	29,300,002	21,576,761	26,508,894	19,158,515	2,791,108	2,418,246	691,734	319,260
Banco de Crédito de Bolivia and Subsidiaries	Banking and financial, Bolivia	95.91	95.91	1,964,354	1,507,747	1,739,045	1,311,557	225,309	196,190	35,111	15,855
Crédito Leasing S.A.	Financial, Peru	100.00	100.00	782,189	787,224	715,193	686,144	66,996	101,080	16,290	4,269
Inversiones BCP Ltda.	Financial, Chile	99.99	99.99	79,397	67,124	-	-	79,397	67,124	7,450	5,238
Credifondo S.A.F. - Sociedad Administradora de Fondos - SAF	Mutual Funds, Peru	100.00	100.00	59,455	35,595	6,910	4,752	52,545	30,843	16,203	10,791
Inmobiliaria BCP S.A.	Real estate, Peru	100.00	100.00	16,082	25,367	120	8,140	15,962	17,227	(1,265)	(10,601)
Credibolsa - Sociedad Agente de Bolsa S.A.	Brokerage, Peru	100.00	100.00	23,943	19,094	7,991	5,279	15,952	13,815	7,975	5,653
Solución Financiera de Crédito del Perú S.A.	Financial, Peru	100.00	100.00	14,135	13,756	137	-	13,998	13,756	287	(1,061)
Creditítulos S.A. - Sociedad Titulizadora	Securitization management, Peru	100.00	100.00	26,281	2,577	8,798	305	17,483	2,272	2,168	(148)
Inversiones Conexas S.A.	Real estate, Peru	100.00	100.00	2,865	1,262	95	30	2,770	1,232	1,538	(929)
BCP - Sociedad de Propósito Especial	Securitization management, Peru	100.00	100.00	5,789	1,092	10	121	5,779	971	6,766	12,380

The consolidated financial statements as of December 31, 2004, have been approved in the General Shareholders' Meeting dated March 31, 2005. At the date of this report, the accompanying consolidated financial statements as of December 31, 2005, have been approved by the Management on February 22, 2006, 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. Business developments

(a) Solución Financiera de Crédito del Perú S.A. -

In March 2003, BCP acquired a 45 percent interest in its subsidiary Solución Financiera de Crédito del Perú S.A. (hereinafter “Financiera”), thus increasing its participation to 100 percent of Financiera’s capital stock. The amount paid for the Financiera purchase amounted to approximately S/63.3 million; generating goodwill for approximately S/29.4 million, note 10(e).

The General Shareholders’ Meeting held on November 28, 2003, approved the split of an equity block of the Financiera and its incorporation to the Bank with effective date February 29, 2004. As of February 29, 2004, the value of the assets and liabilities corresponding to the split equity block absorbed by the Bank, with exception of the caption “Investment available-for-sale, net”, amounted to approximately S/58.4 million. The split equity block of Financiera absorbed by the Bank was composed by the following assets and liabilities:

	S/(000)
Loans, net	309,032
Cash and due from banks	16,792
Installations, furniture and equipment, net	4,937
Trading investments	765
Other	18,567
Total assets	350,093
Obligations with the public	162,946
Corporate bonds	87,914
Due to banks and correspondents	4,293
Other	36,466
Total liabilities	291,619
Net value of equity block	58,474

(b) 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 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, note 7(c).

3. Significant accounting policies

In the preparation and presentation of the accompanying consolidated financial statements, the Bank's Management has complied with the regulations established by the SBS in force in Peru as of December 31, 2005 and 2004. 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 consolidated financial statements have been prepared from the accounting records of the Bank which are maintained in nominal Peruvian Nuevos Soles as of the date of the transactions, in accordance with SBS regulations, and supplementary maintained in accordance with International Financial Reporting Standards - IFRS approved in Peru, as of December 31, 2005 and 2004.

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 rate of exchange at the date of each balance sheet.

In accordance with Peruvian legal regulations, the attached financial statements do not include the effects of the consolidation of the Bank with its Subsidiaries described in note 8. As of December 31, 2005 and 2004, such investments in Subsidiaries were recorded using the equity method. Therefore, their consolidation has no effect on the net income of the Bank. Note 1 includes a brief description of the consolidated financial statements of the Bank and its Subsidiaries.

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 contingencies in the notes to the consolidated financial statements. Actual results could differ from those estimates. The most significant estimates used in the preparation of the accompanying consolidated financial statements are related to the computation of the allowance for loan losses, the valuation of investments, the provision for assets seized, and the valuation of derivatives. The accounting criteria used for each of these items are described below.

(ii) Accounting changes

Since the year 2005, the accounting treatment given to the adjustment for inflation (see below paragraphs), the valuation of investments (see paragraphs (g) and (h)), and the assets seized (see paragraph (j)), have been modified. According to the SBS accounting standards, such changes have been applied prospectively and have not modified the balances of the previous year.

As of December 31, 2004, the financial statements of the Bank and its Subsidiaries has been adjusted to reflect the effects of variations in the acquisition power of the Peruvian currency in accordance with the methodology approved by the National Accounting Standards Board. This methodology required the restatement of the non-monetary items in the balance sheets based on the Wholesale Price Index, according to the item's original transaction date. Monetary and foreign currency items were not restated as the book balances represent the monetary value of their components as of the dates of the balance sheets. According to official statistics, the variation in the purchasing power of the Peruvian currency with reference to the National Wholesale Price Index in the years ended on December 31, 2004 and 2003 was 4.9 and 2.0 percent, respectively, recording a loss to the Bank and its Subsidiaries from exposure to inflation of approximately S/54.0 million and S/28.8 million, respectively.

By means of Resolution N° 031-2004-EF/93.01, the National Accounting Standards Board suspended, beginning from January 1st 2005, the application of the financial statements inflation adjustment. The adjusted book balances as of December 31, 2004, have been considered as the initial balances as of January 1st, 2005. This accounting treatment has also been adopted by the tax authorities to determine the income tax starting from the year 2005.

(b) Consolidation -

Subsidiaries are consolidated from the date on which effective control is transferred to the Bank and cease to be consolidated from the date of disposal.

The consolidated financial statements include the financial statements of the subsidiaries described in note 1, which form the Banking Group. All subsidiaries have been consolidated for the years ended December 31, 2005, 2004 and 2003, or from the date on which they were incorporated or acquired by the Group.

All inter-company transactions, balances and unrealized surpluses and deficits between companies of the Group have been eliminated in the consolidation process. The minority interest resulting from the consolidation process is not significant.

The accounting records of the companies of the Banking Group comply with the information requirements established by SBS and by the central banks of the countries where its subsidiaries are located. The 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.

(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 relating to financial instruments classified as assets or liabilities are recorded as expense or income. 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, loans, accounts receivable, permanent investments and other liabilities, except for the deferred income tax and worker's profit sharing. In addition, all derivative instruments and 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 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 under or legal collection loans, and loans classified in the categories of doubtful and loss. The interests related to such loans are recognized as received on a cash basis. When Management determines that the debtor's financial condition has improved and the loan is reclassified as normal or with potential problems, 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 for in the period in which they are accrued.

(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 and 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 loss 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 that may be readily executed (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 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 counter part).

The allowance for loan losses also includes estimated losses for loans with problems and that have not been specifically identified. The allowances for direct credits are presented deducting their balances in the assets, while allowances for indirect credits are presented as liabilities, note 10.

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

(f) Foreign currency transactions and derivative financial instruments -

Assets and liabilities denominated in foreign currency are recorded in Peruvian currency 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.

Forward foreign currency operations are presented at their fair value, with an asset or a liability being recognized in the consolidated balance sheet and any related gain or loss being recognized in the consolidated statements of income. Forward contracts are also recorded in the off-balance sheet accounts at their face value, see note 19(d).

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

Initially, the Bank records its investments at the acquisition cost and afterwards at their classification value. As of December 31, 2004, investments were valued in accordance with Resolution No. 1053-1999 and No. 777-2000. Through establishment of Resolution No. 1914-2004 dated November 23, 2004, the SBS has made additional modifications and refinements to the Regulation of Classification, Valuation and Provision for the Investments and to the Accounting Manual for Financial Entities, with the purpose of standardizing certain aspects of their accounting treatment with international accounting practices. This resolution is in force since January 1st, 2005.

According to their classification, the investment valuation criteria as of December 31, 2004 and 2005, 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 statements of income.

  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. Until 2004, these investments were valued based on the global portfolio at the lower of the average acquisition cost or the estimated market value. Since 2005, the allowances recorded for these investments at the lower of cost or market value will not affect the results of the period, as occurred until 2004. 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 companies must update the accounting value of such instruments every month through the accrual of capital discounts or premium.

- 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 statement.

  Since 2005, allowance is recorded individually for changes in the loan capacity of the issuer similar to the treatment for direct loans. These allowances directly affect the 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.

In accordance with SBS rules, until December 31, 2004, any changes in the classification category must be recorded as a sale at market value; recording in that moment the gains or losses and the refunding of the provisions recorded as of the reclassification date. Since 2005, if a held-to-maturity security is sold, any securities acquired again from the same issuer must 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 statements of income.

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.

(h) Permanent investments -

These investments are recorded as follows:

- Investments in subsidiaries are recorded by the equity method. According to such method, the gains or losses generated by these subsidiaries are recognized in the consolidated statements of income on a proportional basis.

- The investments in shares of other companies are recorded at the lower of the equity's participation method or at the stock-market price, less the provision for impairment estimated to be other than temporary.

- Since 2005, the equity value must be determined according to SBS requirements. In the case of investments listed on recognized security exchanges, when market value demonstrate a loss tendency resulting from of 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.

(i) Property, furniture and equipment and depreciation -

Property, furniture and equipment are recorded at acquisition cost, less accumulated depreciation. Maintenance and repair costs are charged to profit and losses and significant renewals and improvements are capitalized, when the expenditures improve significantly the asset condition more than the original performance. The cost and the corresponding accumulated depreciation of assets sold or retired are eliminated from the corresponding accounts and the related gain or loss is included in the consolidated statements of income.

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

Depreciation is computed on a straight-line basis over the following estimated useful lives:

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

The useful life assigned and the selected depreciation 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.

(j) Assets seized -

Assets seized are initially recorded at the value assigned to them through legal proceeding, out of court settlement or at the unpaid value of the debt, the lower. Simultaneously to the establishment of value, an allowance equivalent to 20 percent of the legal settlement or recoverable asset value should be recorded; for this purpose the Bank is permitted use the allowance for loan losses that was originally provided for the related loan.

By means of SBS Resolution No. 535-2005, 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 this property was modified since that date.

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

- Property that is not real estate property – a monthly provision equivalent to one twelfth of the book value of the property, net of the aforementioned provision and of the provision for the decrease in the realization value of the property below net book value, is provided for since it is seized. A full provision is established for property not sold or surrendered under financial lease after twelve months as of 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 constitute, if applicable, a provision for devaluation. If the appraisal value is higher than the net book value, such higher value is not recognized. In addition, as of the thirteenth month after the allocation of the property, uniform monthly provisions equivalent to one twelfth of the net book value as at such date are constituted until the full value is reached.

Since October 2005, the Bank must recompute 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 property – a monthly provision equivalent to one eighteenth 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 100 percent of the seized value or recovery value of such property is provisioned.

- Real estate - the following criteria will be used:
  - 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.

  - The update of the appraisals of such property 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's assets may require, note 10(c).

(k) Intangible assets -

Intangible assets included in the "Other assets" caption of the consolidated balance sheets are comprised principally of software acquisition and developments used in Bank and its subsidiaries' operations. 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.

(l) Goodwill -

Goodwill included in the "Other assets" caption of the consolidated balance sheets, results from the difference between the estimated market value of the net assets acquired from the minority shareholders of Solución Financiera de Crédito del Perú S.A., and the amount paid for such assets, note 2(a). Goodwill is amortized using the straight-line method over its estimated useful life, which is 5 years.

(m) Bonds issued -

Include the liability from the issuance of different types of bonds, 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.

(n) 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 in accordance with IFRS 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 sheet date.

Deferred tax assets and liabilities are recognized without taking into consideration the time in which it is estimated that temporary differences will be 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 date, Management evaluates the non-recognized deferred assets and the balance of the recognized assets, recognizing 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 determines its deferred tax and employee 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.

(ñ) Supplementary plan for workers' profit sharing -

The Bank has a supplementary plan for worker's profit sharing, that grants stock appreciation rights (SARs) 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 SARs 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 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 options is estimated using a binomial method in accordance with IFRS 2 – Share-based payments.

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

(o) 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 statement for each caption mentioned above. The recoverable value is the bigger 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.

(p) 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.

(q) 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 Management's 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.

(r) 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.

(s) Earnings per share -

Basic and diluted earnings per share are computed based on the weighted average number of shares outstanding at the consolidated balance sheet date. 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, note 25, 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. The Bank and its Subsidiaries do not consider in the computation the shares resulting from restatement that have not been retired or issued as of December 31, 2005.

As of December 31, 2005 and 2004, the Bank and its Subsidiaries do not have financial instruments with dilutive effects; therefore, basic and diluted earnings per share are the same.

(t) 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.

(u) Consolidated financial statements as of December 31, 2004

Certain amounts of the financial statements as of December 31, 2004 have been reclassified to make them comparable with the presentation standards adopted for the current year. Reclassifications include:

Reclassifications to the consolidated balance sheets -

(i) In 2004, the "Interbank funds" assets amounting to S/(000)52,899 as of December 31, 2004, were shown as part of the caption "Cash and due from banks". In the consolidated financial statements as of December 31, 2005 and 2004, the aforementioned item is shown separately from "Cash and due from banks", to be consistent with the format established by the Superintendence of Banking, Insurance and Private Pension Funds Administrator Companies (hereinafter SBS).

(ii) In 2004, the "Interbank funds" liabilities of the Bank amounting to S/(000)218,311 of December 31, 2004, were shown as part of the caption "Due to banks and correspondents". In the consolidated financial statements as of December 31, 2005 and 2004, such item is shown separately from "Due to banks and correspondents", to be consistent with the format established by the SBS.

Reclassifications to the income statements -

The main reclassification made in 2004 and 2003 correspond to the "Net gain (loss) from exposure to inflation" shown after "Income before the result from exposure to inflation, worker's profit sharing and income tax" amounting to S/(000)113,170 and S/(000)43,107. These amounts included the loss from exposure to inflation for approximately S/(000)53,985 and S/(000)28,842 and the exchange loss for approximately S/(000)59,185 and S/(000)14,265. Since January 1st, 2005, the Accounting Standards Board (ASB) in Peru suspended the adjustment of the financial statements for the inflation effect, note 3(a). Consequently, the "Gain (loss) for exchange difference" in the audited consolidated financial statements as of December 31, 2005 and 2004, is shown as part of the "Net financial margin", to be consistent with the SBS's presentation for financial entities in Peru.

Reclassifications on Cash flow statement.-

The Bank used the template established by the SBS and therefore, items related to the years 2004 and 2003 have been reclassified.

(v) New accounting pronouncements -

The International Accounting Standards Board (IASB) has completed the review process over the International Financial Reporting Standards, known as the "Improvement Project " and has issued new accounting standards. The IAS reviewed and declared the new IFRS effective at the international level for financial years beginning on or after January 1st, 2005. The standards indicated in the following paragraph have been approved in Peru by the National Accounting Standards Board and their application is mandatory in Peru beginning January 1 st, 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 financial statements of the Bank, unless the SBS adopts them in the future through the modification of its Accounting Manual.

The main changes are summarized as follows:

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

- In addition, as a result of the revision of the standards related to business combinations, it was issued IFRS 3 - Businesses combinations, and were reviewed the IAS 36 –Assets impairment and IAS 38 -Intangible assets.

- Also in 2005, the following IFRS have been issued: IFRS 2 - Share-Based Payments, IFRS 3 - Businesses Combinations, IFRS 4 - Insurance Contracts, IFRS 5 - Non-Current Assets Held for Sale and Discontinued Operations, IFRS 6 - Exploration and Evaluation of Mineral Resources.

On February 3, 2006, taking into consideration the need for further study of technical criteria, the circumstances in some companies for establishing their functional currency and the importance that legal and tax provisions have in Peru for individual financial statements, the Accounting Standards Board (ASB) suspended by means of its Resolution No. 038-2005-EF/93.01 the coming into effect of IAS 21 (modified in 2003), up to December 31, 2006, without forbidding its optional application within the terms indicated by the Resolution No. 034-2005-EF/93.01; and the application in the country of the equity share method in the preparation of individual financial statements, for the valuation of investments in subsidiaries and related companies was maintained, in addition to the provisions of IAS 27 and 28 (such IAS having been modified in 2003).

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, 2005, the weighted average exchange rate in the market published by SBS for transactions in US Dollars was S/3.429 for buying and S/3.431 for selling (S/3.280 and S/3.283 as of December 31, 2004, respectively). As of December 31, 2005, the exchange rate established by SBS to record assets and liabilities in foreign currencies was S/3.430 for each US Dollar and S/0.411 for each Bolivian Peso (S/3.282 and S/0.409, as of December 31, 2004, respectively). A detail of the Bank and its Subsidiaries' foreign currency assets and liabilities is shown below:

	2005		2004	
	U.S. Dollars US$(000)	**Bolivian Peso** US$(000)	**U.S. Dollars** US$(000)	**Bolivian Peso** US$(000)
Assets				
Cash and due from banks	2,180,289	49,754	1,504,571	43,380
Trading and held-to-maturity securities, net	631,361	9,080	339,881	46,287
Loans, net	3,618,507	25,894	3,210,802	14,851
Other assets	98,907	4,277	80,655	10,920
	6,529,064	89,005	5,135,909	115,438
Liabilities				
Deposits and obligations	(4,903,593)	(89,380)	(4,096,601)	(64,605)
Due to banks and correspondents	(434,301)	(1,545)	(176,603)	(835)
Bonds issued	(298,610)	-	(315,852)	-
Other liabilities	(197,665)	(8,685)	(172,083)	(8,906)
	(5,834,169)	(99,610)	(4,761,139)	(74,346)
Derivative operations – net short position	(477,835)	-	(211,520)	-
Net asset (liability) position	217,060	(10,605)	163,250	41,092

The derivatives net short position as of December 31, 2005, corresponds to foreign currency forward purchase and sale operations for approximately US$343.8 million and US$821.7 million, respectively (US$123.3 million and US$334.8 million as of December 31, 2004), note 19(d).

As of December 31, 2005, the Bank and its Subsidiaries have contingent operations (off-balance sheet) in foreign currency for approximately US$2,138.8 million, equivalent to approximately S/7,336.2 million (US$750.8 million as of December 31, 2004, equivalent to approximately S/2,464.4 million), 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) in shown as follows:

Year	Devaluation (revaluation) %	Inflation (deflation) %
2001	(2.3)	(2.2)
2002	2.3	1.7
2003	(1.5)	2.0
2004	(5.2)	4.9
2005	4.5	3.6

5. Cash and due from banks

As of December 31, 2005, cash and due from banks include approximately US$1,228.9 million and S/466.0 million (US$1,193.6 million and S/348.2 million as of December 31, 2004) 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. Additionally, as of December 31, 2005, cash and due from banks included US$450.0 million, equivalent to S/1,543.5 million for a overnight operation deposited in the Central Reserve Bank of Peru – BCRP which accrued an annual nominal interest rate of 3.97 percent with a 3 day maturity.

Reserve funds kept in BCRP do not earn interest, except for the part of the demandable reserve in foreign currency that exceeds the minimum legal reserve. As of December 31, 2005, the monthly excess amounts to approximately US$975.8 million, equivalent to approximately S/3,347.1 million, and earns interest in US Dollars at an annual rate of 2.25 percent (US$849.5 million equivalent to approximately S/2,788.1 million, and earned interest in US Dollars at an annual rate of 2.24 percent as of December 31, 2004).

Deposits in local and foreign banks correspond mainly to balances in Peruvian currency, Bolivian Pesos and US Dollars, with minimal amounts being maintained in other currencies. All deposits are unrestricted, and bear interest at market rates. As of December 31, 2005 and 2004, 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:

	2005 S/(000)	2004 S/(000)
Trading securities		
Corporate and leasing bonds	29,555	5,606
Listed equity securities	19,520	36,032
Peruvian Treasury bonds (b)	18,390	110,706
Mutual funds participation	2,248	1,802
Other	2,267	-
	71,980	154,146
Investments available-for-sale		
BCRP negotiable certificates of deposit (c)	3,938,559	2,237,202
Bonds of international financial entities (d)	376,054	248,056
Corporate and leasing bonds (e)	262,987	396,800
Public Treasury bonds of foreign governments (f)	247,502	248,019
Peruvian Treasury bonds (b)	202,539	-
Participation in Bolivia's RAL fund (g)	192,332	135,728
Mutual funds participation	96,767	11,500
Securitization instruments	40,111	55,331
Negotiable certificates of deposit	26,709	8,062
Listed equity securities	26,530	19,340
Non - listed equity securities	8,706	6,910
Commercial papers	-	6,968
Other	5,332	3,504
	5,424,128	3,377,420
Held-to-maturity securities	72,877	67,646
	5,568,985	3,599,212
Allowance for investments available-for-sale and held-to-maturity securities (h)	(10,195)	(10,529)
Balance of trading, available-for-sale and held-to-maturity securities, net	5,558,790	3,588,683
Accrued interest of investments available-for-sale and held-to-maturity	14,676	8,164
Total trading, available-for-sale and held-to-maturity investments, net	5,573,466	3,596,847

(b) The Peruvian Treasury bonds classified as trading are issued in Peruvian Currency by the Economic and Financial Ministry. As of December 31, 2005, these bonds accrue interest at annual rates that range between 4.37and 5.96 percent (between 4.98 and 7.20 percent as of December 31, 2004), with maturities between August 2006 and August 2017 (between June 2005 and October 2007, as of December 31, 2004). Since February 2005, the Bank decided to transfer part of these investments to the caption "Investments available-for-sale", in order to reflect their intention to maintain them through the medium term.

(c) BCRP negotiable certificates of deposit are freely negotiable financial instruments issued at discounts, denominated in local currency and with current maturities. These certificates have been acquired in public auctions and negotiated in the Peruvian secondary market. As of December 31, 2005, annual interest rates in Peruvian currency range between 3.75 and 6.35 percent (between 3.21 and 5.62 percent as of December 31, 2004), with maturities between February 2006 and June 2008 (between January 2005 and October 2006 as of December 31, 2004). As of December 31, 2005, the Bank has repurchased BCRP deposit certificates issued at a discount in Nuevos Soles for approximately S/2,032.2. Such operations accrued effective annual interest rates that range between 3.55 and 6.23 percent with maturity between January 2006 and February 2008.

(d) As of December 31, 2005, bonds of internal financial entities comprise mainly USS$82.7 and US$18.8 million debt instruments issued in US Dollars by Corporación Andina de Fomento - CAF and by Fondo Latinoamericano de Reservas - FLAR, respectively (approximately US$59.1 and US$16.5 million, respectively, as of December 31, 2004). As of December 31, 2005, such bonds have maturities between February 2006 and July 2009 (between February 2005 and March 2007 as of December 31, 2004). Annual interest rates range between 4.08 percent and 6.26 percent (between 2.50 percent and 4.01 percent as of December 31, 2004).

(e) As of December 31, 2005 and 2004, the Bank holds corporate bonds for the amount of S/261.1 and S/340.9 million, respectively, with maturities between January 2006 and May 2030 as of December 31, 2005 (between April 2005 and August 2009 as of December 31, 2004). These bonds accrue interests at annual effective interest rates that range between 2.92 and 7.65 percent for bonds in Peruvian currency (between 4.75 and 6.34 percent as of December 31, 2004) and between 3.12 and 6.27 annual percent for bonds in US Dollars (between 2.50 and 7.50 annual percent as of December 31, 2004).

As of December 31, 2005 and 2004, the Bank also holds leasing bonds issued by local financial entities in US Dollars for the approximate amount of S/1.9 and S/55.9 million, respectively, with maturities between January 2006 and January 2007. Such bonds earn interest at annual effective rates that range between 4.06 and 4.24 percent (between 2.16 and 5.30 percent as of December 31, 2004).

(f) As of December 31, 2005 public treasury bonds of foreign governments, correspond mainly to credit instruments for US$55.1 million issued by US Government agencies and US$5.1 million that correspond to instruments issued by the Government of El Salvador (approximately US$44.3 and US$18.9 million, respectively, as of December 31, 2004). Such bonds have maturities between May 2006 and July 2008, at annual interest rates that ranges between 3.01 and 5.27 percent (between 2.02 and 3.96 percent as of December 31, 2004).

(g) 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 1.6 percent (1.4 percent as of December 31, 2004).

(h) The movement in the allowance for investment in trading and held-to-maturity securities fluctuation is shown below:

	2005 S/(000)	2004 S/(000)
Balance as of January 1st	10,529	17,426
Provision of the year, note 22	314	8,282
Recoveries	(169)	(7,091)
Used for sale	(479)	(8,088)
Balance as of December 31	10,195	10,529

The provision recorded by the Bank corresponds to specific investments for which Management estimates other than temporary impairment. As of December 31, 2005 and as indicated in notes 3(a) and (g), the Bank has modified the manner of recording provisions as a result of the valuation of the portfolio of negotiable investments available for sale. However, no provision was required to be recorded that would affect the net equity as to such date.

(i) As of December 31, 2005 and 2004, the reconciliation between the book value and the market value of available-for-sale and held-to-maturity securities is as follows:

	2005 S/(000)	2004 S/(000)
Book value	5,497,005	3,445,066
Unrealized gains	32,169	16,748
Unrealized losses	(13,393)	(4,129)
Estimated market value	5,515,781	3,457,685

The Management has estimated the market value of its available-for-sale securities 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.

(j) As of December 31, 2005 and 2004, the balance of investment in trading and held-to-maturity securities classified by maturity date is as follows:

	2005 S/(000)	2004 S/(000)
Up to 3 months	1,564,064	592,176
From 3 months to 1 year	2,926,671	2,220,679
From 1 year to 5 years	713,259	609,685
More than 5 years	310,235	114,390
Without maturity (shares)	54,756	62,282
Total	5,568,985	3,599,212

7. Loans, net

(a) This item is made up as follows:

	2005 S/(000)	2004 S/(000)
Direct loans		
Loans	11,728,101	9,197,293
Leasing receivables	1,967,541	1,394,528
Credit cards	1,021,018	845,989
Discounted notes	731,386	602,228
Factoring receivables	301,007	190,738
Advances and overdrafts	168,931	149,263
Refinanced and restructured loans	595,403	794,040
Past due and under legal collection loans	321,487	496,412
	16,834,874	13,670,491
Add (less)		
Deferred interest on discounted notes and leasing receivables	(269,238)	(219,255)
Accrued interest from standing credits	136,494	95,101
Allowance for credit losses (g)	(672,146)	(791,581)
Total direct loans	16,029,984	12,754,756
Indirect loans, note 19(a)	3,467,076	2,913,583

(b) As of December 31, 2005 and 2004, 51 percent of the direct loan portfolio was concentrated in 313 and 410 clients, respectively.

(c) As indicated in note 2(b), in January 2005, the Bank acquired the loan portfolio of Peruvian clients abroad maintained in the Peruvian Branch of Bank Boston N.A. for approximately S/1,152.1 million. The acquired loan portfolios are comprised principally of corporate loans, mortgage loans and financial lease operations,

(d) As of December 31, 2005 and 2004, the Bank's loan portfolio is distributed among the following economic sectors:

	2005		2004	
	S/(000)	%	S/(000)	%
Manufacturing	4,834,195	28.7	4,122,948	30.2
Mortgage loans	2,890,732	17.2	2,154,371	15.8
Commerce	2,320,885	13.8	1,481,104	10.8
Consumer loans	1,292,712	7.7	979,307	7.2
Leaseholds and real estate activities	874,269	5.2	721,154	5.3
Micro-business loans	776,941	4.6	565,644	4.1
Mining	762,025	4.5	604,174	4.4
Communications, storage and transportation	710,034	4.2	563,631	4.1
Electricity, gas and water	658,996	3.9	806,186	5.9
Agriculture	495,927	2.9	474,794	3.5
Fishing	384,266	2.3	203,940	1.5
Financial services	279,905	1.7	236,216	1.7
Education, health and other services	238,756	1.4	175,232	1.3
Construction	214,825	1.3	185,175	1.4
Other	100,406	0.6	396,615	2.8
Total	16,834,874	100.0	13,670,491	100.0

(e) As of December 31, 2005 and 2004, the credit risk classification of the Bank and its Subsidiaries´ loan portfolio, according to SBS standards, is as follows:

Risk category	2005						2004					
	Direct loans		Indirect loans		Total		Direct loans		Indirect loans		Total	
	S/(000)	%	S/(000)	%	S/(000)	%	S/(000)	%	S/(000)	%	S/(000)	%
Normal	14,448,984	85.8	3,158,559	91.1	17,607,543	86.7	11,012,471	80.6	2,668,321	91.6	13,680,792	82.6
Potential problems	1,363,037	8.1	238,688	6.9	1,601,725	7.9	1,074,336	7.8	173,291	5.9	1,247,627	7.5
Substandard	284,203	1.7	31,844	0.9	316,047	1.6	626,427	4.6	42,521	1.5	668,948	4.0
Doubtful	498,290	3.0	16,100	0.5	514,390	2.5	574,878	4.2	23,997	0.8	598,875	3.6
Loss	240,360	1.4	21,885	0.6	262,245	1.3	382,379	2.8	5,453	0.2	387,832	2.3
	16,834,874	100.0	3,467,076	100.0	20,301,950	100.0	13,670,491	100.0	2,913,583	100.0	16,584,074	100.0

(f) 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

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

	2005 S/(000)	2004 S/(000)
Balance as of January 1st	852,184	1,199,663
Net provision, note 21	95,643	101,884
Allowance for purchase of loan portfolio, note 2(b)	26,413	-
Loan portfolio sold and written-off	(230,882)	(366,043)
Result from exposure to inflation/exchange difference	(3,425)	(83,320)
Balance as of December 31(*)	739,933	852,184

(*) As of December 31, 2005, the movement in the allowance for credit losses includes direct and indirect credits for approximately S/672,146,000 and S/67,787,000, respectively (approximately S/791,581,000 and S/60,603,000, respectively, as of December 31, 2004). The allowance for indirect credits is shown in the "Other liabilities" caption of the consolidated balance sheet, note 10(a).

In Management's opinion, the allowance for credit losses recorded as of December 31, 2005 and 2004 has been established in accordance with SBS regulations in force as of those dates, note 3(e).

(h) In 2005, the Bank and its Subsidiaries sold fully provisioned portfolio of past due loans to two affiliates for approximately S/90.4 million (approximately S/76.9 million in 2004). The sale price generated gain of approximately S/7.4 million (approximately S/5.4 million in 2004). In addition, in 2005, the Bank and its Subsidiaries made a write-off of a fully provided for portfolio for approximately S/140.4 million (approximately S/289.1 million in 2004).

(i) 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.

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

(k) As of December 31, 2005 and 2004, the gross direct loan portfolio has the following maturity schedule:

	2005 S/(000)	**2004** S/(000)
Outstanding loans -		
Up to 1 month	3,628,261	3,003,571
Up to 3 months	2,655,687	2,445,938
From 3 months to 1 year	3,695,305	2,725,130
From 1 to 5 years	4,164,670	3,295,193
More than 5 years	2,369,464	1,704,247
Past due loans-		
Up to 4 months	12,498	22,546
More than 4 months	146,197	215,113
Loans under legal collection	162,792	258,753
Total	16,834,874	13,670,491

8. Permanent investments

(a) This item is made up as follows:

	2005					2004				
	Book value S/(000)	Provision S/(000)	Market value S/(000)	Unrealized gains (losses) S/(000)	Estimated market value S/(000)	Book value S/(000)	Provision S/(000)	Market value S/(000)	Unrealized gains (losses) S/(000)	Estimated market value S/(000)
Listed equity securities (b)	79,397	-	79,397	160,545	239,942	64,932	-	64,932	136,103	201,035
Investments in non financial institutions (c)	13,099	(10,163)	2,936	659	3,595	27,728	(9,724)	18,004	(2,409)	15,595
Investments in financial institutions (d)	17,869	(1,367)	16,502	-	16,502	24,888	(1,234)	23,654	-	23,654
	110,365	(11,530)	98,835	161,204	260,039	117,548	(10,958)	106,590	133,694	240,284
Allowance for impairment of permanent investments	(11,530)					(10,958)				
Balance of permanent investments, net	98,835					106,590				
Accrued interest from permanent investments	-					308				
Total permanent investments, net	98,835					106,898				

(b) This caption comprises 2.74 percent participation in shares maintained by Inversiones BCP Ltda. on Banco de Crédito e Inversiones de Chile – BCI Chile, reclassified in November 2004 from “Investments available-for-sale” to “Permanent investments” at their equity value of approximately S/105.5 and its related allowance of S/47.6 million. In December 2004, such investment generated revenues for approximately S/7.1 million. As of December 31, 2005 and 2004, the market price of each share according to its quotation in the Santiago’s stock exchange is equivalent to approximately US$24.95 and US$22.59, respectively. The gains obtained when this investment will be sold are subject to the applicable taxes in Chile and Peru.

(c) This caption comprises the shares of Peru Privatization Fund – PPF acquired in March 2003 from Banco de Crédito Overseas Limited – BCOL. In May 2005, PPF carried out the seventh, eight and ninth reduction of its investments in the fund for a total of approximately S/14.6. Such investments were transferred to the Bank at market values as part of its portfolio of “Investments available-for-sale” (S/9.2 million total due to its third and fourth reduction of its investments as of December 31, 2004).

(d) As of December 31, 2005, this caption principally comprises the participation of Banco de Crédito in Visanet del Perú S.A.C, Edificaciones Macrocomercio S.A. and Corporación de Servicios de Información – Infocorp S.A for S/5,8, S/4.0 and S/2.7 million which represent the 35.32, 15.77 and 28.27 percent, respectively (approximately S/4.0, S/3.9 and S/7.2 million corresponding to 32.21, 15.80 and 22.57 percent of participation of Banco de Crédito del Perú in Visanet del Perú S.A.C, Edificaciones Macrocomercio S.A. and Unibanca S.A., Unibanca having been sold during 2005).

9. Property, furniture and equipment, net

(a) The movement of property, furniture and equipment and accumulated depreciation for the years ended 2005 and 2004 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)	2005 S/(000)	2004 S/(000)
Cost -									
Balance as of January 1st	73,868	733,019	258,136	197,809	525,723	48,247	5,688	1,842,490	1,870,190
Additions	3,735	29,482	11,640	3,356	44,300	6,078	10,208	108,799	103,213
Assets incorporated by mergers	-	-	-	-	-	-	-	-	4,889
Retirements and transfers	(13,860)	(125,801)	(21,394)	(16,676)	(40,731)	(609)	(8,314)	(227,385)	(135,802)
Balance as of December 31	63,743	636,700	248,382	184,489	529,292	53,716	7,582	1,723,904	1,842,490
Accumulated depreciation -									
Balance as of January 1st	-	386,050	151,136	149,569	437,493	19,700	-	1,143,948	1,102,661
Depreciation of the year	-	20,587	20,831	11,801	39,912	4,212	-	97,343	100,716
Retirements and transfers	-	(89,468)	(18,006)	(15,256)	(39,911)	(595)	-	(163,236)	(59,429)
Balance as of December 31	-	317,169	153,961	146,114	437,494	23,317	-	1,078,055	1,143,948
Net book value	63,743	319,531	94,421	38,375	91,798	30,399	7,582	645,849	698,542

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

(c) As of December 31, 2005, the Bank has property available for sale for approximately S/40.7 million, net of accumulated depreciation which amounts to approximately S/24.2 million, (approximately S/109.6 million net of accumulated depreciation which amounts to approximately S/59.0 as of December 31, 2004).

10. Other assets and other liabilities

(a) These items are made up as follows:

	2005 S/(000)	2004 S/(000)
Other assets		
Operations in process (b)	133,453	101,739
Accounts receivable	111,867	103,743
Deferred income tax and workers' profit sharing, note 14(a)	99,429	66,516
Assets seized, net (c)	91,644	95,767
Trustee in warranty, note 13(b)	68,600	65,640
Intangible assets, net (d)	59,792	60,644
Tax credit for leasing operations	48,204	1,021
Deferred expenses	36,514	28,781
Income tax prepayments, net of expenses for the period	27,217	65,133
Derivatives assets	20,115	29,410
Goodwill (e)	12,740	18,619
Other	17,215	18,968
Total	726,790	655,981
Other liabilities		
Payroll taxes, salaries and other personnel expenses payable	183,806	120,654
Operations in process (b)	158,741	78,851
Accounts payable	124,580	114,606
Contributions	106,978	38,276
Provision for sundry risks (f)	97,909	127,394
Allowance for indirect credit losses, note 7(g)	67,787	60,603
Allowance for regulation changes of assets seized (c)	39,563	-
Derivatives liabilities	27,884	15,622
Deferred income tax and workers' profit sharing, note 14(a)	19,365	22,910
Minority interest	9,197	8,008
Deposit Insurance Fund	8,575	7,863
Total	844,385	594,787

(b) Operations in process include deposits received, loans disbursed and/or collected, funds transferred and other similar types of transactions, which are realized 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.

(c) As of December 31, 2005 and 2004, this caption includes land, buildings, machinery and equipment received in payment of loans. The movement for the caption, as of December 31, 2005 and 2004, is summarized as follows:

	2005 S/(000)	2004 S/(000)
Cost -		
Balance as of January 1st	332,696	414,803
Additions	55,503	179,165
Retirements	(133,760)	(261,272)
Balance as of December 31	254,439	332,696
Provision -		
Balance as of January 1st	236,929	258,766
Provision of the year	50,469	93,508
Reversal of provision for changes in regulations (*)	(39,563)	-
Provision used for sales	(85,040)	(115,345)
Balance as of December 31	162,795	236,929
Net book value	91,644	95,767

(*) As explained in note 3(j), 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/43.8 million. 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, 2005, the Bank has been using such excess to provide the additional requirements of provisions for assets seized, using approximately S/4.2 million for such purpose and has transferred the remaining amount of S/39.6 million to the provision for sundry risks under the caption “Other liabilities”.

As of December 31, 2005, the net book value mainly includes land and buildings for approximately S/23.8 and S/72.3 million, respectively (S/20.9 and S/68.4 million as of December 31, 2004, respectively). As of December 31, 2005 and 2004, the Bank and its Subsidiaries have sold assets seized for approximately S/92.7 and S/203.9 million, respectively, with a net gain of approximately S/44.0 million and S/58.0 million, respectively, which is included in the caption "Other Income" of the consolidated statements of income, note 23. In the Management's opinion, the provision for assets seized as of December 31, 2005 and 2004, is according to the SBS Regulations in force as of such dates.

(d) The movement of intangible assets for the years ended December 31, 2005 and 2004, is as follows:

Description	Software S/(000)	Other developments S/(000)	2005 S/(000)	2004 S/(000)
Cost -				
Balance as of January 1st	155,112	115,867	270,979	261,419
Additions	12,308	12,975	25,283	18,322
Intangibles incorporated by mergers	-	-	-	706
Retirements (*)	(102,982)	(45,274)	(148,256)	(9,468)
Balance as of December 31	64,438	83,568	148,006	270,979
Accumulated amortization -				
Balance as of January 1st	127,299	83,036	210,335	185,231
Amortization of the year	11,216	14,914	26,130	31,382
Retirements (*)	(102,980)	(45,271)	(148,251)	(6,278)
Balance as of December 31	35,535	52,679	88,214	210,335
Net book value	28,903	30,889	59,792	60,644

(*) In September 2005, the Bank wrote off certain intangible assets fully amortized and out of use for S/145.1 million.

(e) 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. note 2(a) and the price paid for such assets. As of December 31, 2005, the original purchased value of goodwill amounts to approximately S/ 29.4 million and the accumulated amortization to S/16.7 million, respectively.

(f) Provision for sundry risks mainly comprises the provisions for the estimated losses to complete the insurance coverage which correspond mainly to insurance companies´ claims, the provisions for the estimated losses in legal actions against the Bank and its Subsidiaries and other similar obligations, which have been recorded based on Management's and its legal advisors' best estimates at respective balance sheet dates.

11. Deposits and obligations

(a) This item is made up as follows:

	2005 S/(000)	**2004** S/(000)
Non-interest bearing deposits and obligations -		
In Peru	4,307,308	3,216,912
In other countries	1,434,309	505,573
	5,741,617	3,722,485
Interest bearing deposits and obligations -		
In Peru	13,820,194	11,872,519
In other countries	3,256,435	2,567,219
	17,076,629	14,439,738
	22,818,246	18,162,223
Interest payable	81,279	63,791
Total	22,899,525	18,226,014

The Bank and its Subsidiaries have established a policy to remunerate 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, 2005 and 2004, the balance of deposits and obligations by type of transactions is made up as follows:

	2005 S/(000)	2004 S/(000)
Time deposits	7,232,621	5,923,311
Demand deposits	7,498,919	5,354,096
Saving accounts	5,681,697	4,964,869
Severance indemnities deposits	2,245,932	1,741,703
Bank certificates in foreign currency	159,077	178,244
Total	22,818,246	18,162,223

(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, 2005, time deposits and bank certificates above US$100,000 amount to approximately to S/2,652.1 and S/27.2 million, respectively, equivalent to approximately US$773.2 and US$7.9 million, respectively (S/2,926.2 and S/37.7 million equivalent to approximately US$891.6 and US$11.5 million, respectively, as of December 31, 2004).

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

	2005 S/(000)	2004 S/(000)
Up to 3 months	4,456,143	3,649,454
From 3 months to 1 year	1,382,249	1,132,022
From 1 to 5 years	920,269	753,674
More than 5 years	473,960	388,161
Total	7,232,621	5,923,311

12. Due to banks and correspondents

(a) This item is made up as follows:

	2005 S/(000)	2004 S/(000)
By type -		
Promotional credit lines (b)	727,615	398,962
BCRP - Repo transactions (c)	1,751,333	-
Due to banks and correspondents with local and foreign financial institutions (d)	669,287	125,341
	3,148,235	524,303
Interest payable	5,662	705
Total	3,153,897	525,008
By term -		
Short -term debt	2,657,537	236,491
Long-term debt	490,698	287,812
Total	3,148,235	524,303

(b) Promotional credit lines represent loans granted to BCP by Corporación Financiera de Desarrollo (COFIDE) and Banco Interamericano de Desarrollo (BID), to promote the development of Peru. As of December 31, 2005 and 2004, these credit lines are secured by a loan portfolio amounting to US$212.1 million and US$121.6 million, equivalent to S/727.6 million and S/399.0 million, 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, 2005, BCP had BCRP - Repo transactions with the Peruvian Central Bank (BCRP), which earned annual interest rates that fluctuated between 3.23 and 3.32 percent, with 3 day maturities.

(d) Due to banks and correspondents comprise mainly loans to fund foreign trade operations and working capital, granted by 5 foreign entities as of December 31, 2005 (2 as of December 31, 2004), of which 1 represents 54 percent of the balance (one lending entity 85 percent of the balance as of December 31, 2004). Certain 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 its Subsidiaries, and are substantially fulfilled in the application of standard international banking practices. Due to banks and correspondents bear interest at current domestic and international market rates, and do not have specific guarantees.

(e) As of December 31, 2005 and 2004, the balance of this caption, classified by maturity, is as follows:

	2005 S/(000)	2004 S/(000)
Up to 3 months	2,612,017	101,499
From 3 months to 1 year	45,520	134,992
From 1 to 5 years	169,321	95,670
More than 5 years	321,377	192,142
Total	3,148,235	524,303

13. Bonds issued

(a) This item is made up as follows:

	Weighted average annual interest rate %	Maturity	2005 S/(000)	2004 S/(000)
Corporate bonds (b)	5.89	Between April 2006 and November 2012	318,692	260,046
Leasing bonds (c)	5.59	Between July 2006 and November 2010	779,183	747,435
Mortgage bonds	7.70	Between May 2011 and April 2012	99,470	98,295
Subordinated bonds	6.83	Between August 2007 and October 2013	331,179	333,671
Mortgage certificates	10.00	Between January 2009 and December 2011	369	820
			1,528,893	1,440,267
Interest payable			12,494	9,157
Total			1,541,387	1,449,424

(b) In April and December 2005, the Bank conducted the Third issue under the First Program of Series "B" Corporate Bonds and the Seventh, Eighth, Ninth and Tenth Issue under the First Program of Series "A" Corporate Bonds for S/50.0 and S/70.0 million, respectively, with maturity dates between May 2007 and November 2012, which accrue interest at annual rates that range between 5.81 and 7.06 percent, respectively.

During 2004, the Bank conducted the Third Issue under the First Program of Series "B" Solution Corporate Bonds for S/30.0 million with maturity in January 2007, the Third Issue under the First Program of Series "A" Corporate Bonds for S/20.0 million, with maturity in May 2006 and the Second Issue under the Second Program of Series "B" Credit Link Notes Structured Bonds – CLN for US$20.0 million, equivalent to S/68.6 million, with maturity in June 2006. The CLN are secured by a trust of quotas related with Peruvian Government credit.

(c) During 2005, Crédito Leasing S.A., a subsidiary of the Bank conducted the Third Program of Series "A" and "B" Financial Lease Bonds for US$15.0 million and US$25.0 million (equivalent to approximately S/51.4 million and S/85.8 million, respectively) with maturities between February 2007 and July 2008, which accrue interest at an annual rate of 4.34 percent.

In June 2004, Crédito Leasing S.A., a subsidiary of the Bank placed the First Issue of the Third Program of Series "C" Financial Lease Bonds for US$14.0 million, equivalent to approximately S/48.0 million with maturity in June 2008.

(d) Leasing and mortgages loans are collateralized by the fixed assets financed by the Bank and its Subsidiaries with these resources.

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

	2005 S/(000)	**2004** S/(000)
Up to 3 months	65,092	25,000
From 3 months to 1 year	241,673	187,382
From 1 to 5 years	1,015,408	829,405
More than 5 years	206,720	398,480
Total	1,528,893	1,440,267

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:

	2005 S/(000)	2004 S/(000)
Deferred assets -		
Allowance for credit losses	41,780	23,431
Allowance for assets seized	23,924	19,384
Past due interests	6,503	10,884
Provision for diverse expenses	15,390	7,122
Provision for sundry risks	11,832	5,695
Total deferred assets, note 10(a)	99,429	66,516
Deferred liabilities -		
Intangible assets	(11,138)	(10,526)
Leasing operations, net	(4,900)	(7,899)
Exchange difference	(3,327)	(4,485)
Total deferred liabilities, note 10(a)	(19,365)	(22,910)
Net balance	80,064	43,606

(b) Amounts presented in the balance sheets as of December 31, 2005 and 2004, as well as the consolidated statements of income for the years then ended are shown below:

Consolidated balance sheets	Deferred assets		Deferred liabilities	
	2005 S/(000)	2004 S/(000)	2005 S/(000)	2004 S/(000)
Income tax	85,817	56,770	(17,923)	(19,745)
Workers' profit sharing	13,612	9,746	(1,442)	(3,165)
	99,429	66,516	(19,365)	(22,910)

Consolidated statements of income	**Workers' profit sharing**		**Income tax**	
	2005 S/(000)	**2004** S/(000)	**2005** S/(000)	**2004** S/(000)
Current	41,218	28,809	250,715	173,897
Deferred	(5,589)	(5,866)	(30,869)	(33,670)
Supplementary plan for workers' profit sharing	105,950	58,060	-	-
	141,579	81,003	219,846	140,227

The supplementary plan for workers' profit sharing includes the amounts granted by the Bank's Management to its employees, due to the fulfillment of objectives; in addition to the legal participation. Additionally, amounts include the provision for the accrued liability corresponding to the supplementary profit participation plan described in Note 17.

(c) Reconciliation of effective tax rate to statutory tax rate for the years 2005 and 2004 is as follows:

	2005 %	**2004** %
Income before workers' profit sharing and taxes	100.00	100.00
Theoretical expense	30.00	30.00
Effect on taxable income		
Non-taxable financial revenues	(7.37)	(8.97)
Effect of non-deductible expenses		
Non-deductible financial expenses	1.73	2.24
Amortization of goodwill	0.19	0.37
Other	(0.43)	6.90
Current and deferred workers' profit sharing and income tax	24.12	30.54

15. Net shareholders' equity

(a) Capital stock -

As of December 31, 2005, 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 (1,226.4 million common shares as of December 31, 2004).

The General Shareholders' Meeting held on March 28, 2003, approved an increase of the capital stock for 18.2 and 107.7 million shares, corresponding to the restatement due to inflation of capital stock as of December 31, 2002, and the capitalization of the net income, respectively.

The General Shareholders' Meeting held on March 26, 2004, approved an increase of the capital stock for 24.0 million shares, corresponding to the restatement of capital stock due to inflation as of December 31, 2003.

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 inflation as of December 31, 2004.

(b) Legal reserve -

Pursuant to legislation in force, the Bank must reach a legal reserve of at least 35 percent of its paid-in capital. This reserve is to be funded through an annual appropriation of at least 10 percent of the Bank's net income.

The subsidiaries of the Bank also must recognize this reserve in their individual financial statements. As of December 31, 2005 and 2004, the report of legal reserves of the subsidiaries amounts to approximately S/620.8 and S/621.3 million, respectively.

(c) Special reserve -

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

(d) Dividend distribution -

The General Shareholders' Meetings held on March 31, 2005, March 26, 2004 and March 28, 2003, agreed to distribute dividends in the amount of approximately S/318.9, S/245.3 and S/113.9 million, respectively.

Under current legislation, there is no restriction for overseas remittance of dividends or the repatriation of foreign investments. Since 2003, the tax regime applicable to dividends has been modified.

(e) Shareholders' equity for legal purposes (Regulatory capital) -
As of December 31, 2005 and 2004, 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/16,010 and S/87.4 million, respectively (S/13.6 and S/65.8 million as of December 31, 2004, respectively), generating a global leverage ratio for credit and market risk that is 9.11 times the regulatory capital of the Bank and its Subsidiaries (7.71 times the regulatory capital of the Bank and its Subsidiaries according to regulations in force as of December 31, 2004). 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 and determine their income tax based on their individual results. As of December 31, 2005 and 2004 the statutory income tax was 30 percent on taxable income, including the result from exposure to inflation for 2004 and priors years, note 3(a).

Individual persons and corporations not domiciled in Peru must pay an additional tax of 4.1 percent on dividends received.

Effective January 1st, 2004, the following changes to tax law were in force:

- Transactions carried out the Company for amounts above S/5,000 or US$1,500, should be performed through the financially system, and any payments not made through the financial system will not have validity for tax income purposes.

- Effective March 1º, 2004, individual persons and corporations in Peru must pay an additional tax of 0.15 percent on transactions (0.10 percent effective April 1, 2004), and 0.08 percent effective January 1 st, 2005, regarding debits as well as credits realized in bank accounts, for operations in local and foreign currency. This tax will be considered a deductible expense toward the annual income tax and must be retained and paid by financial entities.

Effective January 1 st, 2005, the following changes to tax law were in force:

- It has been established that an advance payment of the income tax labeled Temporary Tax on Net Assets, will be required to be paid by enterprises subject to the Income Tax General Regimen and will be in force until December 31, 2006. The basis to calculate that tax payment is the value of the net assets as of December 31 of the previous year. The tax is calculated using a rate of 0.60 percent of the assets that exceed S/5.0 millions. The obligation to pay this tax remains even and when the Bank had tax losses in the precedent periods or even in the event that it has credit for income tax advanced payments made.

The paid tax, total or in part, could be used as credit against the advanced payments in advance of the Income Tax from the periods extending from March to December of the taxable period for which the Bank paid the tax, as well as against the final payment of the related period. It is also possible to request a refund of the tax when the Bank demonstrates a tax loss or a minor Income Tax based on the general regimen standards. The right to ask for a refund will be generated with the presentation of the annual tax return of the related period.

- Additionally, it is established that the rate of the value added tax will be 19 percent up to December 31, 2006.

- Beginning January 1st, 2005, to determine the calculation basis of the taxes, specifically the income tax, financial statements should not be adjusted for inflation.

(b) For income tax and value added tax purposes, the prices and amounts of considerations agreed to in transactions between related parties or from, to or through low or zero tax countries "tax havens" or territories require the presentation of supporting documents and information on the valuation methods and criteria applied for valuation determination. The Tax Administration is entitled to request such documents and information from the Bank and its Subsidiaries.

Based on the analysis of the operations of the Bank with its Subsidiaries, Management and its internal legal counsels are of the opinion that no significant contingencies will emerge for the Bank as consequence of the application of such provisions as of December 31, 2005 and 2004.

(c) The tax authorities are entitled to review and, if applicable, to make a new determination of the income tax during the four years following the filing of the income tax return calculated by the Bank and its Subsidiaries. The income tax returns of the Bank for 2004 and 2005, and from 2001 to 2005 in the case of its Subsidiaries, with the exception of Crédito Leasing for 2001, are pending control 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 the opinion of Management and its internal legal counsels any possible additional tax assessment would not have any significant consequences on the financial position or results of operations as of December 31, 2005 and 2004.

As indicated in note 18(b), in the case of the Bank, the 1999 fiscal year has been reviewed by the tax authorities, while the 2001, 2002 and 2003 fiscal years are in the review process. Likewise, in the case of Crédito Leasing S.A., the tax authorities have completed the review of the FY 2001. The preliminary results of such reviews have not generated any major additional liabilities for both the Bank and its Subsidiaries.

17. Stock appreciation rights

As indicated in note 3(ñ), since the year 2003, the Bank grant options over Credicorp's (the Bank's majority shareholder) stock appreciation rights (SARs). The SARs expire after eight (8) years of the date when they were granted. As of December 31, 2005 and 2004, the numbers of SARs exercised under this plan were 428,450 and 517,525, respectively.

As of December 31, 2005, the number of SARs that can be exercised under the plan is 1,504,556 and the exercise price established for this benefit ranges between US$ 6.3 and US$17.0 per share (1,595,413 SARs and exercise price between US$8.7 and US$12.4 per share as of December 31, 2004). As of December 31, 2005 and 2004, the stock exchange price of Credicorp's shares at the New York Stock Exchange was US$22.8 and US$15.8, respectively, and the weighted average estimated market price of the options as of these dates amount exercised to US$24.0 and US$16.7, respectively.

As of December 31, 2005 and 2004, the expenses related to this plan are recorded under the caption "Workers' profit sharing" of the consolidated statements of income, note 14(b).

18. Commitments and contingencies

(a) Commitments -

- In January 2001, the Bank entered into an agreement with a related company of Credicorp Ltd. for the transfer of rights to the future collection of payment orders from foreign bank members of the Society for Worldwide Interbank Financial Communications ("Swift"). The agreement was used for the securitization of the aforementioned rights for up to US$ 100 million with maturity up to 2007. The proceeds from the securitization were delivered in January 2001 to Credicorp Ltd. related companies. In November 2005, the related company cancelled such securitization with the payment of US$38.1 million (equivalent to S/130.7 million). The cancellation of this operation did not require the payment of any penalty or commission by BCP. As of December 31, 2004, transferred collections amounted to US$51.3 million, equivalent to S/176.0 million.

- In November 2005, the Panama Branch obtained a loan from a foreign related entity for US$230 million (equivalent to S/788.9 million) and US$50 million (equivalent to S/171.5 million), respectively, with maturities up to 2012 and 2009, respectively. Such loans are guaranteed by the

Bank and accrue monthly interest at a variable Libor rate plus 0.21 and 0.60 percent, respectively. As December 31, 2005, the amount of the unpaid balance is US$280 million (equivalent to S/960.4 million).

(b) Contingencies -

As of December 31, 2005 and 2004, the Bank has received tax assessments from the Tax Administration as a result of the review of the income tax corresponding to the year 1999. In this respect, the Tax Administration 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 S/8.5 million as of December 31, 2005. The Management and its legal advisors believe that the claim filed will have a favorable result for the Bank.

Likewise, as of December 31, 2005, the Bank has not been notified on the final assessment of the Tax Administration as a result of the tax review for the years 2001, 2002 and 2003. It is estimated that according to the preliminary results of such reviews, assessments by the Tax Administration could determine a payable tax, fines and arrears interest for approximately S/2.7 and S/3.2 million for the years 2001 and 2002, respectively. It is estimated that no payable tax will be determined for year 2003. Management and its internal legal counsels consider that if an appeal is filed against such assessments, a favorable decision will be obtained for the Bank.

Also, as of December 31, 2005 and 2004, according to assessments by the Tax Authority, the review of the 2001 income tax of Crédito Leasing S.A., a subsidiary of the Bank, has determined a lower balance in favor of the income tax for approximately S/3.4 million. Crédito Leasing S.A. has filed an appeal including an objection to the fine for S/3.2 million as of December 2005 (S/2.7 million as of December 31, 2004). Management and its internal legal counsels consider that the decision on the appeal should be favorable for Crédito 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; therefore, the Management has not consider necessary to make an additional provision to those ones already recorded for these contingencies, note 10(f).

19. Off-balance sheet accounts

(a) This item is made up as follows:

	2005 S/(000)	2004 S/(000)
Contingent operations		
Guarantees and stand-by letters of credit (c)	2,492,883	2,021,470
Import and export letters of credit (c)	818,392	745,662
Due from bank acceptances	155,801	146,451
	3,467,076	2,913,583
Financial derivative contracts (d)	3,998,104	1,503,653
Responsibilities under credit line agreements	1,824,130	1,828,061
Other contingent operations	148,916	146,365
Total contingent operations	9,438,226	6,391,662
Other off-balance sheet accounts -		
Securities in custody	32,096,031	24,906,710
Guarantees received (e)	20,057,996	14,596,164
Qualification of assets and contingents	16,385,446	15,189,734
Securities in collection	5,059,050	4,759,068
Securities granted as warranties	4,173,932	1,919,854
Securities in stock	3,209,199	1,072,412
Written-off loans	3,179,986	4,555,319
Insurance coverage	1,325,977	2,266,386
Letter of credit advised	1,251,683	879,552
Trust and debt trust commissions (f)	498,005	385,572
Other	13,446,537	6,663,609
Total other off-balance sheet accounts -	100,683,842	77,194,380
Total	110,122,068	83,586,042

(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, 2005 and 2004, the derivative operations maintained by the Bank and its Subsidiaries are related to purchase and sale agreements for forward foreign currency operations, and interest exchange (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, 2005 and 2004, forward foreign currency purchase and sale agreements referred to above include nominal amounts of approximately S/3,998.1 and S/1,503.7 million, respectively (equivalent to US$1,165.5 and US$458.1 million, respectively, note 4), with maturities 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, 2005, exchange interest rates transactions were realized for a face value amounting approximately to S/1,290.2 million, equivalent approximately to US$376.2 million (approximately S/697.2 million, equivalent to US$210.4 million as of December 31, 2004), which are included in the “Other off-balance sheet accounts” caption in this note.

The fair value of forward and swap assets and liabilities as of December 31, 2005, amount approximately to S/20.1 and S/27.9 million, respectively (approximately S/29.4 and S/15.6 million, respectively, as of December 31, 2004), which are included in the “Other assets” and “Other liabilities” captions, respectively, of the consolidated balance sheets, note 10.

(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. Assets kept as trust are not included in the financial statements. As of December 31, 2005 and 2004, assets managed on behalf of the Bank's clients amounted S/216.6 million and S/188.6 million, respectively.

In addition, as of December 31, 2005 and 2004, the net equity of the investment mutual funds managed by a subsidiary of the Bank amount approximately to S/3,511.7 and S/3,023.6 million, respectively.

20. Financial income and expenses

This item is made up as follows:

	2005 S/(000)	2004 S/(000)
Financial income		
Interest on loan transactions	1,431,196	1,271,616
Interest from investments in trading and held-to-maturity securities	222,537	117,985
Interest from available and inter-bank funds	110,932	65,466
Commission on loans and other financial transactions	15,223	16,531
Fluctuation for derivative financial instruments position - forward	8,270	9,221
Other	3,278	12,704
	1,791,436	1,493,523
Financial expenses		
Fluctuation for derivative financial instruments position - swap	5,673	(13,986)
Interest for deposits and obligations	(263,481)	(181,825)
Interest from bonds issued	(106,469)	(102,840)
Interest and commissions for deposits from local financial entities and international organizations	(65,045)	(54,503)
Interest on loans from banks and correspondents	(48,624)	(23,199)
Premiums for the Deposit Insurance Fund	(32,228)	(31,088)
Other	(8,582)	(6,936)
	(518,756)	(414,377)
Gross financial margin	1,272,680	1,079,146

21. Provision for credit losses, net

This item is made up as follows:

	2005 S/(000)	2004 S/(000)
Provision (recovery) for:		
Loan losses	86,877	100,183
Leasing accounts	4,976	4,598
Country risk	3,790	(2,897)
Total, Note 7(g)	95,643	101,884

22. Net gain (loss) on securities

This item is made up as follows:

	2005 S/(000)	2004 S/(000)
Gain from purchase and sale of securities	2,456	15,161
Gain from trading securities measurement	3,448	(2,816)
Participation on permanent investments	22,288	(8,064)
Provision for impairment of investments, note 6(h)	(314)	(8,282)
Other	(1,846)	(1,022)
Total	26,032	(5,023)

23. Other income and other expenses

These items are made up as follows:

	2005 S/(000)	2004 S/(000)
Other income -		
Recoveries of loans previously written-off	78,705	76,553
Net gain from sales of assets seized, note 10(c)	43,980	57,972
Recoveries of interest previously written-off	20,689	10,938
Income from lease of own assets	4,046	2,639
Income from technical outsourcing services	1,158	352
Other	31,889	32,978
Total other income	180,467	181,432
Other expenses -		
Provision for sundry risks	29,544	17,843
Provision for counterfeit money	6,432	-
Provision for legal and client claims	5,870	16,860
Provision for accounts receivable	5,346	3,322
Maintenance of assets seized	4,143	3,349
Provision for expenses collections	3,864	4,081
Loss from sale of fixed assets	378	9,979
Expenses from outsourcing services	3,400	3,666
Other	22,235	11,271
Total other expenses	81,212	70,371

24. Salaries and employees´ benefits

This item is made up as follows:

	2005 S/(000)	2004 S/(000)
Salaries	298,440	285,477
Gratifications	48,689	47,763
Severance indemnities	34,678	26,757
Social security	25,689	24,848
Vacations, medical assistance and others	72,674	78,754
Total	480,170	463,599
Average number of employees	9,329	9,347

25. Earnings per share

(a) The calculation of the weighted average number of shares and basic and diluted earnings per share is shown below:

	Outstanding shares (in thousands)	**Base used for the computation** (in thousands)	**Days as of the end of the year**	**Weighted average number of common shares** (in thousands)
Fiscal Year 2003				
Balance as of January 1 st, 2003	1,076,532	1,076,532	365	1,076,532
Capitalization of the capital restatement in 2003	18,200	18,200	365	18,200
Capitalization of income in 2003	107,653	107,653	365	107,653
Capitalization of the capital restatement in 2004	-	24,048	365	24,048
Capitalization of the capital restatement in 2005	-	60,095	365	60,095
Balance as of December 31, 2003	1,202,385	1,286,528		1,286,528

	Outstanding shares (in thousands)	Base used for the computation (in thousands)	Days as of the end of the year	Weighted average number of common shares (in thousands)
Fiscal Year 2004				
Balance as of January 1st, 2004	1,202,385	1,202,385	365	1,202,385
Capitalization of the capital restatement in 2004	24,048	24,048	365	24,048
Capitalization of the capital restatement in 2005	-	60,095	365	60,095
Balance as of December 31, 2004	1,226,433	1,286,528		1,286,528
Fiscal Year 2005				
Balance as of January 1st, 2005	1,226,433	1,226,433	365	1,226,433
Capitalization of the capital restatement in 2005	60,095	60,095	365	60,095
Balance as of December 31, 2005	1,286,528	1,286,528		1,286,528

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

(c) The computation of basic and diluted earnings per share as of December 31, 2004, 2003 and 2002, is shown below:

Year	**Income (numerator)** S/(000)	**Shares (denominator)** (en thousands)	**Earnings per share** S/
2005	691,734	1,286,528	0.5377
2004	319,260	1,286,528	0.2482
2003	323,917	1,286,528	0.2518

26. Risk Evaluation

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 granted by the Bank and its Subsidiaries, such as credit letters and stand-by letters of credit.

The Bank also trades financial instruments in and out of the securities market, 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 are exposed to market risks. Market risks arise from open positions in interest rate currency equity products, all of which are exposed to general and specific market movements. The Bank and its Subsidiaries apply the "Value at Risk" methodology to estimate the market risk of main positions held and the maximum losses expected, based upon a number of assumptions for various changes in market conditions. The Management sets certain limits on the value of risk that maybe accepted, which is monitored on a daily basis.

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.

As VAR constitutes an integral part of the Bank and its Subsidiaries' market risk control regime, VAR limits are established by the Management for some trading and portfolio operations. The actual exposure against limits, together with a consolidated Group-wide VAR, is reviewed daily by the Management; however, the use of this approach does not prevent losses outside the limits established in the event of more significant market movements.

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 interest rate risk -
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 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 are disclosed in Notes 7(j), 11(c) and 13(a).

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, 2005 and 2004, 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. Impairment provisions are provided 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.

Financial assets which show a potential credit risk are mainly cash and cash equivalents, interest bearing deposits in banks, trading securities, investments available-for-sale, loans and other assets. The exposure for each borrower, including banks, is further restructured by sub-limits covering on and off balance sheet exposures, and daily delivery risk limits to trading items such as forward foreign exchange contracts. Real exposures compared against established limits are monitored daily.

27. Fair value -

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

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

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 and available-for-sale investments are recorded at their estimated fair value on the balance sheet.

- 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(i).

- The fair value of loans is similar to their book value, because such loans are mainly of a short-term nature and are 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.

- 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.

- Due to banks and correspondents generate interest contracted at variable interest rates and preferred rates. As a result, it is considered that their book value approximates their fair values.

- Bonds accrue interest at 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 Management 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, 2005 and 2004, 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(i) and 8(a).

28. Financial information by geographical area

As of December 31, 2005 and 2004, segment information by geographical area (amounts expressed in million of Nuevos Soles) of the Bank and its Subsidiaries is as follows:

	2005					2004				
	Total income	Operating income	Depreciation and amortization	Property, furniture and equipment	Total assets	Total income	Operating income	Depreciation and amortization	Property, furniture and equipment	Total assets
Peru	2,479	1,162	114	596	26,205	2,163	991	120	651	19,799
Panama	96	11	-	-	2,034	66	9	-	-	963
Bolivia	172	79	9	48	1,964	147	68	11	46	1,508
United States of America	52	21	1	2	1,287	26	11	1	2	1,162
	2,799	1,273	124	646	31,490	2,402	1,079	132	699	23,432

29. Transactions with related parties and related companies

(a) During the years 2005 and 2004, the Bank and its Subsidiaries have acquired bonds, granted loans, supplied and solicited banking services, correspondent relationships and other operations with related subsidiaries to Credicorp Group which balances are shown below:

	2005 S/(000)	2004 S/(000)
Assets -		
Cash and due form banks	1,801,364	634,616
Loans, net	66,597	591
Other assets	6,297	5,471
Liabilities -		
Deposits and obligations	1,791,232	625,845
Due to banks and correspondents	76,726	591
Other liabilities	81,572	5,471
Contingent liabilities	716,074	11,018
Other off-balance sheet accounts	3,438,321	2,398,171
Income -		
Financial income	71,293	39,624
Financial expenses	75,230	39,624
Other income	71,395	12,199
Other expenses	63,493	12,199

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

	2005 S/(000)	2004 S/(000)
Direct loans	193,054	98,606
Contingent loans	50,630	35,359
Derivatives, market value	1,331	3,646
Total	245,015	137,611

Likewise, as of December 31, 2005 and 2004, the Bank and its Subsidiaries have securities available-for-sale in related companies amounting S/12.0 and S/69.4 million, respectively.

The Bank's Group signed up insurance coverage with PPS, which premiums amounted to S/49.4 million in 2005 (S/43.3 million in 2004). The Bank also receives PPS´ 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/4.2 and S/7.7 million in 2005 and 2004, respectively.

According to Peruvian legislation, loans granted to related parties cannot be done on terms no more favorable than would been offered to general public. The Bank and its Subsidiaries' Management consider that they have carried out all the established requirements in current legal disposals for the transactions with related companies or persons.

(b) Some shareholders, directors and executives of the Bank and its Subsidiaries, have directly or indirectly made transactions with the Group according to Peruvian legislation (Law 26702, which rules limits certain transactions with Bank's employees, directors and executives). Loans and other credits granted to Bank's employees, directors and key personnel are as follows:

	Directors and key personnel		**Employees**	
	2005 US$(000)	**2004** US$(000)	**2005** US$(000)	**2004** US$(000)
Loans				
Mortgage loans	17,571	20,817	61,795	47,039
Other loans	2,076	2,934	23,918	10,269
Total	19,647	23,751	85,713	57,308

(c) Board of Director's remuneration -
As of December 31, 2005 and 2004, the Board of Directors' remuneration amounted approximately S/2.27 and S/2.33 million, respectively.

30. Explanation added for translation into English

The accompanying translated financial statements originally issued in Spanish are presented on the basis of accounting principles generally accepted in Peru. Certain accounting practices applied by the Bank that conform to generally accepted accounting principles in Peru 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.

ASSURANCE

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

Banco de Crédito del Perú and Subsidiaries

Consolidated financial statements as of December 31, 2005 and 2004 together with the Report of Independent Auditors

ERNST & YOUNG

MEDINA, ZALDIVAR, PAREDES & ASOCIADOS

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

Banco de Crédito del Perú and Subsidiaries

Consolidated financial statements as of December 31, 2005 and 2004 together with the Report of Independent Auditors

Content

Ernst & Young

Medina, Zaldívar, Paredes & Asociados
Sociedad Civil

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

Report of Independent Auditors

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

We have audited the accompanying consolidated balance sheets of Banco de Crédito del Perú (a subsidiary of Credicorp Ltd., a holding incorporated in Bermuda) and Subsidiaries as of December 31, 2005 and 2004, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the three years ended December 31, 2005, 2004 and 2003. These consolidated financial statements are the responsibility of the Bank's Management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards in Peru. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Banco de Crédito del Perú and Subsidiaries as of December 31, 2005 and 2004, and the consolidated results of its operations and its cash flows for the three years ended December 31, 2005, 2004 and 2003, in conformity with accounting principles prescribed by the Superintendencia de Banca, Seguros y AFP (SBS) for Peruvian financial entities.

Countersigned by:

Medina, Zaldívar, Paredes & Asociados

Juan Paredes
C.P.C. Register Nº22220

Lima, Peru,
February 22, 2006

Banco de Crédito del Perú and Subsidiaries

Consolidated balance sheets

As of December 31, 2005 and 2004

	Note	2005 S/(000)	2004 S/(000)
Assets			
Cash and due from banks:	5		
Cash and clearing		1,233,691	825,730
Deposits in Peruvian Central Bank		5,485,095	3,611,678
Deposits in local and foreign banks		1,686,851	1,121,675
Accrued interest on cash and due from banks		8,557	6,784
		8,414,194	5,565,867
Interbank funds		500	52,899
Trading, available-for-sale and held-to-maturity investments, net	6	5,573,466	3,596,847
Loans, net	7	16,029,984	12,754,756
Permanent investments	8	98,835	106,898
Property, furniture and equipment, net	9	645,849	698,542
Other assets	10	726,790	655,981
Total assets		31,489,618	23,431,790
Off-balance sheet accounts -	19		
Contingent operations		9,438,226	6,391,662
Other		100,683,842	77,194,380
Total		110,122,068	83,586,042

	Note	2005 S/(000)	2004 S/(000)
Liabilities and shareholders' equity			
Deposits and obligations	11	22,899,525	18,226,014
Interbank funds		259,316	218,311
Due to banks and correspondents	12	3,153,897	525,008
Other liabilities	10	844,385	594,787
Bonds issued	13	1,541,387	1,449,424
Total liabilities		28,698,510	21,013,544
Shareholders' equity	15		
Capital stock		1,286,528	1,286,528
Legal reserve		546,519	546,519
Special reserve		258,965	258,965
Retained earnings		699,096	326,234
Total shareholders' equity		2,791,108	2,418,246
Total liabilities and shareholders' equity		31,489,618	23,431,790
Off-balance sheet accounts -	19		
Contingent operations		9,438,226	6,391,662
Other		100,683,842	77,194,380
Total		110,122,068	83,586,042

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

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

Banco de Crédito del Perú and Subsidiaries

Consolidated statements of income

For the years ended December 31, 2005, 2004 and 2003

	Note	2005 S/(000)	2004 S/(000)	2003 S/(000)
Financial income and expenses				
Financial income	20	1,791,436	1,493,523	1,695,391
Financial expenses	20	(518,756)	(414,377)	(481,281)
Gross financial margin		1,272,680	1,079,146	1,214,110
Provision for loan losses, net	21	(95,643)	(101,884)	(325,395)
		1,177,037	977,262	888,715
Gain (loss) for exchange difference		35,814	(59,185)	(14,265)
Net financial margin		1,212,851	918,077	874,450
Non financial income (expense)				
Commissions from banking services		700,982	651,122	680,071
Net gain (loss) on securities	22	26,032	(5,023)	7,001
Net gain on foreign exchange transactions		100,241	81,050	81,580
Other income	23	180,467	181,432	259,568
		1,007,722	908,581	1,028,220
Operating expenses				
Salaries and employees' benefits	24	(480,170)	(463,599)	(493,721)
Administrative expenses		(384,156)	(409,047)	(437,716)
Depreciation and amortization	9(a) and 10(d)	(123,473)	(132,098)	(138,403)
Provision for assets seized	10(c)	(50,469)	(93,508)	(107,525)
Taxes and contributions		(42,054)	(44,467)	(43,345)
Merger expenses	2(a)	-	(13,213)	(68,404)
Goodwill amortization	10(e)	(5,880)	(5,880)	(4,900)
Other operating expenses	23	(81,212)	(70,371)	(43,501)
		(1,167,414)	(1,232,183)	(1,337,515)
Income before the result from exposure to inflation, workers' profit sharing and income tax		1,053,159	594,475	565,155
Loss from exposure to inflation	3(a)	-	(53,985)	(28,842)
Workers' profit sharing	14(b)	(141,579)	(81,003)	(89,187)
Income tax	14(b)	(219,846)	(140,227)	(123,209)
Net income		691,734	319,260	323,917
Basic and diluted earnings per share (in Nuevos Soles)	25(c)	0.53	0.2482	0.2518
Weighted average number of shares outstanding, adjusted by stock splits (in thousands)	25(a)	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, 2005, 2004 and 2003

	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, 2003	1,076,532	1,171,283	546,515	146,336	270,103	2,134,237
Shares issued by the restatement of the capital stock, note 15(a)	18,200	-	-	-	-	-
Capitalization of income and reinvestment, note 15(a)	107,653	115,186	-	-	(115,186)	-
Transfer to special reserve	-	-	-	39,731	(39,731)	-
Cash dividends, note 15(d)	-	-	-	-	(113,944)	(113,944)
Other	-	59	-	-	-	59
Net income	-	-	-	-	323,917	323,917
Balances as of December 31, 2003	1,202,385	1,286,528	546,515	186,067	325,159	2,344,269
Shares issued by the restatement of the capital stock, note 15(a)	24,048	-	-	-	-	-
Transfer to special reserve	-	-	-	72,898	(72,898)	-
Cash dividends, note 15(d)	-	-	-	-	(245,287)	(245,287)
Other	-	-	4	-	-	4
Net income	-	-	-	-	319,260	319,260
Balances as of December 31, 2004	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

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

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

Banco de Crédito del Perú and Subsidiaries

Consolidated statements of cash flows

For the years ended December 31, 2005, 2004 and 2003

	2005 S/(000)	**2004** S/(000)	**2003** S/(000)
Cash flows from operating activities			
Net income	691,734	319,260	323,917
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for loan losses, net of recoveries	95,643	101,884	325,395
Depreciation and amortization	123,473	132,098	138,403
Goodwill amortization	5,880	5,880	4,900
Deferred income tax and workers' profit sharing	(36,458)	(39,536)	14,313
Provision for assets seized	50,469	93,508	107,525
Net loss (gain) from sale of securities	(26,032)	5,023	(7,001)
Net loss (gain) from sale of property, furniture and equipment	378	9,979	5,977
Net gain from sale of assets seized	(43,980)	(57,972)	(67,892)
Changes in asset and liability accounts:			
Other assets	(106,941)	(212,463)	(231,788)
Other liabilities	261,331	125,198	(409,319)
Net cash provided by operating activities	1,015,497	482,859	204,430

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

Consolidated statements of cash flows (continued)

	2005 S/(000)	2004 S/(000)	2003 S/(000)
Cash flows provided by (used in) investing activities			
Gain on sales of property, furniture and equipment	48,931	66,392	46,472
Gain on sales of assets seized	92,701	203,899	252,307
Additions in property, furniture and equipment	(108,799)	(108,102)	(89,617)
Net cash provided by investing activities	32,833	162,189	209,162
Cash flows provided by (used in) financing activities			
Net increase (decrease) in deposits and obligations	4,673,511	(1,159,967)	(2,580,262)
Net purchase in trading and available-for-sale securities	(1,950,587)	(400,191)	(1,002,460)
Net sale (purchase) in permanent investments	8,063	(51,524)	289,219
Net increase (decrease) in due to banks and correspondents	2,669,894	369,597	(223,617)
Net increase (decrease) in bonds issued	91,963	(75,124)	(332,256)
Net decrease (increase) in loan portfolio, note 7	(2,274,274)	1,023,449	1,247,037
Cash paid for purchase of loan portfolio, note 7	(1,152,100)	-	-
Cash dividends	(318,872)	(245,287)	(113,944)
Net cash provided by (used in) financing activities	1,747,598	(539,047)	(2,716,283)
Net increase (decrease) in cash and cash equivalents	2,795,928	106,001	(2,302,691)
Cash and cash equivalents at the beginning of year	5,618,766	5,512,765	7,815,456
Cash and cash equivalents at the end of year	8,414,694	5,618,766	5,512,765
Supplementary cash flow information			
Cash paid during the year for:			
Interest	492,974	440,391	424,722
Income taxes	149,802	132,779	214,500

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

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

Banco de Crédito del Perú and Subsidiaries

Notes to the consolidated financial statements

As of December 31, 2005 and 2004

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 company incorporated in Bermuda in 1995), which owns 96.22 percent of its capital stock as of December 31, 2005 and 2004.

The Bank, whose operations are governed by “Ley General del Sistema Financiero y de Seguros y Orgánica de la Superintendencia de Banca, Seguros y AFP” (SBS) - Ley 26702 (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 an 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 those activities are carried out by Subsidiaries organized for such purposes.

The address of the Bank’s main office is Calle Centenario N°156, La Molina, Lima, Peru. As of December 31, 2005, the Bank and its Subsidiaries had 9,146 employees, 218 branches and agencies in Peru and 2 branches abroad (9,458 employees, 220 branches and agencies in Peru and 2 branches abroad as of December 31, 2004).

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 participation. The main summary financial information of the Bank and its Subsidiaries, which are included in the consolidation as of December 31, 2005 and 2004, before the eliminations for consolidation purposes are as follows:

Entity	Activity and country	Percentage of participation		Total assets		Total liabilities		Total shareholders' equity		Net income (losses)	
		2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
				S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
Banco de Crédito del Perú	Banking, Peru	-	-	29,300,002	21,576,761	26,508,894	19,158,515	2,791,108	2,418,246	691,734	319,260
Banco de Crédito de Bolivia and Subsidiaries	Banking and financial, Bolivia	95.91	95.91	1,964,354	1,507,747	1,739,045	1,311,557	225,309	196,190	35,111	15,855
Crédito Leasing S.A.	Financial, Peru	100.00	100.00	782,189	787,224	715,193	686,144	66,996	101,080	16,290	4,269
Inversiones BCP Ltda.	Financial, Chile	99.99	99.99	79,397	67,124	-	-	79,397	67,124	7,450	5,238
Credifondo S.A.F. - Sociedad Administradora de Fondos - SAF	Mutual Funds, Peru	100.00	100.00	59,455	35,595	6,910	4,752	52,545	30,843	16,203	10,791
Inmobiliaria BCP S.A.	Real estate, Peru	100.00	100.00	16,082	25,367	120	8,140	15,962	17,227	(1,265)	(10,601)
Credibolsa - Sociedad Agente de Bolsa S.A.	Brokerage, Peru	100.00	100.00	23,943	19,094	7,991	5,279	15,952	13,815	7,975	5,653
Solución Financiera de Crédito del Perú S.A.	Financial, Peru	100.00	100.00	14,135	13,756	137	-	13,998	13,756	287	(1,061)
Creditítulos S.A. - Sociedad Titulizadora	Securitization management, Peru	100.00	100.00	26,281	2,577	8,798	305	17,483	2,272	2,168	(148)
Inversiones Conexas S.A.	Real estate, Peru	100.00	100.00	2,865	1,262	95	30	2,770	1,232	1,538	(929)
BCP - Sociedad de Propósito Especial	Securitization management, Peru	100.00	100.00	5,789	1,092	10	121	5,779	971	6,766	12,380

The consolidated financial statements as of December 31, 2004, have been approved in the General Shareholders' Meeting dated March 31, 2005. At the date of this report, the accompanying consolidated financial statements as of December 31, 2005, have been approved by the Management on February 22, 2006, 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. Business developments

(a) Solución Financiera de Crédito del Perú S.A. -

In March 2003, BCP acquired a 45 percent interest in its subsidiary Solución Financiera de Crédito del Perú S.A. (hereinafter "Financiera"), thus increasing its participation to 100 percent of Financiera's capital stock. The amount paid for the Financiera purchase amounted to approximately S/63.3 million; generating goodwill for approximately S/29.4 million, note 10(e).

The General Shareholders' Meeting held on November 28, 2003, approved the split of an equity block of the Financiera and its incorporation to the Bank with effective date February 29, 2004. As of February 29, 2004, the value of the assets and liabilities corresponding to the split equity block absorbed by the Bank, with exception of the caption "Investment available-for-sale, net", amounted to approximately S/58.4 million. The split equity block of Financiera absorbed by the Bank was composed by the following assets and liabilities:

	S/(000)
Loans, net	309,032
Cash and due from banks	16,792
Installations, furniture and equipment, net	4,937
Trading investments	765
Other	18,567
Total assets	350,093
Obligations with the public	162,946
Corporate bonds	87,914
Due to banks and correspondents	4,293
Other	36,466
Total liabilities	291,619
Net value of equity block	58,474

(b) 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 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, note 7(c).

3. Significant accounting policies

In the preparation and presentation of the accompanying consolidated financial statements, the Bank's Management has complied with the regulations established by the SBS in force in Peru as of December 31, 2005 and 2004. 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 consolidated financial statements have been prepared from the accounting records of the Bank which are maintained in nominal Peruvian Nuevos Soles as of the date of the transactions, in accordance with SBS regulations, and supplementary maintained in accordance with International Financial Reporting Standards - IFRS approved in Peru, as of December 31, 2005 and 2004.

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 rate of exchange at the date of each balance sheet.

In accordance with Peruvian legal regulations, the attached financial statements do not include the effects of the consolidation of the Bank with its Subsidiaries described in note 8. As of December 31, 2005 and 2004, such investments in Subsidiaries were recorded using the equity method. Therefore, their consolidation has no effect on the net income of the Bank. Note 1 includes a brief description of the consolidated financial statements of the Bank and its Subsidiaries.

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 contingencies in the notes to the consolidated financial statements. Actual results could differ from those estimates. The most significant estimates used in the preparation of the accompanying consolidated financial statements are related to the computation of the allowance for loan losses, the valuation of investments, the provision for assets seized, and the valuation of derivatives. The accounting criteria used for each of these items are described below.

(ii) Accounting changes

Since the year 2005, the accounting treatment given to the adjustment for inflation (see below paragraphs), the valuation of investments (see paragraphs (g) and (h)), and the assets seized (see paragraph (j)), have been modified. According to the SBS accounting standards, such changes have been applied prospectively and have not modified the balances of the previous year.

As of December 31, 2004, the financial statements of the Bank and its Subsidiaries has been adjusted to reflect the effects of variations in the acquisition power of the Peruvian currency in accordance with the methodology approved by the National Accounting Standards Board. This methodology required the restatement of the non-monetary items in the balance sheets based on the Wholesale Price Index, according to the item's original transaction date. Monetary and foreign currency items were not restated as the book balances represent the monetary value of their components as of the dates of the balance sheets. According to official statistics, the variation in the purchasing power of the Peruvian currency with reference to the National Wholesale Price Index in the years ended on December 31, 2004 and 2003 was 4.9 and 2.0 percent, respectively, recording a loss to the Bank and its Subsidiaries from exposure to inflation of approximately S/54.0 million and S/28.8 million, respectively.

By means of Resolution N° 031-2004-EF/93.01, the National Accounting Standards Board suspended, beginning from January 1st 2005, the application of the financial statements inflation adjustment. The adjusted book balances as of December 31, 2004, have been considered as the initial balances as of January 1st, 2005. This accounting treatment has also been adopted by the tax authorities to determine the income tax starting from the year 2005.

(b) Consolidation -

Subsidiaries are consolidated from the date on which effective control is transferred to the Bank and cease to be consolidated from the date of disposal.

The consolidated financial statements include the financial statements of the subsidiaries described in note 1, which form the Banking Group. All subsidiaries have been consolidated for the years ended December 31, 2005, 2004 and 2003, or from the date on which they were incorporated or acquired by the Group.

All inter-company transactions, balances and unrealized surpluses and deficits between companies of the Group have been eliminated in the consolidation process. The minority interest resulting from the consolidation process is not significant.

The accounting records of the companies of the Banking Group comply with the information requirements established by SBS and by the central banks of the countries where its subsidiaries are located. The 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.

(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 relating to financial instruments classified as assets or liabilities are recorded as expense or income. 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, loans, accounts receivable, permanent investments and other liabilities, except for the deferred income tax and worker's profit sharing. In addition, all derivative instruments and 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 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 under or legal collection loans, and loans classified in the categories of doubtful and loss. The interests related to such loans are recognized as received on a cash basis. When Management determines that the debtor's financial condition has improved and the loan is reclassified as normal or with potential problems, 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 for in the period in which they are accrued.

(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 and 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 loss 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 that may be readily executed (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 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 counter part).

The allowance for loan losses also includes estimated losses for loans with problems and that have not been specifically identified. The allowances for direct credits are presented deducting their balances in the assets, while allowances for indirect credits are presented as liabilities, note 10.

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

(f) Foreign currency transactions and derivative financial instruments -
Assets and liabilities denominated in foreign currency are recorded in Peruvian currency 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.

Forward foreign currency operations are presented at their fair value, with an asset or a liability being recognized in the consolidated balance sheet and any related gain or loss being recognized in the consolidated statements of income. Forward contracts are also recorded in the off-balance sheet accounts at their face value, see note 19(d).

(g) Trading, available-for-sale, and held-to-maturity investments -
Initially, the Bank records its investments at the acquisition cost and afterwards at their classification value. As of December 31, 2004, investments were valued in accordance with Resolution No. 1053-1999 and No. 777-2000. Through establishment of Resolution No. 1914-2004 dated November 23, 2004, the SBS has made additional modifications and refinements to the Regulation of Classification, Valuation and Provision for the Investments and to the Accounting Manual for Financial Entities, with the purpose of standardizing certain aspects of their accounting treatment with international accounting practices. This resolution is in force since January 1st, 2005.

According to their classification, the investment valuation criteria as of December 31, 2004 and 2005, 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 statements of income.

  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. Until 2004, these investments were valued based on the global portfolio at the lower of the average acquisition cost or the estimated market value. Since 2005, the allowances recorded for these investments at the lower of cost or market value will not affect the results of the period, as occurred until 2004. 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 companies must update the accounting value of such instruments every month through the accrual of capital discounts or premium.

- 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 statement.

  Since 2005, allowance is recorded individually for changes in the loan capacity of the issuer similar to the treatment for direct loans. These allowances directly affect the 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.

In accordance with SBS rules, until December 31, 2004, any changes in the classification category must be recorded as a sale at market value; recording in that moment the gains or losses and the refunding of the provisions recorded as of the reclassification date. Since 2005, if a held-to-maturity security is sold, any securities acquired again from the same issuer must 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 statements of income.

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.

(h) Permanent investments -
These investments are recorded as follows:

- Investments in subsidiaries are recorded by the equity method. According to such method, the gains or losses generated by these subsidiaries are recognized in the consolidated statements of income on a proportional basis.

- The investments in shares of other companies are recorded at the lower of the equity's participation method or at the stock-market price, less the provision for impairment estimated to be other than temporary.

- Since 2005, the equity value must be determined according to SBS requirements. In the case of investments listed on recognized security exchanges, when market value demonstrate a loss tendency resulting from of 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.

(i) Property, furniture and equipment and depreciation -
Property, furniture and equipment are recorded at acquisition cost, less accumulated depreciation. Maintenance and repair costs are charged to profit and losses and significant renewals and improvements are capitalized, when the expenditures improve significantly the asset condition more than the original performance. The cost and the corresponding accumulated depreciation of assets sold or retired are eliminated from the corresponding accounts and the related gain or loss is included in the consolidated statements of income.

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

Depreciation is computed on a straight-line basis over the following estimated useful lives:

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

The useful life assigned and the selected depreciation 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.

(j) Assets seized -

Assets seized are initially recorded at the value assigned to them through legal proceeding, out of court settlement or at the unpaid value of the debt, the lower. Simultaneously to the establishment of value, an allowance equivalent to 20 percent of the legal settlement or recoverable asset value should be recorded; for this purpose the Bank is permitted use the allowance for loan losses that was originally provided for the related loan.

By means of SBS Resolution No. 535-2005, 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 this property was modified since that date.

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

- Property that is not real estate property – a monthly provision equivalent to one twelfth of the book value of the property, net of the aforementioned provision and of the provision for the decrease in the realization value of the property below net book value, is provided for since it is seized. A full provision is established for property not sold or surrendered under financial lease after twelve months as of 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 constitute, if applicable, a provision for devaluation. If the appraisal value is higher than the net book value, such higher value is not recognized. In addition, as of the thirteenth month after the allocation of the property, uniform monthly provisions equivalent to one twelfth of the net book value as at such date are constituted until the full value is reached.

Since October 2005, the Bank must recompute 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 property – a monthly provision equivalent to one eighteenth 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 100 percent of the seized value or recovery value of such property is provisioned.

- Real estate - the following criteria will be used:
  - 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.

  - The update of the appraisals of such property 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's assets may require, note 10(c).

(k) Intangible assets -

Intangible assets included in the "Other assets" caption of the consolidated balance sheets are comprised principally of software acquisition and developments used in Bank and its subsidiaries' operations. 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.

(l) Goodwill -
Goodwill included in the “Other assets” caption of the consolidated balance sheets, results from the difference between the estimated market value of the net assets acquired from the minority shareholders of Solución Financiera de Crédito del Perú S.A., and the amount paid for such assets, note 2(a). Goodwill is amortized using the straight-line method over its estimated useful life, which is 5 years.

(m) Bonds issued -
Include the liability from the issuance of different types of bonds, 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.

(n) 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 in accordance with IFRS 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 sheet date.

Deferred tax assets and liabilities are recognized without taking into consideration the time in which it is estimated that temporary differences will be 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 date, Management evaluates the non-recognized deferred assets and the balance of the recognized assets, recognizing 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 determines its deferred tax and employee 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.

(ñ) Supplementary plan for workers' profit sharing -
The Bank has a supplementary plan for worker's profit sharing, that grants stock appreciation rights (SARs) 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 SARs 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 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 options is estimated using a binomial method in accordance with IFRS 2 – Share-based payments.

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

(o) 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 statement for each caption mentioned above. The recoverable value is the bigger 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.

(p) 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.

(q) 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 Management's 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.

(r) 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.

(s) Earnings per share -

Basic and diluted earnings per share are computed based on the weighted average number of shares outstanding at the consolidated balance sheet date. 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, note 25, 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. The Bank and its Subsidiaries do not consider in the computation the shares resulting from restatement that have not been retired or issued as of December 31, 2005.

As of December 31, 2005 and 2004, the Bank and its Subsidiaries do not have financial instruments with dilutive effects; therefore, basic and diluted earnings per share are the same.

(t) 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.

(u) Consolidated financial statements as of December 31, 2004

Certain amounts of the financial statements as of December 31, 2004 have been reclassified to make them comparable with the presentation standards adopted for the current year. Reclassifications include:

Reclassifications to the consolidated balance sheets -

(i) In 2004, the "Interbank funds" assets amounting to S/(000)52,899 as of December 31, 2004, were shown as part of the caption "Cash and due from banks". In the consolidated financial statements as of December 31, 2005 and 2004, the aforementioned item is shown separately from "Cash and due from banks", to be consistent with the format established by the Superintendence of Banking, Insurance and Private Pension Funds Administrator Companies (hereinafter SBS).

(ii) In 2004, the "Interbank funds" liabilities of the Bank amounting to S/(000)218,311 of December 31, 2004, were shown as part of the caption "Due to banks and correspondents". In the consolidated financial statements as of December 31, 2005 and 2004, such item is shown separately from "Due to banks and correspondents", to be consistent with the format established by the SBS.

Reclassifications to the income statements -

The main reclassification made in 2004 and 2003 correspond to the "Net gain (loss) from exposure to inflation" shown after "Income before the result from exposure to inflation, worker's profit sharing and income tax" amounting to S/(000)113,170 and S/(000)43,107. These amounts included the loss from exposure to inflation for approximately S/(000)53,985 and S/(000)28,842 and the exchange loss for approximately S/(000)59,185 and S/(000)14,265. Since January 1st, 2005, the Accounting Standards Board (ASB) in Peru suspended the adjustment of the financial statements for the inflation effect, note 3(a). Consequently, the "Gain (loss) for exchange difference" in the audited consolidated financial statements as of December 31, 2005 and 2004, is shown as part of the "Net financial margin", to be consistent with the SBS's presentation for financial entities in Peru.

Reclassifications on Cash flow statement.-

The Bank used the template established by the SBS and therefore, items related to the years 2004 and 2003 have been reclassified.

(v) New accounting pronouncements -

The International Accounting Standards Board (IASB) has completed the review process over the International Financial Reporting Standards, known as the "Improvement Project " and has issued new accounting standards. The IAS reviewed and declared the new IFRS effective at the international level for financial years beginning on or after January 1st, 2005. The standards indicated in the following paragraph have been approved in Peru by the National Accounting Standards Board and their application is mandatory in Peru beginning January 1 st, 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 financial statements of the Bank, unless the SBS adopts them in the future through the modification of its Accounting Manual.

The main changes are summarized as follows:

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

- In addition, as a result of the revision of the standards related to business combinations, it was issued IFRS 3 - Businesses combinations, and were reviewed the IAS 36 –Assets impairment and IAS 38 -Intangible assets.

- Also in 2005, the following IFRS have been issued: IFRS 2 - Share-Based Payments, IFRS 3 - Businesses Combinations, IFRS 4 - Insurance Contracts, IFRS 5 - Non-Current Assets Held for Sale and Discontinued Operations, IFRS 6 - Exploration and Evaluation of Mineral Resources.

On February 3, 2006, taking into consideration the need for further study of technical criteria, the circumstances in some companies for establishing their functional currency and the importance that legal and tax provisions have in Peru for individual financial statements, the Accounting Standards Board (ASB) suspended by means of its Resolution No. 038-2005-EF/93.01 the coming into effect of IAS 21 (modified in 2003), up to December 31, 2006, without forbidding its optional application within the terms indicated by the Resolution No. 034-2005-EF/93.01; and the application in the country of the equity share method in the preparation of individual financial statements, for the valuation of investments in subsidiaries and related companies was maintained, in addition to the provisions of IAS 27 and 28 (such IAS having been modified in 2003).

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, 2005, the weighted average exchange rate in the market published by SBS for transactions in US Dollars was S/3.429 for buying and S/3.431 for selling (S/3.280 and S/3.283 as of December 31, 2004, respectively). As of December 31, 2005, the exchange rate established by SBS to record assets and liabilities in foreign currencies was S/3.430 for each US Dollar and S/0.411 for each Bolivian Peso (S/3.282 and S/0.409, as of December 31, 2004, respectively). A detail of the Bank and its Subsidiaries' foreign currency assets and liabilities is shown below:

	2005		2004	
	U.S. Dollars	**Bolivian Peso**	**U.S. Dollars**	**Bolivian Peso**
	US$(000)	US$(000)	US$(000)	US$(000)
Assets				
Cash and due from banks	2,180,289	49,754	1,504,571	43,380
Trading and held-to-maturity securities, net	631,361	9,080	339,881	46,287
Loans, net	3,618,507	25,894	3,210,802	14,851
Other assets	98,907	4,277	80,655	10,920
	6,529,064	89,005	5,135,909	115,438
Liabilities				
Deposits and obligations	(4,903,593)	(89,380)	(4,096,601)	(64,605)
Due to banks and correspondents	(434,301)	(1,545)	(176,603)	(835)
Bonds issued	(298,610)	-	(315,852)	-
Other liabilities	(197,665)	(8,685)	(172,083)	(8,906)
	(5,834,169)	(99,610)	(4,761,139)	(74,346)
Derivative operations – net short position	(477,835)	-	(211,520)	-
Net asset (liability) position	217,060	(10,605)	163,250	41,092

The derivatives net short position as of December 31, 2005, corresponds to foreign currency forward purchase and sale operations for approximately US$343.8 million and US$821.7 million, respectively (US$123.3 million and US$334.8 million as of December 31, 2004), note 19(d).

As of December 31, 2005, the Bank and its Subsidiaries have contingent operations (off-balance sheet) in foreign currency for approximately US$2,138.8 million, equivalent to approximately S/7,336.2 million (US$750.8 million as of December 31, 2004, equivalent to approximately S/2,464.4 million), 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) in shown as follows:

Year	Devaluation (revaluation) %	Inflation (deflation) %
2001	(2.3)	(2.2)
2002	2.3	1.7
2003	(1.5)	2.0
2004	(5.2)	4.9
2005	4.5	3.6

5. Cash and due from banks

As of December 31, 2005, cash and due from banks include approximately US$1,228.9 million and S/466.0 million (US$1,193.6 million and S/348.2 million as of December 31, 2004) 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. Additionally, as of December 31, 2005, cash and due from banks included US$450.0 million, equivalent to S/1,543.5 million for a overnight operation deposited in the Central Reserve Bank of Peru – BCRP which accrued an annual nominal interest rate of 3.97 percent with a 3 day maturity.

Reserve funds kept in BCRP do not earn interest, except for the part of the demandable reserve in foreign currency that exceeds the minimum legal reserve. As of December 31, 2005, the monthly excess amounts to approximately US$975.8 million, equivalent to approximately S/3,347.1 million, and earns interest in US Dollars at an annual rate of 2.25 percent (US$849.5 million equivalent to approximately S/2,788.1 million, and earned interest in US Dollars at an annual rate of 2.24 percent as of December 31, 2004).

Deposits in local and foreign banks correspond mainly to balances in Peruvian currency, Bolivian Pesos and US Dollars, with minimal amounts being maintained in other currencies. All deposits are unrestricted, and bear interest at market rates. As of December 31, 2005 and 2004, 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:

	2005 S/(000)	2004 S/(000)
Trading securities		
Corporate and leasing bonds	29,555	5,606
Listed equity securities	19,520	36,032
Peruvian Treasury bonds (b)	18,390	110,706
Mutual funds participation	2,248	1,802
Other	2,267	-
	71,980	154,146
Investments available-for-sale		
BCRP negotiable certificates of deposit (c)	3,938,559	2,237,202
Bonds of international financial entities (d)	376,054	248,056
Corporate and leasing bonds (e)	262,987	396,800
Public Treasury bonds of foreign governments (f)	247,502	248,019
Peruvian Treasury bonds (b)	202,539	-
Participation in Bolivia's RAL fund (g)	192,332	135,728
Mutual funds participation	96,767	11,500
Securitization instruments	40,111	55,331
Negotiable certificates of deposit	26,709	8,062
Listed equity securities	26,530	19,340
Non - listed equity securities	8,706	6,910
Commercial papers	-	6,968
Other	5,332	3,504
	5,424,128	3,377,420
Held-to-maturity securities	72,877	67,646
	5,568,985	3,599,212
Allowance for investments available-for-sale and held-to-maturity securities (h)	(10,195)	(10,529)
Balance of trading, available-for-sale and held-to-maturity securities, net	5,558,790	3,588,683
Accrued interest of investments available-for-sale and held-to-maturity	14,676	8,164
Total trading, available-for-sale and held-to-maturity investments, net	5,573,466	3,596,847

(b) The Peruvian Treasury bonds classified as trading are issued in Peruvian Currency by the Economic and Financial Ministry. As of December 31, 2005, these bonds accrue interest at annual rates that range between 4.37and 5.96 percent (between 4.98 and 7.20 percent as of December 31, 2004), with maturities between August 2006 and August 2017 (between June 2005 and October 2007, as of December 31, 2004). Since February 2005, the Bank decided to transfer part of these investments to the caption "Investments available-for-sale", in order to reflect their intention to maintain them through the medium term.

(c) BCRP negotiable certificates of deposit are freely negotiable financial instruments issued at discounts, denominated in local currency and with current maturities. These certificates have been acquired in public auctions and negotiated in the Peruvian secondary market. As of December 31, 2005, annual interest rates in Peruvian currency range between 3.75 and 6.35 percent (between 3.21 and 5.62 percent as of December 31, 2004), with maturities between February 2006 and June 2008 (between January 2005 and October 2006 as of December 31, 2004). As of December 31, 2005, the Bank has repurchased BCRP deposit certificates issued at a discount in Nuevos Soles for approximately S/2,032.2. Such operations accrued effective annual interest rates that range between 3.55 and 6.23 percent with maturity between January 2006 and February 2008.

(d) As of December 31, 2005, bonds of internal financial entities comprise mainly USS$82.7 and US$18.8 million debt instruments issued in US Dollars by Corporación Andina de Fomento - CAF and by Fondo Latinoamericano de Reservas - FLAR, respectively (approximately US$59.1 and US$16.5 million, respectively, as of December 31, 2004). As of December 31, 2005, such bonds have maturities between February 2006 and July 2009 (between February 2005 and March 2007 as of December 31, 2004). Annual interest rates range between 4.08 percent and 6.26 percent (between 2.50 percent and 4.01 percent as of December 31, 2004).

(e) As of December 31, 2005 and 2004, the Bank holds corporate bonds for the amount of S/261.1 and S/340.9 million, respectively, with maturities between January 2006 and May 2030 as of December 31, 2005 (between April 2005 and August 2009 as of December 31, 2004). These bonds accrue interests at annual effective interest rates that range between 2.92 and 7.65 percent for bonds in Peruvian currency (between 4.75 and 6.34 percent as of December 31, 2004) and between 3.12 and 6.27 annual percent for bonds in US Dollars (between 2.50 and 7.50 annual percent as of December 31, 2004).

As of December 31, 2005 and 2004, the Bank also holds leasing bonds issued by local financial entities in US Dollars for the approximate amount of S/1.9 and S/55.9 million, respectively, with maturities between January 2006 and January 2007. Such bonds earn interest at annual effective rates that range between 4.06 and 4.24 percent (between 2.16 and 5.30 percent as of December 31, 2004).

(f) As of December 31, 2005 public treasury bonds of foreign governments, correspond mainly to credit instruments for US$55.1 million issued by US Government agencies and US$5.1 million that correspond to instruments issued by the Government of El Salvador (approximately US$44.3 and US$18.9 million, respectively, as of December 31, 2004). Such bonds have maturities between May 2006 and July 2008, at annual interest rates that ranges between 3.01 and 5.27 percent (between 2.02 and 3.96 percent as of December 31, 2004).

(g) 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 1.6 percent (1.4 percent as of December 31, 2004).

(h) The movement in the allowance for investment in trading and held-to-maturity securities fluctuation is shown below:

	2005 S/(000)	**2004** S/(000)
Balance as of January 1st	10,529	17,426
Provision of the year, note 22	314	8,282
Recoveries	(169)	(7,091)
Used for sale	(479)	(8,088)
Balance as of December 31	10,195	10,529

The provision recorded by the Bank corresponds to specific investments for which Management estimates other than temporary impairment. As of December 31, 2005 and as indicated in notes 3(a) and (g), the Bank has modified the manner of recording provisions as a result of the valuation of the portfolio of negotiable investments available for sale. However, no provision was required to be recorded that would affect the net equity as to such date.

(i) As of December 31, 2005 and 2004, the reconciliation between the book value and the market value of available-for-sale and held-to-maturity securities is as follows:

	2005 S/(000)	2004 S/(000)
Book value	5,497,005	3,445,066
Unrealized gains	32,169	16,748
Unrealized losses	(13,393)	(4,129)
Estimated market value	5,515,781	3,457,685

The Management has estimated the market value of its available-for-sale securities 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.

(j) As of December 31, 2005 and 2004, the balance of investment in trading and held-to-maturity securities classified by maturity date is as follows:

	2005 S/(000)	2004 S/(000)
Up to 3 months	1,564,064	592,176
From 3 months to 1 year	2,926,671	2,220,679
From 1 year to 5 years	713,259	609,685
More than 5 years	310,235	114,390
Without maturity (shares)	54,756	62,282
Total	5,568,985	3,599,212

7. Loans, net

(a) This item is made up as follows:

	2005 S/(000)	2004 S/(000)
Direct loans		
Loans	11,728,101	9,197,293
Leasing receivables	1,967,541	1,394,528
Credit cards	1,021,018	845,989
Discounted notes	731,386	602,228
Factoring receivables	301,007	190,738
Advances and overdrafts	168,931	149,263
Refinanced and restructured loans	595,403	794,040
Past due and under legal collection loans	321,487	496,412
	16,834,874	13,670,491
Add (less)		
Deferred interest on discounted notes and leasing receivables	(269,238)	(219,255)
Accrued interest from standing credits	136,494	95,101
Allowance for credit losses (g)	(672,146)	(791,581)
Total direct loans	16,029,984	12,754,756
Indirect loans, note 19(a)	3,467,076	2,913,583

(b) As of December 31, 2005 and 2004, 51 percent of the direct loan portfolio was concentrated in 313 and 410 clients, respectively.

(c) As indicated in note 2(b), in January 2005, the Bank acquired the loan portfolio of Peruvian clients abroad maintained in the Peruvian Branch of Bank Boston N.A. for approximately S/1,152.1 million. The acquired loan portfolios are comprised principally of corporate loans, mortgage loans and financial lease operations,

(d) As of December 31, 2005 and 2004, the Bank's loan portfolio is distributed among the following economic sectors:

	2005		2004	
	S/(000)	%	S/(000)	%
Manufacturing	4,834,195	28.7	4,122,948	30.2
Mortgage loans	2,890,732	17.2	2,154,371	15.8
Commerce	2,320,885	13.8	1,481,104	10.8
Consumer loans	1,292,712	7.7	979,307	7.2
Leaseholds and real estate activities	874,269	5.2	721,154	5.3
Micro-business loans	776,941	4.6	565,644	4.1
Mining	762,025	4.5	604,174	4.4
Communications, storage and transportation	710,034	4.2	563,631	4.1
Electricity, gas and water	658,996	3.9	806,186	5.9
Agriculture	495,927	2.9	474,794	3.5
Fishing	384,266	2.3	203,940	1.5
Financial services	279,905	1.7	236,216	1.7
Education, health and other services	238,756	1.4	175,232	1.3
Construction	214,825	1.3	185,175	1.4
Other	100,406	0.6	396,615	2.8
Total	16,834,874	100.0	13,670,491	100.0

(e) As of December 31, 2005 and 2004, the credit risk classification of the Bank and its Subsidiaries´ loan portfolio, according to SBS standards, is as follows:

Risk category	2005						2004					
	Direct loans		Indirect loans		Total		Direct loans		Indirect loans		Total	
	S/(000)	%	S/(000)	%	S/(000)	%	S/(000)	%	S/(000)	%	S/(000)	%
Normal	14,448,984	85.8	3,158,559	91.1	17,607,543	86.7	11,012,471	80.6	2,668,321	91.6	13,680,792	82.6
Potential problems	1,363,037	8.1	238,688	6.9	1,601,725	7.9	1,074,336	7.8	173,291	5.9	1,247,627	7.5
Substandard	284,203	1.7	31,844	0.9	316,047	1.6	626,427	4.6	42,521	1.5	668,948	4.0
Doubtful	498,290	3.0	16,100	0.5	514,390	2.5	574,878	4.2	23,997	0.8	598,875	3.6
Loss	240,360	1.4	21,885	0.6	262,245	1.3	382,379	2.8	5,453	0.2	387,832	2.3
	16,834,874	100.0	3,467,076	100.0	20,301,950	100.0	13,670,491	100.0	2,913,583	100.0	16,584,074	100.0

(f) 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

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

	2005 S/(000)	2004 S/(000)
Balance as of January 1st	852,184	1,199,663
Net provision, note 21	95,643	101,884
Allowance for purchase of loan portfolio, note 2(b)	26,413	-
Loan portfolio sold and written-off	(230,882)	(366,043)
Result from exposure to inflation/exchange difference	(3,425)	(83,320)
Balance as of December 31(*)	739,933	852,184

(*) As of December 31, 2005, the movement in the allowance for credit losses includes direct and indirect credits for approximately S/672,146,000 and S/67,787,000, respectively (approximately S/791,581,000 and S/60,603,000, respectively, as of December 31, 2004). The allowance for indirect credits is shown in the "Other liabilities" caption of the consolidated balance sheet, note 10(a).

In Management's opinion, the allowance for credit losses recorded as of December 31, 2005 and 2004 has been established in accordance with SBS regulations in force as of those dates, note 3(e).

(h) In 2005, the Bank and its Subsidiaries sold fully provisioned portfolio of past due loans to two affiliates for approximately S/90.4 million (approximately S/76.9 million in 2004). The sale price generated gain of approximately S/7.4 million (approximately S/5.4 million in 2004). In addition, in 2005, the Bank and its Subsidiaries made a write-off of a fully provided for portfolio for approximately S/140.4 million (approximately S/289.1 million in 2004).

(i) 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.

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

(k) As of December 31, 2005 and 2004, the gross direct loan portfolio has the following maturity schedule:

	2005 S/(000)	2004 S/(000)
Outstanding loans -		
Up to 1 month	3,628,261	3,003,571
Up to 3 months	2,655,687	2,445,938
From 3 months to 1 year	3,695,305	2,725,130
From 1 to 5 years	4,164,670	3,295,193
More than 5 years	2,369,464	1,704,247
Past due loans-		
Up to 4 months	12,498	22,546
More than 4 months	146,197	215,113
Loans under legal collection	162,792	258,753
Total	16,834,874	13,670,491

8. Permanent investments

(a) This item is made up as follows:

	2005					2004				
	Book value S/(000)	**Provision** S/(000)	**Market value** S/(000)	**Unrealized gains (losses)** S/(000)	**Estimated market value** S/(000)	**Book value** S/(000)	**Provision** S/(000)	**Market value** S/(000)	**Unrealized gains (losses)** S/(000)	**Estimated market value** S/(000)
Listed equity securities (b)	79,397	-	79,397	160,545	239,942	64,932	-	64,932	136,103	201,035
Investments in non financial institutions (c)	13,099	(10,163)	2,936	659	3,595	27,728	(9,724)	18,004	(2,409)	15,595
Investments in financial institutions (d)	17,869	(1,367)	16,502	-	16,502	24,888	(1,234)	23,654	-	23,654
	110,365	(11,530)	98,835	161,204	260,039	117,548	(10,958)	106,590	133,694	240,284
Allowance for impairment of permanent investments	(11,530)					(10,958)				
Balance of permanent investments, net	98,835					106,590				
Accrued interest from permanent investments	-					308				
Total permanent investments, net	98,835					106,898				

(b) This caption comprises 2.74 percent participation in shares maintained by Inversiones BCP Ltda. on Banco de Crédito e Inversiones de Chile – BCI Chile, reclassified in November 2004 from “Investments available-for-sale” to “Permanent investments” at their equity value of approximately S/105.5 and its related allowance of S/47.6 million. In December 2004, such investment generated revenues for approximately S/7.1 million. As of December 31, 2005 and 2004, the market price of each share according to its quotation in the Santiago’s stock exchange is equivalent to approximately US$24.95 and US$22.59, respectively. The gains obtained when this investment will be sold are subject to the applicable taxes in Chile and Peru.

(c) This caption comprises the shares of Peru Privatization Fund – PPF acquired in March 2003 from Banco de Crédito Overseas Limited – BCOL. In May 2005, PPF carried out the seventh, eight and ninth reduction of its investments in the fund for a total of approximately S/14.6. Such investments were transferred to the Bank at market values as part of its portfolio of “Investments available-for-sale” (S/9.2 million total due to its third and fourth reduction of its investments as of December 31, 2004).

(d) As of December 31, 2005, this caption principally comprises the participation of Banco de Crédito in Visanet del Perú S.A.C, Edificaciones Macrocomercio S.A. and Corporación de Servicios de Información – Infocorp S.A for S/5,8, S/4.0 and S/2.7 million which represent the 35.32, 15.77 and 28.27 percent, respectively (approximately S/4.0, S/3.9 and S/7.2 million corresponding to 32.21, 15.80 and 22.57 percent of participation of Banco de Crédito del Perú in Visanet del Perú S.A.C, Edificaciones Macrocomercio S.A. and Unibanca S.A., Unibanca having been sold during 2005).

9. Property, furniture and equipment, net

(a) The movement of property, furniture and equipment and accumulated depreciation for the years ended 2005 and 2004 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)	2005 S/(000)	2004 S/(000)
Cost -									
Balance as of January 1st	73,868	733,019	258,136	197,809	525,723	48,247	5,688	1,842,490	1,870,190
Additions	3,735	29,482	11,640	3,356	44,300	6,078	10,208	108,799	103,213
Assets incorporated by mergers	-	-	-	-	-	-	-	-	4,889
Retirements and transfers	(13,860)	(125,801)	(21,394)	(16,676)	(40,731)	(609)	(8,314)	(227,385)	(135,802)
Balance as of December 31	63,743	636,700	248,382	184,489	529,292	53,716	7,582	1,723,904	1,842,490
Accumulated depreciation -									
Balance as of January 1st	-	386,050	151,136	149,569	437,493	19,700	-	1,143,948	1,102,661
Depreciation of the year	-	20,587	20,831	11,801	39,912	4,212	-	97,343	100,716
Retirements and transfers	-	(89,468)	(18,006)	(15,256)	(39,911)	(595)	-	(163,236)	(59,429)
Balance as of December 31	-	317,169	153,961	146,114	437,494	23,317	-	1,078,055	1,143,948
Net book value	63,743	319,531	94,421	38,375	91,798	30,399	7,582	645,849	698,542

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

(c) As of December 31, 2005, the Bank has property available for sale for approximately S/40.7 million, net of accumulated depreciation which amounts to approximately S/24.2 million, (approximately S/109.6 million net of accumulated depreciation which amounts to approximately S/59.0 as of December 31, 2004).

10. Other assets and other liabilities

(a) These items are made up as follows:

	2005 S/(000)	2004 S/(000)
Other assets		
Operations in process (b)	133,453	101,739
Accounts receivable	111,867	103,743
Deferred income tax and workers' profit sharing, note 14(a)	99,429	66,516
Assets seized, net (c)	91,644	95,767
Trustee in warranty, note 13(b)	68,600	65,640
Intangible assets, net (d)	59,792	60,644
Tax credit for leasing operations	48,204	1,021
Deferred expenses	36,514	28,781
Income tax prepayments, net of expenses for the period	27,217	65,133
Derivatives assets	20,115	29,410
Goodwill (e)	12,740	18,619
Other	17,215	18,968
Total	726,790	655,981
Other liabilities		
Payroll taxes, salaries and other personnel expenses payable	183,806	120,654
Operations in process (b)	158,741	78,851
Accounts payable	124,580	114,606
Contributions	106,978	38,276
Provision for sundry risks (f)	97,909	127,394
Allowance for indirect credit losses, note 7(g)	67,787	60,603
Allowance for regulation changes of assets seized (c)	39,563	-
Derivatives liabilities	27,884	15,622
Deferred income tax and workers' profit sharing, note 14(a)	19,365	22,910
Minority interest	9,197	8,008
Deposit Insurance Fund	8,575	7,863
Total	844,385	594,787

(b) Operations in process include deposits received, loans disbursed and/or collected, funds transferred and other similar types of transactions, which are realized 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.

(c) As of December 31, 2005 and 2004, this caption includes land, buildings, machinery and equipment received in payment of loans. The movement for the caption, as of December 31, 2005 and 2004, is summarized as follows:

	2005 S/(000)	2004 S/(000)
Cost -		
Balance as of January 1st	332,696	414,803
Additions	55,503	179,165
Retirements	(133,760)	(261,272)
Balance as of December 31	254,439	332,696
Provision -		
Balance as of January 1st	236,929	258,766
Provision of the year	50,469	93,508
Reversal of provision for changes in regulations (*)	(39,563)	-
Provision used for sales	(85,040)	(115,345)
Balance as of December 31	162,795	236,929
Net book value	91,644	95,767

(*) As explained in note 3(j), 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/43.8 million. 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, 2005, the Bank has been using such excess to provide the additional requirements of provisions for assets seized, using approximately S/4.2 million for such purpose and has transferred the remaining amount of S/39.6 million to the provision for sundry risks under the caption “Other liabilities”.

As of December 31, 2005, the net book value mainly includes land and buildings for approximately S/23.8 and S/72.3 million, respectively (S/20.9 and S/68.4 million as of December 31, 2004, respectively). As of December 31, 2005 and 2004, the Bank and its Subsidiaries have sold assets seized for approximately S/92.7 and S/203.9 million, respectively, with a net gain of approximately S/44.0 million and S/58.0 million, respectively, which is included in the caption "Other Income" of the consolidated statements of income, note 23. In the Management's opinion, the provision for assets seized as of December 31, 2005 and 2004, is according to the SBS Regulations in force as of such dates.

(d) The movement of intangible assets for the years ended December 31, 2005 and 2004, is as follows:

Description	**Software**	**Other developments**	**2005**	**2004**
	S/(000)	S/(000)	S/(000)	S/(000)
Cost -				
Balance as of January 1st	155,112	115,867	270,979	261,419
Additions	12,308	12,975	25,283	18,322
Intangibles incorporated by mergers	-	-	-	706
Retirements (*)	(102,982)	(45,274)	(148,256)	(9,468)
Balance as of December 31	64,438	83,568	148,006	270,979
Accumulated amortization -				
Balance as of January 1st	127,299	83,036	210,335	185,231
Amortization of the year	11,216	14,914	26,130	31,382
Retirements (*)	(102,980)	(45,271)	(148,251)	(6,278)
Balance as of December 31	35,535	52,679	88,214	210,335
Net book value	28,903	30,889	59,792	60,644

(*) In September 2005, the Bank wrote off certain intangible assets fully amortized and out of use for S/145.1 million.

(e) 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. note 2(a) and the price paid for such assets. As of December 31, 2005, the original purchased value of goodwill amounts to approximately S/ 29.4 million and the accumulated amortization to S/16.7 million, respectively.

(f) Provision for sundry risks mainly comprises the provisions for the estimated losses to complete the insurance coverage which correspond mainly to insurance companies´ claims, the provisions for the estimated losses in legal actions against the Bank and its Subsidiaries and other similar obligations, which have been recorded based on Management's and its legal advisors' best estimates at respective balance sheet dates.

11. Deposits and obligations

(a) This item is made up as follows:

	2005 S/(000)	**2004** S/(000)
Non-interest bearing deposits and obligations -		
In Peru	4,307,308	3,216,912
In other countries	1,434,309	505,573
	5,741,617	3,722,485
Interest bearing deposits and obligations -		
In Peru	13,820,194	11,872,519
In other countries	3,256,435	2,567,219
	17,076,629	14,439,738
	22,818,246	18,162,223
Interest payable	81,279	63,791
Total	22,899,525	18,226,014

The Bank and its Subsidiaries have established a policy to remunerate 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, 2005 and 2004, the balance of deposits and obligations by type of transactions is made up as follows:

	2005 S/(000)	2004 S/(000)
Time deposits	7,232,621	5,923,311
Demand deposits	7,498,919	5,354,096
Saving accounts	5,681,697	4,964,869
Severance indemnities deposits	2,245,932	1,741,703
Bank certificates in foreign currency	159,077	178,244
Total	22,818,246	18,162,223

(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, 2005, time deposits and bank certificates above US$100,000 amount to approximately to S/2,652.1 and S/27.2 million, respectively, equivalent to approximately US$773.2 and US$7.9 million, respectively (S/2,926.2 and S/37.7 million equivalent to approximately US$891.6 and US$11.5 million, respectively, as of December 31, 2004).

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

	2005 S/(000)	2004 S/(000)
Up to 3 months	4,456,143	3,649,454
From 3 months to 1 year	1,382,249	1,132,022
From 1 to 5 years	920,269	753,674
More than 5 years	473,960	388,161
Total	7,232,621	5,923,311

12. Due to banks and correspondents

(a) This item is made up as follows:

	2005 S/(000)	2004 S/(000)
By type -		
Promotional credit lines (b)	727,615	398,962
BCRP - Repo transactions (c)	1,751,333	-
Due to banks and correspondents with local and foreign financial institutions (d)	669,287	125,341
	3,148,235	524,303
Interest payable	5,662	705
Total	3,153,897	525,008
By term -		
Short -term debt	2,657,537	236,491
Long-term debt	490,698	287,812
Total	3,148,235	524,303

(b) Promotional credit lines represent loans granted to BCP by Corporación Financiera de Desarrollo (COFIDE) and Banco Interamericano de Desarrollo (BID), to promote the development of Peru. As of December 31, 2005 and 2004, these credit lines are secured by a loan portfolio amounting to US$212.1 million and US$121.6 million, equivalent to S/727.6 million and S/399.0 million, 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, 2005, BCP had BCRP - Repo transactions with the Peruvian Central Bank (BCRP), which earned annual interest rates that fluctuated between 3.23 and 3.32 percent, with 3 day maturities.

(d) Due to banks and correspondents comprise mainly loans to fund foreign trade operations and working capital, granted by 5 foreign entities as of December 31, 2005 (2 as of December 31, 2004), of which 1 represents 54 percent of the balance (one lending entity 85 percent of the balance as of December 31, 2004). Certain 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 its Subsidiaries, and are substantially fulfilled in the application of standard international banking practices. Due to banks and correspondents bear interest at current domestic and international market rates, and do not have specific guarantees.

(e) As of December 31, 2005 and 2004, the balance of this caption, classified by maturity, is as follows:

	2005 S/(000)	**2004** S/(000)
Up to 3 months	2,612,017	101,499
From 3 months to 1 year	45,520	134,992
From 1 to 5 years	169,321	95,670
More than 5 years	321,377	192,142
Total	3,148,235	524,303

13. Bonds issued

(a) This item is made up as follows:

	Weighted average annual interest rate %	**Maturity**	**2005** S/(000)	**2004** S/(000)
Corporate bonds (b)	5.89	Between April 2006 and November 2012	318,692	260,046
Leasing bonds (c)	5.59	Between July 2006 and November 2010	779,183	747,435
Mortgage bonds	7.70	Between May 2011 and April 2012	99,470	98,295
Subordinated bonds	6.83	Between August 2007 and October 2013	331,179	333,671
Mortgage certificates	10.00	Between January 2009 and December 2011	369	820
			1,528,893	1,440,267
Interest payable			12,494	9,157
Total			1,541,387	1,449,424

(b) In April and December 2005, the Bank conducted the Third issue under the First Program of Series “B” Corporate Bonds and the Seventh, Eighth, Ninth and Tenth Issue under the First Program of Series “A” Corporate Bonds for S/50.0 and S/70.0 million, respectively, with maturity dates between May 2007 and November 2012, which accrue interest at annual rates that range between 5.81 and 7.06 percent, respectively.

During 2004, the Bank conducted the Third Issue under the First Program of Series “B” Solution Corporate Bonds for S/30.0 million with maturity in January 2007, the Third Issue under the First Program of Series “A” Corporate Bonds for S/20.0 million, with maturity in May 2006 and the Second Issue under the Second Program of Series “B” Credit Link Notes Structured Bonds – CLN for US$20.0 million, equivalent to S/68.6 million, with maturity in June 2006. The CLN are secured by a trust of quotas related with Peruvian Government credit.

(c) During 2005, Crédito Leasing S.A., a subsidiary of the Bank conducted the Third Program of Series “A” and “B” Financial Lease Bonds for US$15.0 million and US$25.0 million (equivalent to approximately S/51.4 million and S/85.8 million, respectively) with maturities between February 2007 and July 2008, which accrue interest at an annual rate of 4.34 percent.

In June 2004, Crédito Leasing S.A., a subsidiary of the Bank placed the First Issue of the Third Program of Series “C” Financial Lease Bonds for US$14.0 million, equivalent to approximately S/48.0 million with maturity in June 2008.

(d) Leasing and mortgages loans are collateralized by the fixed assets financed by the Bank and its Subsidiaries with these resources.

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

	2005	**2004**
	S/(000)	S/(000)
Up to 3 months	65,092	25,000
From 3 months to 1 year	241,673	187,382
From 1 to 5 years	1,015,408	829,405
More than 5 years	206,720	398,480
Total	1,528,893	1,440,267

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:

	2005 S/(000)	2004 S/(000)
Deferred assets -		
Allowance for credit losses	41,780	23,431
Allowance for assets seized	23,924	19,384
Past due interests	6,503	10,884
Provision for diverse expenses	15,390	7,122
Provision for sundry risks	11,832	5,695
Total deferred assets, note 10(a)	99,429	66,516
Deferred liabilities -		
Intangible assets	(11,138)	(10,526)
Leasing operations, net	(4,900)	(7,899)
Exchange difference	(3,327)	(4,485)
Total deferred liabilities, note 10(a)	(19,365)	(22,910)
Net balance	80,064	43,606

(b) Amounts presented in the balance sheets as of December 31, 2005 and 2004, as well as the consolidated statements of income for the years then ended are shown below:

Consolidated balance sheets	Deferred assets		Deferred liabilities	
	2005 S/(000)	2004 S/(000)	2005 S/(000)	2004 S/(000)
Income tax	85,817	56,770	(17,923)	(19,745)
Workers' profit sharing	13,612	9,746	(1,442)	(3,165)
	99,429	66,516	(19,365)	(22,910)

Consolidated statements of income	Workers' profit sharing		Income tax	
	2005 S/(000)	2004 S/(000)	2005 S/(000)	2004 S/(000)
Current	41,218	28,809	250,715	173,897
Deferred	(5,589)	(5,866)	(30,869)	(33,670)
Supplementary plan for workers' profit sharing	105,950	58,060	-	-
	141,579	81,003	219,846	140,227

The supplementary plan for workers' profit sharing includes the amounts granted by the Bank's Management to its employees, due to the fulfillment of objectives; in addition to the legal participation. Additionally, amounts include the provision for the accrued liability corresponding to the supplementary profit participation plan described in Note 17.

(c) Reconciliation of effective tax rate to statutory tax rate for the years 2005 and 2004 is as follows:

	2005 %	2004 %
Income before workers' profit sharing and taxes	100.00	100.00
Theoretical expense	30.00	30.00
Effect on taxable income		
Non-taxable financial revenues	(7.37)	(8.97)
Effect of non-deductible expenses		
Non-deductible financial expenses	1.73	2.24
Amortization of goodwill	0.19	0.37
Other	(0.43)	6.90
Current and deferred workers' profit sharing and income tax	24.12	30.54

15. Net shareholders' equity

(a) Capital stock -

As of December 31, 2005, 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 (1,226.4 million common shares as of December 31, 2004).

The General Shareholders' Meeting held on March 28, 2003, approved an increase of the capital stock for 18.2 and 107.7 million shares, corresponding to the restatement due to inflation of capital stock as of December 31, 2002, and the capitalization of the net income, respectively.

The General Shareholders' Meeting held on March 26, 2004, approved an increase of the capital stock for 24.0 million shares, corresponding to the restatement of capital stock due to inflation as of December 31, 2003.

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 inflation as of December 31, 2004.

(b) Legal reserve -

Pursuant to legislation in force, the Bank must reach a legal reserve of at least 35 percent of its paid-in capital. This reserve is to be funded through an annual appropriation of at least 10 percent of the Bank's net income.

The subsidiaries of the Bank also must recognize this reserve in their individual financial statements. As of December 31, 2005 and 2004, the report of legal reserves of the subsidiaries amounts to approximately S/620.8 and S/621.3 million, respectively.

(c) Special reserve -

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

(d) Dividend distribution -

The General Shareholders' Meetings held on March 31, 2005, March 26, 2004 and March 28, 2003, agreed to distribute dividends in the amount of approximately S/318.9, S/245.3 and S/113.9 million, respectively.

Under current legislation, there is no restriction for overseas remittance of dividends or the repatriation of foreign investments. Since 2003, the tax regime applicable to dividends has been modified.

(e) Shareholders' equity for legal purposes (Regulatory capital) -
As of December 31, 2005 and 2004, 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/16,010 and S/87.4 million, respectively (S/13.6 and S/65.8 million as of December 31, 2004, respectively), generating a global leverage ratio for credit and market risk that is 9.11 times the regulatory capital of the Bank and its Subsidiaries (7.71 times the regulatory capital of the Bank and its Subsidiaries according to regulations in force as of December 31, 2004). 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 and determine their income tax based on their individual results. As of December 31, 2005 and 2004 the statutory income tax was 30 percent on taxable income, including the result from exposure to inflation for 2004 and priors years, note 3(a).

Individual persons and corporations not domiciled in Peru must pay an additional tax of 4.1 percent on dividends received.

Effective January 1st, 2004, the following changes to tax law were in force:

- Transactions carried out the Company for amounts above S/5,000 or US$1,500, should be performed through the financially system, and any payments not made through the financial system will not have validity for tax income purposes.

- Effective March 1º, 2004, individual persons and corporations in Peru must pay an additional tax of 0.15 percent on transactions (0.10 percent effective April 1, 2004), and 0.08 percent effective January 1 st, 2005, regarding debits as well as credits realized in bank accounts, for operations in local and foreign currency. This tax will be considered a deductible expense toward the annual income tax and must be retained and paid by financial entities.

Effective January 1 st, 2005, the following changes to tax law were in force:

- It has been established that an advance payment of the income tax labeled Temporary Tax on Net Assets, will be required to be paid by enterprises subject to the Income Tax General Regimen and will be in force until December 31, 2006. The basis to calculate that tax payment is the value of the net assets as of December 31 of the previous year. The tax is calculated using a rate of 0.60 percent of the assets that exceed S/5.0 millions. The obligation to pay this tax remains even and when the Bank had tax losses in the precedent periods or even in the event that it has credit for income tax advanced payments made.

The paid tax, total or in part, could be used as credit against the advanced payments in advance of the Income Tax from the periods extending from March to December of the taxable period for which the Bank paid the tax, as well as against the final payment of the related period. It is also possible to request a refund of the tax when the Bank demonstrates a tax loss or a minor Income Tax based on the general regimen standards. The right to ask for a refund will be generated with the presentation of the annual tax return of the related period.

- Additionally, it is established that the rate of the value added tax will be 19 percent up to December 31, 2006.

- Beginning January 1st, 2005, to determine the calculation basis of the taxes, specifically the income tax, financial statements should not be adjusted for inflation.

(b) For income tax and value added tax purposes, the prices and amounts of considerations agreed to in transactions between related parties or from, to or through low or zero tax countries "tax havens" or territories require the presentation of supporting documents and information on the valuation methods and criteria applied for valuation determination. The Tax Administration is entitled to request such documents and information from the Bank and its Subsidiaries.

Based on the analysis of the operations of the Bank with its Subsidiaries, Management and its internal legal counsels are of the opinion that no significant contingencies will emerge for the Bank as consequence of the application of such provisions as of December 31, 2005 and 2004.

(c) The tax authorities are entitled to review and, if applicable, to make a new determination of the income tax during the four years following the filing of the income tax return calculated by the Bank and its Subsidiaries. The income tax returns of the Bank for 2004 and 2005, and from 2001 to 2005 in the case of its Subsidiaries, with the exception of Crédito Leasing for 2001, are pending control 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 the opinion of Management and its internal legal counsels any possible additional tax assessment would not have any significant consequences on the financial position or results of operations as of December 31, 2005 and 2004.

As indicated in note 18(b), in the case of the Bank, the 1999 fiscal year has been reviewed by the tax authorities, while the 2001, 2002 and 2003 fiscal years are in the review process. Likewise, in the case of Crédito Leasing S.A., the tax authorities have completed the review of the FY 2001. The preliminary results of such reviews have not generated any major additional liabilities for both the Bank and its Subsidiaries.

17. Stock appreciation rights

As indicated in note 3(ñ), since the year 2003, the Bank grant options over Credicorp's (the Bank's majority shareholder) stock appreciation rights (SARs). The SARs expire after eight (8) years of the date when they were granted. As of December 31, 2005 and 2004, the numbers of SARs exercised under this plan were 428,450 and 517,525, respectively.

As of December 31, 2005, the number of SARs that can be exercised under the plan is 1,504,556 and the exercise price established for this benefit ranges between US$ 6.3 and US$17.0 per share (1,595,413 SARs and exercise price between US$8.7 and US$12.4 per share as of December 31, 2004). As of December 31, 2005 and 2004, the stock exchange price of Credicorp's shares at the New York Stock Exchange was US$22.8 and US$15.8, respectively, and the weighted average estimated market price of the options as of these dates amount exercised to US$24.0 and US$16.7, respectively.

As of December 31, 2005 and 2004, the expenses related to this plan are recorded under the caption "Workers' profit sharing" of the consolidated statements of income, note 14(b).

18. Commitments and contingencies

(a) Commitments -

- In January 2001, the Bank entered into an agreement with a related company of Credicorp Ltd. for the transfer of rights to the future collection of payment orders from foreign bank members of the Society for Worldwide Interbank Financial Communications ("Swift"). The agreement was used for the securitization of the aforementioned rights for up to US$ 100 million with maturity up to 2007. The proceeds from the securitization were delivered in January 2001 to Credicorp Ltd. related companies. In November 2005, the related company cancelled such securitization with the payment of US$38.1 million (equivalent to S/130.7 million). The cancellation of this operation did not require the payment of any penalty or commission by BCP. As of December 31, 2004, transferred collections amounted to US$51.3 million, equivalent to S/176.0 million.

- In November 2005, the Panama Branch obtained a loan from a foreign related entity for US$230 million (equivalent to S/788.9 million) and US$50 million (equivalent to S/171.5 million), respectively, with maturities up to 2012 and 2009, respectively. Such loans are guaranteed by the

Bank and accrue monthly interest at a variable Libor rate plus 0.21 and 0.60 percent, respectively. As December 31, 2005, the amount of the unpaid balance is US$280 million (equivalent to S/960.4 million).

(b) Contingencies -

As of December 31, 2005 and 2004, the Bank has received tax assessments from the Tax Administration as a result of the review of the income tax corresponding to the year 1999. In this respect, the Tax Administration 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 S/8.5 million as of December 31, 2005. The Management and its legal advisors believe that the claim filed will have a favorable result for the Bank.

Likewise, as of December 31, 2005, the Bank has not been notified on the final assessment of the Tax Administration as a result of the tax review for the years 2001, 2002 and 2003. It is estimated that according to the preliminary results of such reviews, assessments by the Tax Administration could determine a payable tax, fines and arrears interest for approximately S/2.7 and S/3.2 million for the years 2001 and 2002, respectively. It is estimated that no payable tax will be determined for year 2003. Management and its internal legal counsels consider that if an appeal is filed against such assessments, a favorable decision will be obtained for the Bank.

Also, as of December 31, 2005 and 2004, according to assessments by the Tax Authority, the review of the 2001 income tax of Crédito Leasing S.A., a subsidiary of the Bank, has determined a lower balance in favor of the income tax for approximately S/3.4 million. Crédito Leasing S.A. has filed an appeal including an objection to the fine for S/3.2 million as of December 2005 (S/2.7 million as of December 31, 2004). Management and its internal legal counsels consider that the decision on the appeal should be favorable for Crédito 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; therefore, the Management has not consider necessary to make an additional provision to those ones already recorded for these contingencies, note 10(f).

19. Off-balance sheet accounts

(a) This item is made up as follows:

	2005 S/(000)	2004 S/(000)
Contingent operations		
Guarantees and stand-by letters of credit (c)	2,492,883	2,021,470
Import and export letters of credit (c)	818,392	745,662
Due from bank acceptances	155,801	146,451
	3,467,076	2,913,583
Financial derivative contracts (d)	3,998,104	1,503,653
Responsibilities under credit line agreements	1,824,130	1,828,061
Other contingent operations	148,916	146,365
Total contingent operations	9,438,226	6,391,662
Other off-balance sheet accounts -		
Securities in custody	32,096,031	24,906,710
Guarantees received (e)	20,057,996	14,596,164
Qualification of assets and contingents	16,385,446	15,189,734
Securities in collection	5,059,050	4,759,068
Securities granted as warranties	4,173,932	1,919,854
Securities in stock	3,209,199	1,072,412
Written-off loans	3,179,986	4,555,319
Insurance coverage	1,325,977	2,266,386
Letter of credit advised	1,251,683	879,552
Trust and debt trust commissions (f)	498,005	385,572
Other	13,446,537	6,663,609
Total other off-balance sheet accounts -	100,683,842	77,194,380
Total	110,122,068	83,586,042

(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, 2005 and 2004, the derivative operations maintained by the Bank and its Subsidiaries are related to purchase and sale agreements for forward foreign currency operations, and interest exchange (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, 2005 and 2004, forward foreign currency purchase and sale agreements referred to above include nominal amounts of approximately S/3,998.1 and S/1,503.7 million, respectively (equivalent to US$1,165.5 and US$458.1 million, respectively, note 4), with maturities 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, 2005, exchange interest rates transactions were realized for a face value amounting approximately to S/1,290.2 million, equivalent approximately to US$376.2 million (approximately S/697.2 million, equivalent to US$210.4 million as of December 31, 2004), which are included in the “Other off-balance sheet accounts” caption in this note.

The fair value of forward and swap assets and liabilities as of December 31, 2005, amount approximately to S/20.1 and S/27.9 million, respectively (approximately S/29.4 and S/15.6 million, respectively, as of December 31, 2004), which are included in the “Other assets” and “Other liabilities” captions, respectively, of the consolidated balance sheets, note 10.

(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. Assets kept as trust are not included in the financial statements. As of December 31, 2005 and 2004, assets managed on behalf of the Bank's clients amounted S/216.6 million and S/188.6 million, respectively.

In addition, as of December 31, 2005 and 2004, the net equity of the investment mutual funds managed by a subsidiary of the Bank amount approximately to S/3,511.7 and S/3,023.6 million, respectively.

20. Financial income and expenses

This item is made up as follows:

	2005 S/(000)	2004 S/(000)
Financial income		
Interest on loan transactions	1,431,196	1,271,616
Interest from investments in trading and held-to-maturity securities	222,537	117,985
Interest from available and inter-bank funds	110,932	65,466
Commission on loans and other financial transactions	15,223	16,531
Fluctuation for derivative financial instruments position - forward	8,270	9,221
Other	3,278	12,704
	1,791,436	1,493,523
Financial expenses		
Fluctuation for derivative financial instruments position - swap	5,673	(13,986)
Interest for deposits and obligations	(263,481)	(181,825)
Interest from bonds issued	(106,469)	(102,840)
Interest and commissions for deposits from local financial entities and international organizations	(65,045)	(54,503)
Interest on loans from banks and correspondents	(48,624)	(23,199)
Premiums for the Deposit Insurance Fund	(32,228)	(31,088)
Other	(8,582)	(6,936)
	(518,756)	(414,377)
Gross financial margin	1,272,680	1,079,146

21. Provision for credit losses, net

This item is made up as follows:

	2005 S/(000)	2004 S/(000)
Provision (recovery) for:		
Loan losses	86,877	100,183
Leasing accounts	4,976	4,598
Country risk	3,790	(2,897)
Total, Note 7(g)	95,643	101,884

22. Net gain (loss) on securities

This item is made up as follows:

	2005 S/(000)	2004 S/(000)
Gain from purchase and sale of securities	2,456	15,161
Gain from trading securities measurement	3,448	(2,816)
Participation on permanent investments	22,288	(8,064)
Provision for impairment of investments, note 6(h)	(314)	(8,282)
Other	(1,846)	(1,022)
Total	26,032	(5,023)

23. Other income and other expenses

These items are made up as follows:

	2005 S/(000)	2004 S/(000)
Other income -		
Recoveries of loans previously written-off	78,705	76,553
Net gain from sales of assets seized, note 10(c)	43,980	57,972
Recoveries of interest previously written-off	20,689	10,938
Income from lease of own assets	4,046	2,639
Income from technical outsourcing services	1,158	352
Other	31,889	32,978
Total other income	180,467	181,432
Other expenses -		
Provision for sundry risks	29,544	17,843
Provision for counterfeit money	6,432	-
Provision for legal and client claims	5,870	16,860
Provision for accounts receivable	5,346	3,322
Maintenance of assets seized	4,143	3,349
Provision for expenses collections	3,864	4,081
Loss from sale of fixed assets	378	9,979
Expenses from outsourcing services	3,400	3,666
Other	22,235	11,271
Total other expenses	81,212	70,371

24. Salaries and employees´ benefits

This item is made up as follows:

	2005 S/(000)	2004 S/(000)
Salaries	298,440	285,477
Gratifications	48,689	47,763
Severance indemnities	34,678	26,757
Social security	25,689	24,848
Vacations, medical assistance and others	72,674	78,754
Total	480,170	463,599
Average number of employees	9,329	9,347

25. Earnings per share

(a) The calculation of the weighted average number of shares and basic and diluted earnings per share is shown below:

	Outstanding shares (in thousands)	Base used for the computation (in thousands)	Days as of the end of the year	Weighted average number of common shares (in thousands)
Fiscal Year 2003				
Balance as of January 1st, 2003	1,076,532	1,076,532	365	1,076,532
Capitalization of the capital restatement in 2003	18,200	18,200	365	18,200
Capitalization of income in 2003	107,653	107,653	365	107,653
Capitalization of the capital restatement in 2004	-	24,048	365	24,048
Capitalization of the capital restatement in 2005	-	60,095	365	60,095
Balance as of December 31, 2003	1,202,385	1,286,528		1,286,528

	Outstanding shares (in thousands)	Base used for the computation (in thousands)	Days as of the end of the year	Weighted average number of common shares (in thousands)
Fiscal Year 2004				
Balance as of January 1st, 2004	1,202,385	1,202,385	365	1,202,385
Capitalization of the capital restatement in 2004	24,048	24,048	365	24,048
Capitalization of the capital restatement in 2005	-	60,095	365	60,095
Balance as of December 31, 2004	1,226,433	1,286,528		1,286,528
Fiscal Year 2005				
Balance as of January 1st, 2005	1,226,433	1,226,433	365	1,226,433
Capitalization of the capital restatement in 2005	60,095	60,095	365	60,095
Balance as of December 31, 2005	1,286,528	1,286,528		1,286,528

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

(c) The computation of basic and diluted earnings per share as of December 31, 2004, 2003 and 2002, is shown below:

Year	**Income (numerator)** S/(000)	**Shares (denominator)** (en thousands)	**Earnings per share** S/
2005	691,734	1,286,528	0.5377
2004	319,260	1,286,528	0.2482
2003	323,917	1,286,528	0.2518

26. Risk Evaluation

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 granted by the Bank and its Subsidiaries, such as credit letters and stand-by letters of credit.

The Bank also trades financial instruments in and out of the securities market, 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 are exposed to market risks. Market risks arise from open positions in interest rate currency equity products, all of which are exposed to general and specific market movements. The Bank and its Subsidiaries apply the "Value at Risk" methodology to estimate the market risk of main positions held and the maximum losses expected, based upon a number of assumptions for various changes in market conditions. The Management sets certain limits on the value of risk that maybe accepted, which is monitored on a daily basis.

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.

As VAR constitutes an integral part of the Bank and its Subsidiaries' market risk control regime, VAR limits are established by the Management for some trading and portfolio operations. The actual exposure against limits, together with a consolidated Group-wide VAR, is reviewed daily by the Management; however, the use of this approach does not prevent losses outside the limits established in the event of more significant market movements.

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 interest rate risk -

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 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 are disclosed in Notes 7(j), 11(c) and 13(a).

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, 2005 and 2004, 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. Impairment provisions are provided 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.

Financial assets which show a potential credit risk are mainly cash and cash equivalents, interest bearing deposits in banks, trading securities, investments available-for-sale, loans and other assets. The exposure for each borrower, including banks, is further restructured by sub-limits covering on and off balance sheet exposures, and daily delivery risk limits to trading items such as forward foreign exchange contracts. Real exposures compared against established limits are monitored daily.

27. Fair value -

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

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

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 and available-for-sale investments are recorded at their estimated fair value on the balance sheet.

- 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(i).

- The fair value of loans is similar to their book value, because such loans are mainly of a short-term nature and are 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.

- 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.

- Due to banks and correspondents generate interest contracted at variable interest rates and preferred rates. As a result, it is considered that their book value approximates their fair values.

- Bonds accrue interest at 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 Management 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, 2005 and 2004, 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(i) and 8(a).

28. Financial information by geographical area

As of December 31, 2005 and 2004, segment information by geographical area (amounts expressed in million of Nuevos Soles) of the Bank and its Subsidiaries is as follows:

	2005					2004				
	Total income	Operating income	Depreciation and amortization	Property, furniture and equipment	Total assets	Total income	Operating income	Depreciation and amortization	Property, furniture and equipment	Total assets
Peru	2,479	1,162	114	596	26,205	2,163	991	120	651	19,799
Panama	96	11	-	-	2,034	66	9	-	-	963
Bolivia	172	79	9	48	1,964	147	68	11	46	1,508
United States of America	52	21	1	2	1,287	26	11	1	2	1,162
	2,799	1,273	124	646	31,490	2,402	1,079	132	699	23,432

29. Transactions with related parties and related companies

(a) During the years 2005 and 2004, the Bank and its Subsidiaries have acquired bonds, granted loans, supplied and solicited banking services, correspondent relationships and other operations with related subsidiaries to Credicorp Group which balances are shown below:

	2005 S/(000)	2004 S/(000)
Assets -		
Cash and due form banks	1,801,364	634,616
Loans, net	66,597	591
Other assets	6,297	5,471
Liabilities -		
Deposits and obligations	1,791,232	625,845
Due to banks and correspondents	76,726	591
Other liabilities	81,572	5,471
Contingent liabilities	716,074	11,018
Other off-balance sheet accounts	3,438,321	2,398,171
Income -		
Financial income	71,293	39,624
Financial expenses	75,230	39,624
Other income	71,395	12,199
Other expenses	63,493	12,199

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

	2005 S/(000)	2004 S/(000)
Direct loans	193,054	98,606
Contingent loans	50,630	35,359
Derivatives, market value	1,331	3,646
Total	245,015	137,611

Likewise, as of December 31, 2005 and 2004, the Bank and its Subsidiaries have securities available-for-sale in related companies amounting S/12.0 and S/69.4 million, respectively.

The Bank's Group signed up insurance coverage with PPS, which premiums amounted to S/49.4 million in 2005 (S/43.3 million in 2004). The Bank also receives PPS´ 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/4.2 and S/7.7 million in 2005 and 2004, respectively.

According to Peruvian legislation, loans granted to related parties cannot be done on terms no more favorable than would been offered to general public. The Bank and its Subsidiaries' Management consider that they have carried out all the established requirements in current legal disposals for the transactions with related companies or persons.

(b) Some shareholders, directors and executives of the Bank and its Subsidiaries, have directly or indirectly made transactions with the Group according to Peruvian legislation (Law 26702, which rules limits certain transactions with Bank's employees, directors and executives). Loans and other credits granted to Bank's employees, directors and key personnel are as follows:

	Directors and key personnel		**Employees**	
	2005 US$(000)	**2004** US$(000)	**2005** US$(000)	**2004** US$(000)
Loans				
Mortgage loans	17,571	20,817	61,795	47,039
Other loans	2,076	2,934	23,918	10,269
Total	19,647	23,751	85,713	57,308

(c) Board of Director's remuneration -
As of December 31, 2005 and 2004, the Board of Directors' remuneration amounted approximately S/2.27 and S/2.33 million, respectively.

30. Explanation added for translation into English

The accompanying translated financial statements originally issued in Spanish are presented on the basis of accounting principles generally accepted in Peru. Certain accounting practices applied by the Bank that conform to generally accepted accounting principles in Peru 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.