Credicorp Ltd. and Subsidiaries

Consolidated financial statements as of December 31, 2003, 2002 and 2001 together with the Report of Independent Auditors

Credicorp Ltd. and Subsidiaries

Consolidated financial statements as of December 31, 2003, 2002 and 2001 together with the Report of Independent Auditors

Content

Ernst & Young

Medina, Zaldívar, Paredes & Asociados
Sociedad Civil

Report of Independent Auditors

To the Shareholders and Board of Directors of **Credicorp Ltd.**

We have audited the accompanying consolidated balance sheet of **Credicorp Ltd. and Subsidiaries** as of December 31, 2003, and the related consolidated statements of income, changes in shareholders' equity and cash flow for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. The consolidated financial statements of **Credicorp Ltd. and Subsidiaries** as of December 31, 2002, and for the two years period then ended were audited by other auditors whose report, dated February 12, 2003, expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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 audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the 2003 consolidated financial position of **Credicorp Ltd. and Subsidiaries** as of December 31, 2003, and the consolidated results of their operations and their cash flows for the year then ended, in conformity with International Financial Reporting Standards (IFRS).

International Financial Reporting Standards vary in certain respects from U.S. generally accepted accounting principles. Application of U.S. generally accepted accounting principles would have affected the consolidated shareholders' equity as of December 31, 2003, and the consolidated net income for the year then ended to the extent summarized in note 24 to the consolidated financial statements.

Countersigned by,

Medina, Zaldivar, Paredes & Asociados

Juan Paredes
C.P.C Register Nº22220

Lima, Peru,
February 19, 2004

Credicorp Ltd. and Subsidiaries

Consolidated balance sheets

As of December 31, 2003 and 2002

	Note	2003 US$(000)	2002 US$(000)
Assets			
Cash and due from banks:	4		
Non-interest bearing		240,294	314,404
Interest bearing		1,372,436	1,867,986
		1,612,730	2,182,390
Investments:			
Trading securities	5	98,150	605,104
Investments in securities available-for-sale	6	1,642,102	635,284
		1,740,252	1,240,388
Loans, net:	7		
Loans, net of unearned income		4,481,496	4,817,663
Allowance for credit losses		(326,677)	(424,031)
		4,154,819	4,393,632
Premiums and other policies receivable		60,057	61,856
Reinsurance receivable		45,904	29,677
Property, furniture and equipment, net	8	264,533	290,185
Due from customers on acceptances		50,284	36,068
Assets seized, net	9	89,030	108,999
Other assets	10	276,785	286,436
Total assets		8,294,394	8,629,631

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

Credicorp Ltd. and Subsidiaries

Consolidated balance sheets

As of December 31, 2003 and 2002

	Note	2003 US$(000)	2002 US$(000)
Liabilities and shareholders' equity			
Deposits and other obligations:	11		
Non-interest bearing		860,585	822,884
Interest bearing		5,125,645	5,558,316
		5,986,230	6,381,200
Due to banks and correspondents:	12		
Short-term debt		96,311	124,961
Long-term debt		177,423	184,737
		273,734	309,698
Bankers' acceptances outstanding		50,284	36,068
Reserve for property and casualty claims		303,587	224,754
Reserve for unearned premiums		66,084	48,703
Reinsurance payable		33,043	23,255
Other liabilities	10	182,112	233,856
Bonds issued	13	415,749	483,555
Total liabilities		7,310,823	7,741,089
Minority interest		72,841	64,742
Shareholders' equity	14		
Capital stock		471,912	471,912
Treasury stock		(73,177)	(73,177)
Capital surplus		140,500	140,500
Reserves		269,527	104,104
Retained earnings		101,968	180,461
Total shareholder's equity		910,730	823,800
Total liabilities and shareholders' equity		8,294,394	8,629,631

Credicorp Ltd. and Subsidiaries

Consolidated statements of income

For the years ended December 31, 2003, 2002 and 2001

	Note	2003 US$(000)	2002 US$(000)	2001 US$(000)
Interest income				
Interest on loan transactions		457,826	420,341	544,255
Interest on deposits with banks		18,826	36,516	65,523
Interest from trading securities and investments available-for-sale		60,455	72,724	82,607
Dividends on investments		11,178	2,293	2,387
Total interest income		548,285	531,874	694,772
Interest expense				
Interest on deposits		(126,757)	(117,258)	(220,024)
Interest on loans from due to banks and correspondents		(17,235)	(25,285)	(59,177)
Other interest expenses		(18,322)	(35,527)	(39,341)
Total interest expense		(162,314)	(178,070)	(318,542)
Net interest income		385,971	353,804	376,230
Provision for credit losses	7(f)	(66,421)	(99,596)	(119,422)
Net interest income after provision for credit losses		319,550	254,208	256,808
Other income				
Commissions from banking services		189,472	177,305	155,030
Net premiums earned	18	125,115	125,218	112,204
Net gain on foreign exchange transactions		23,681	22,582	17,549
Net (loss) gain on securities		1,969	(1,097)	31,737
Other	19	23,227	11,651	12,530
Total other income		363,464	335,659	329,050
Insurance activity claims				
Net claims incurred		(23,844)	(23,701)	(26,349)
Increase in costs for future benefits for life and health policies		(75,930)	(74,200)	(70,668)
		(99,774)	(97,901)	(97,017)

Consolidated statements of income (continued)

	Note	2003 US$(000)	2002 US$(000)	2001 US$(000)
Other expenses				
Salaries and employees' benefits		(193,563)	(183,468)	(173,974)
Administrative expenses		(147,593)	(133,502)	(128,007)
Depreciation and amortization		(43,660)	(41,338)	(43,355)
Provision for assets seized	9(b)	(13,588)	(15,094)	(7,447)
Merger expenses	2	(18,587)	-	-
Amortization of goodwill	10(c)	(4,223)	(3,033)	(3,377)
Other	19	(27,746)	(27,751)	(34,619)
Total other expenses		(448,960)	(404,186)	(390,779)
Income before translation loss, income tax and minority interest		134,280	87,780	98,062
Translation loss		(3,675)	(2,482)	(2,575)
Income tax	15(b)	(39,695)	(32,628)	(25,135)
Minority interest		(10,303)	(10,287)	(15,839)
Net income		80,607	42,383	54,513
Basic and diluted earnings per share in United States dollars	20	1.01	0.53	0.69

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

Consolidated statements of changes in shareholders' equity

For the years ended December 31, 2003, 2002 and 2001

	Number of outstanding shares, note 20 (In thousands)	**Capital stock** US$(000)	**Treasury stock** US$(000)	**Capital surplus** US$(000)	**Reserves** US$(000)	**Retained earnings** US$(000)	**Total** US$(000)
Balances as of January 1, 2001	94,382	471,912	(71,305)	145,064	98,186	138,873	782,730
Increase in treasury stock	-	-	(3,300)	(6,044)	-	-	(9,344)
Adoption of IAS 39, net of deferred income tax	-	-	-	-	-	4,461	4,461
Cash dividends, note 14(d)	-	-	-	-	-	(8,014)	(8,014)
Extraordinary cash dividends, note 14(d)	-	-	-	-	-	(15,894)	(15,894)
Net unrealized loss from investments available-for-sale, note 6(b)	-	-	-	-	-	(3,096)	(3,096)
Transfer of net realized gain from investments available-for-sale to the operations results, note 6(b)	-	-	-	-	-	(8,583)	(8,583)
Transfer of retained earnings to reserve	-	-	-	-	5,918	(5,918)	-
Net income	-	-	-	-	-	54,513	54,513
Balances as of December 31, 2001	94,382	471,912	(74,605)	139,020	104,104	156,342	796,773
Decrease in treasury stock	-	-	1,428	1,480	-	-	2,908
Cash dividends, note 14(d)	-	-	-	-	-	(15,987)	(15,987)
Net unrealized loss from investments available-for-sale, note 6(b)	-	-	-	-	-	(14,444)	(14,444)
Transfer of net realized loss and impairment losses from investments available-for-sale to the operations results, net of realized gains, note 6(b)	-	-	-	-	-	12,167	12,167
Net income	-	-	-	-	-	42,383	42,383
Balances as of December 31, 2002	94,382	471,912	(73,177)	140,500	104,104	180,461	823,800

Consolidated statements of changes in shareholders' equity (continued)

	Number of outstanding shares, note 20 (In thousands)	Capital stock US$(000)	Treasury stock US$(000)	Capital surplus US$(000)	Reserves US$(000)	Retained earnings US$(000)	Total US$(000)
Balances as of January 1, 2003	94,382	471,912	(73,177)	140,500	104,104	180,461	823,800
Cash dividends, note 14(d)	-	-	-	-	-	(23,922)	(23,922)
Net unrealized gain from investments available-for-sale, note 6(b)	-	-	-	-	-	18,844	18,844
Transfer of net realized loss and impairment losses from investments available-for-sale to the operations results, net of realized gains, note 6(b)	-	-	-	-	-	11,401	11,401
Transfer of retained earnings to reserve	-	-	-	-	165,423	(165,423)	-
Net income	-	-	-	-	-	80,607	80,607
Balances as of December 31, 2003	94,382	471,912	(73,177)	140,500	269,527	101,968	910,730

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

Credicorp Ltd. and Subsidiaries

Consolidated statements of cash flows

For the years ended December 2003, 2002 and 2001

	2003 US$(000)	2002 US$(000)	2001 US$(000)
Cash flows from operating activities			
Net income	80,607	42,383	54,513
Add (deduct)			
Provision for credit losses	66,421	99,596	119,422
Depreciation and amortization	43,660	41,338	43,355
Amortization of goodwill	4,223	3,033	3,377
Provision for assets seized	13,588	15,094	7,447
Minority interest	10,303	10,287	15,839
Provision for sundry risks	2,022	4,649	13,317
Deferred income tax	4,410	(2,115)	1,522
Net loss (gain) on securities sale	(1,969)	1,097	(31,737)
Translation loss	3,675	2,482	2,575
Purchase of trading securities	(4,098,504)	(4,154,437)	(2,631,092)
Sale of trading securities	4,605,458	4,106,170	2,430,876
Changes in assets and liabilities:			
Decrease (increase) in loans	172,392	(114,347)	273,130
Decrease (increase) in other assets	(32,031)	36,457	(46,973)
Increase (decrease) in deposits and obligations	(394,970)	155,798	36,919
Decrease in due to banks and correspondents	(35,964)	(65,988)	(117,939)
Increase (decrease) in other liabilities	62,994	(28,326)	(61,564)
Net cash provided by operating activities	506,315	153,171	112,987
Cash flows from investing activities			
Acquisition of Banco Santander Central Hispano S.A. - Peru, net of cash acquired	-	140,782	-
Cash received from sales of Banco Capital	-	32,255	-
Purchase of investments available-for-sale	(1,746,201)	(322,656)	(393,085)
Sales of investments available-for-sale	771,597	340,100	432,136
Purchase of property, furniture and equipment	(29,919)	(22,864)	(30,848)
Sales of property, furniture and equipment	23,951	1,560	3,278
Net cash provided by (used in) investing activities	(980,572)	169,177	11,481

Consolidated statements of cash flows (continued)

	2003 US$(000)	2002 US$(000)	2001 US$(000)
Cash flows from financing activities			
Decrease (increase) in bonds issued	(67,806)	1,445	33,040
Sales (purchase) of treasury stocks	-	2,908	(9,344)
Cash dividends	(23,922)	(31,881)	(8,014)
Net cash provided by (used in) financing activities	(91,728)	(27,528)	15,682
Translation (loss) gain on cash and cash equivalents	(3,675)	(9,882)	4,725
Net increase (decrease) in cash and cash equivalents	(569,660)	284,938	144,875
Cash and cash equivalents at the beginning of the year	2,182,390	1,897,452	1,752,577
Cash and cash equivalents at the end of the year	1,612,730	2,182,390	1,897,452
Supplementary cash flows information:			
Cash paid during the year for			
Interest	146,972	101,185	327,459
Income taxes	59,064	3,487	3,699
Supplementary schedule of non-cash financing activities:			
Dividends pending payments	-	-	15,894
Other accounts receivable from sale of Banco Capital	-	-	32,255

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

1. Operations

Credicorp Ltd. (hereinafter “Credicorp” or “Group”) is a limited liability company incorporated in Bermuda in 1995 to act as a holding company and to coordinate the policy and administration of its subsidiaries. It is also engaged in investing activities.

Credicorp Ltd., through its banking and nonbanking subsidiaries, provide a complete range of financial services and products throughout Peru and in selected international markets. At December 31, 2003 and 2002, the major subsidiary of the Group is Banco de Crédito del Perú – BCP (hereinafter “BCP” or the Bank), a Peruvian universal bank.

The address of Credicorp’s main office is Calle Centenario Nº156, La Molina, Lima, Perú. The Group employed approximately 9,318 employees as of December 31, 2003.

The consolidated financial statements as of and for the year ended December 31, 2002 have been approved in the General Shareholders’ Meeting dated March 28, 2003. The accompanying consolidated financial statements as of and for the year ended December 31, 2003, will be submitted for approval at the Board of Directors and the General Shareholders’ Meeting that will occur within the period established by law. In Management’s opinion, the accompanying consolidated financial statements will be approved without modifications.

2. Business developments

(a) Acquisition of Solución Financiera de Credito del Perú S.A. -

In March 2003, BCP acquired a 45 percent interest in its subsidiary Solución Financiera de Crédito del Perú S.A. (hereafter “Financiera”), thus increasing its participation to 100 percent of its capital stock.

The amount paid for the aforementioned purchase amounted approximately to US$17.1 million, generating goodwill for approximately US$8 million, see note 10(c).

(b) Acquisition of Banco Santander Central Hispano S.A. - Peru -

In December 2002, through a Tender Offer (TO), BCP acquired 99.94 percent of Banco Santander Central Hispano S.A. - Perú (hereafter “BSCH - Peru”). According to Law 26702, BCP had a period no longer than 6 months to absorb this financial entity. In this respect, the BCP’s General Shareholders’ Meeting held on December 30, 2002, approved this transaction with effective date February 28, 2003.

The acquisition of BSCH - Peru and its subsidiaries has been recorded under the purchase accounting method, reflecting their assets and liabilities at their fair values at the date of acquisition. For practical reasons, the acquisition of BSCH - Peru and its subsidiaries has been considered as if this had been realized on November 30, 2002. The fair values of the identifiable assets and liabilities of such financial entity were as follows:

	US$(000)
Cash acquired	190,782
Loans, net	658,835
Other assets	158,370
Total liabilities	(957,987)
Cash paid for the acquisition	50,000

The unaudited pro-forma combined results of the Group, as if BSCH - Perú had been acquired at the beginning of the years 2002 and 2001, are estimated to be as follows:

	2002 US$(000)	**2001** US$(000)
Net interest income	413,163	450,455
Net interest income after provision for loan losses	305,628	311,566
Net income	46,843	55,352
Basic and diluted earnings per share (in United States dollars)	0.59	0.70

This pro-forma information is presented for comparative purposes only and does not intend to be indicative of the results that would have resulted had the acquisition occurred at the beginning of the periods presented, nor are they necessarily indicative of future consolidated results.

3. Significant accounting policies

Significant accounting principles and practices used in the preparation of Credicorp's consolidated financial statements are described below:

(a) Basis of presentation and use of estimates -

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards - IFRS. These consolidated financial statements are prepared under the historical cost convention, except where otherwise stated.

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses and disclosure of significant events in notes to the consolidated financial statements. Actual results could differ from those estimates. The most significant estimates comprised in the accompanying consolidated financial statements are related to the computation of the allowance for credit losses, the measurement of financial instruments, the provision corresponding to the technical reserves for claims and premiums, the depreciation of property, furniture and equipment, the amortization of intangible assets and goodwill, the reserves for assets seized through legal actions and the valuation of derivatives. The accounting criteria used for each of these items are described below.

(b) Principles of consolidation -

Subsidiaries are consolidated from the date on which effective control is transferred to the Group and are no longer consolidated from the date of disposal. The consolidated financial statements incorporate the assets, liabilities, revenues and expenses of Credicorp and its subsidiaries. All inter-company transactions, balances and unrealized surpluses and deficits between Group companies have been eliminated. Where necessary, the accounting policies used by subsidiaries have been changed to ensure consistency with IFRS.

The companies that comprise the Group as of December 31, 2003 and 2002, with an indication of the percentage of participation owned directly and indirectly by Credicorp as of those dates, as well as other relevant information, based on information obtained before the eliminations to be considered for consolidation purposes are as follows:

Entity	**Percentage of participation**		**Assets**		**Liabilities**		**Shareholders' equity**		**Net income (loss)**	
	2003	**2002**	**2003** US$(000)	**2002** US$(000)	**2003** US$(000)	**2002** US$(000)	**2003** US$(000)	**2002** US$(000)	**2003** US$(000)	**2002** US$(000)
Banco de Crédito del Perú - BCP (i)	96.98	96.98	6,687,581	7,312,169	6,042,445	6,731,278	645,136	580,891	97,218	64,640
Atlantic Security Holding Corporation (ii)	100.00	100.00	776,323	660,588	663,454	556,261	112,869	104,327	10,928	5,768
Pacífico - Peruano Suiza Compañía de Seguros y Reaseguros (iii)	75.83	75.83	587,237	480,570	438,620	332,437	148,617	148,133	9,218	10,111
Inversiones Crédito del Perú S.A. (iv)	99.99	99.99	72,135	50,011	26,800	29,375	45,335	20,636	2,988	(501)
Banco Tequendama (v)	99.99	99.99	293,895	270,681	264,836	234,077	29,059	36,604	118	(3,907)

(i) Banco de Crédito (BCP) is a universal bank, incorporated in Perú on 1889, authorized to engage in banking activities by the Superintendence of Banking and Insurance (SBS), the Peruvian banking and insurance authority.

(ii) Atlantic Security Holding Corporation is incorporated in the Cayman Islands. Its main activity is to invest in the capital stock of companies. Its most significant subsidiary is Atlantic Security Bank (ASB). ASB is also incorporated in the Cayman Islands and began operations on December 14, 1981, carrying out its activities through branches and offices in Grand Cayman, the Republic of Panama and the United States of America.

(iii) Pacífico - Peruana Suiza Compañía de Seguros y Reaseguros (PPS) is a Peruvian corporation whose main activity is the issuance and administration of property and casualty insurance and the performance of related activities. PPS also provides accident, health and life insurance.

(iv) Inversiones Credito del Peru S.A. (ICSA) is a Peruvian corporation incorporated on February 17, 1987, whose main activity is the investment in listed and non-listed equity securities.

(v) Banco Tequendama, acquired by Credicorp in January 1997, is a private banking institution, established on May 5, 1976 in accordance with Colombian laws and with a corporate life until June 30, 2010; this period could be extended in accordance with current legislation.

(c) Foreign currency translation -

The Group considers that its measurement currency is the U.S. dollar, because it reflects the economic substance of the underlying events and the circumstances relevant to the Group; insofar its main operations and/or transactions in the different countries where the Group operates, such as, the loans granted, the financing obtained, the sale of insurance premiums, interest income and expenses, salaries and purchases are established and effected in U.S. dollars.

Credicorp's subsidiaries maintain their accounting records in currencies of the countries in which they operate. The subsidiaries are considered as foreign operations and consequently, for consolidation purposes, they prepare their financial statements in U.S. dollars (their measurement currency) using the following methodology:

- Monetary assets and liabilities denominated in non-U.S. dollars currencies are translated to U.S. dollars equivalents using the free market exchange rates at the balance sheet date.

- Non-monetary accounts have been translated into U.S. dollars using the free market exchange rates on the date of the transactions.

- Revenues and expenses, except for those related to non-monetary assets, are translated monthly at weighted average exchange rates, with resulting gains and losses included in income.

The resulting translation adjustment into U.S. dollars is included in the consolidated statement of income.

(d) 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 accounted for as expense or income. Financial instruments are offset when the Bank has a legally enforceable right to offset them and Management has the intention to settle them on a net basis or to realize the assets and charge off the liability simultaneously.

Financial assets and liabilities carried on the balance sheet include cash and due from banks, trading and available-for-sale securities, loans, accounts receivable and the liabilities. In addition, all derivative instruments and indirect loans (contingent credits) 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.

(e) Recognition of revenues and expenses for banking activities -
Interest income and expenses are recognized in the income statements on an accrual basis using the effective interest method; interest rates are determined based on free negotiations with clients.

Interest income is suspended when collection of loans become doubtful, such as when overdue by more than 90 days or when the borrower or securities' issuer defaults, if earlier than 90 days. Such income is excluded from interest income until received. Uncollected income on such loans is reversed against income.

When Management determines that the debtor's financial condition has improved, the accounting recording of interest thereon is reestablished on an accrual basis.

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

Commissions on financial and banking services are recognized as income on an accrual basis when earned.

All other revenues and expenses are recognized on an accrual basis as earned or incurred.

(f) Recognition of revenues and expenses for insurance activities -
Premiums from long-term contracts, mainly life insurance, are recorded when earned. Premiums from short-term insurance contracts, mainly credit, accident and health policies, are earned over the related contract period. In this regard, a reserve for unearned premiums is recorded representing the unexpired portion of premium coverage to be applied in the following period on the basis of annual renewals.

The reserve for unearned premiums is calculated on an individual basis for each policy or coverage certificate, applying to the insurance premiums (direct insurance and reinsurance accepted premiums less ceded premiums), net of commissions, expenses and taxes, the unearned portion of the total risk (in number of days). Likewise, a premium deficiency reserve is made when the reserve for unearned premiums becomes insufficient to cover the risks and future expenses that correspond to the unexpired period of coverage at the date of calculation.

Management, on the basis of periodical reviews of the clients' portfolio, determines the allowance for doubtful accounts related to premiums and installments outstanding.

Casualty claims are recorded when reported. The incurred but not reported claims (IBNR) are estimated and reflected as a liability, net of recoveries and reinsurance. The IBNR at December 31, 2003 and 2002, have been estimated by taking into consideration the arithmetic progression of the percentages computed over the actual figures for the past seven years. Management considers that the estimated amount is sufficient to cover any liability related to IBNR at December 31, 2003 and 2002.

In determining insurance policy reserves, the Group performs a continuing review of its overall position, its reserving techniques and its reinsurance. Qualified actuaries employed by the Group also reviews the reserves periodically. Since the reserves are based on estimates, the ultimate liability may be more or less than such reserves. The effects of changes in such estimated reserves are included in the results of operations in the period in which the estimates are changed.

Reserves for life insurance policies are estimated using a net level premium method on the basis of actuarial assumptions as to mortality and interest established at product design. The mortality assumptions established at product design are based on experience which, together with interest assumptions, include a margin for adverse deviation. Additional reserves for specific future benefits, like participating life policies, endowment and return of premium policies are computed using international standards. Benefit liabilities for annuities during the accumulation period are equal to accumulated contractholders' fund balances and after annuitization are equal to the present value of expected future payments.

Policyholders' funds for universal life and investment-type products, including or not an interest guaranteed and funding agreements, are equal to the policyholder account values. Policy benefits that are charged to expense include benefit claims incurred in the period in excess of related policy account balances and interest credited to policyholders' account balances.

Policy acquisition costs (commissions) are deferred and subsequently amortized over the period in which the related premiums are earned.

(g) Loans and allowance for credit losses -

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

An allowance for credit loss is established if there is objective evidence that the Group will not be able to collect all amounts due according to the original contractual terms of loans. For such purpose, Credicorp classifies all its loans into one of five risk categories, depending upon the degree of risk of nonpayment of each loan. The categories used by Credicorp are: (i) normal, (ii) potential problems, (iii) substandard, (iv) doubtful and (v) loss. Credicorp reviews its loan portfolio on a continuing basis in order to assess the completion and accuracy of its classification. For commercial loans the classification take into consideration several factors, such as the payment history of the particular loan, the history of Credicorp’s dealings with the borrower management, operating history, repayment capability and availability of funds of the borrower, status of any collateral or guarantee, the borrower’s financial statements, general risk of the sector in which the borrower operates, 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.

The allowance for credit losses is established based in the risk classifications and taking into consideration the guarantees and collateral obtained by the Group. Only the collateral received classified as "preferred", "highly liquid preferred" or "self-liquidating preferred" are considered acceptable. Such collateral must be relatively liquid, have legally documented ownership, have no liens outstanding and have updated independent appraisals.

The allowance for credit losses also covers the estimated losses for impaired loans not specifically identified. This allowance is estimated based on historical and other relevant information.

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

When a loan is uncollectible, it is written off against the related allowance for credit losses; subsequent recoveries are credited to the provision for credit losses in the consolidated statement of income.
All loans considered impaired (such classified as substandard, doubtful and loss) are analyzed by the Groups' management, taking into consideration the present value of their expected cash flows, including the recoverable amounts of the guarantees and collateral, discounted at the original effective interest rate of each loan. Based on this analysis, management believes that the methodology used on a continuous and consistent basis by the Group, provides an allowance for credit losses that is in accordance with the requirements established by IFRS.

(h) Leasing transactions -

The Group grants only finance leases and recognizes the present value of the lease payments as a loan. The difference between the gross receivable amount and the present value of the loan is recognized as unearned interest. Lease income is recognized over the term of the lease using the effective interest method, which reflects a constant periodic rate of return.

(i) Investments -

As from 2001, the Group classified its investments in accordance with IAS 39. Management determines the classification of its investments at the date of their purchase and evaluates such classification periodically. On January 1, 2001, the Group recognized as a credit to retained earnings, the effect of the adoption of IAS 39, related to the accounting treatment of the investments available-for-sale for US$4.5 million.

The purchases and sales of investments are recognized at the date of the negotiation that corresponds to the date in which the Group commits itself to buy or sell the assets.

Investments acquired, including those directly from the issuer, mainly with the purpose of generating profits based on short-term price fluctuations, are considered as trading investments. Investments available-for-sale are those that the Group intends to hold for an undefined period and can be sold in response to liquidity needs or changes in market interest rates.

Trading investments and investments available-for-sale are initially recognized at cost that approximates its fair value, including the costs of the transaction, and subsequently are valued at their fair value.

Fair values are based primarily on quoted prices or, if quoted market prices are not available, discounted expected cash flows using market rates commensurate with the credit quality and maturity of the investment. All related realized and unrealized gains and losses of trading securities are included in the income statement. Unrealized gains and losses arising from changes in the fair value of securities classified as investments available-for-sale are recognized in equity, net of the related deferred income taxes and minority interest. Unrealized gains or losses are recognized in income of the year when the investments available-for-sale are sold. When a permanent impairment is present the related unrealized loss is recognized in income.

(j) Property, furniture and equipment -

Property, furniture and equipment are stated at acquisition cost less accumulated depreciation. Maintenance and repair costs are charged to profit and loss and significant renewals and improvements are capitalized. The cost and accumulated depreciation of assets sold or retired are eliminated from the corresponding accounts and the related gain or loss is included in the results of the year. Depreciation is computed on a straight-line basis over the following estimated useful lives:

	Years
Buildings and other construction	33
Installations	10
Furniture and fixtures	10
Equipment and vehicles	5

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

(k) Assets seized -

Assets seized are recorded at their estimated market value, obtained from valuations made by independent appraisals.

(l) Intangible -

Intangible assets are included in the "Other assets" caption of the consolidated balance sheet and are comprised mainly of internal development software used in Credicorp Ltd. and its subsidiaries operations. These assets are amortized using the straight-line method based on their estimated useful life, which are from 3 to 5 years.

(m) Goodwill -

Goodwill represents the excess of the cost of an acquisition over the fair value of the net assets of the acquired subsidiary undertaking at the date of acquisition. Annually, goodwill is subject to an impairment test to assess whether the carrying amount is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount.

Goodwill on the acquisition of ASHC and PPS at the date of the exchange of shares (market value), which amounted to US$43.7 million, is being amortized using the straight-line method over a 20 year-period. Goodwill originated by the acquisition of Solución Financiera de Crédito del Perú S.A. for US$8 million, is amortized over a period of 5 years, note 10(c).

(n) Due from customers on acceptances -

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

(o) Bonds issued -

Liabilities arising from the issuance of subordinated bonds, leasing bonds, mortgage bonds and mortgage notes are recorded at their face value and the corresponding interest is recognized in the consolidated statements of income on an accrued basis. Bond discounts determined at issuance are deferred and amortized over the term of the bonds using the effective interest method.

(p) Provisions -

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are reviewed in each period and are adjusted to reflect Management's best estimate as of the consolidated balance sheet date. The amount recorded as a provision is equal to the present value of future payments expected to be needed to settle the obligation.

(q) 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.

(r) Workers’ profit sharing and income tax -
Income tax and workers’ profit sharing are computed based on individual financial statements of Credicorp and each of its subsidiaries, based on accounting principles that are different from IFRS (tax basis) and, 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 deferred 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 eliminated. The measurement of deferred assets and liabilities reflects the tax consequences that arise from the manner in which Credicorp and its subsidiaries expect, at the consolidated balance sheet date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are recognized regardless of when the temporary differences are likely to reverse. Deferred tax assets are recognized when it is probable that sufficient taxable income will be generated against which the deferred assets can be offset. At the consolidated balance sheet date, Credicorp assesses unrecognized deferred assets and the carrying amount of recognized deferred assets. Credicorp may recognize a previously unrecognized deferred assets to the extent that it has become probable that future tax benefits will allow their recovery or reduce a deferred asset to the extent that it is not probable that Credicorp and its subsidiaries will have sufficient tax benefits that would enable it to use part or the entire recognized deferred asset for accounting purposes.

Credicorp determines its deferred income tax considering the tax rate applicable to its undistributed earnings; any additional tax on dividends distribution is recorded on the date a liability for such is recognized.

(s) Earnings per share -
Basic and diluted earnings per share are computed based on the weighted average number of shares outstanding for the period, after deducting treasury stock. For the years ending December 31, 2003, 2002 and 2001, Credicorp has no financial instruments with dilutive effects; therefore, basic and diluted earnings per share are the same.

(t) Supplementary plan for workers’ profit sharing -
Profit sharing participations have been granted to certain executives and employees who have at least one year of service in Credicorp or any of its subsidiaries in the form of options on stock appreciation rights over certain number of Credicorp’s shares. Such options are granted at the market price of the shares of Credicorp on the date of the grant and are exercisable at that price, allowing the worker to obtain a gain from the difference between the market price of the share at the date of execution and the fixed exercise price, note 16. Expense recognized in income for the year corresponds to the difference between the strike price and the market price of the shares of the options that can be exercisable by the beneficiaries at the consolidated balance sheet date.

When Credicorp reprises or changes the terms of the options, additional compensation is recorded equal to the difference between the exercise price and the new market price of the underlying shares.

(u) Derivative financial instruments -
Transactions with derivatives, while providing effective economic hedges under the Group's risk management positions, do not qualify for hedge accounting under the specific rules of IAS 39 and are therefore treated as derivatives held for trading.

Derivative financial instruments are initially recognized in the consolidated balance sheet at cost and subsequently are remeasured at their fair value. Fair values are obtained based on market exchange rates or interest rates. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Gain and losses for changes in their fair value are recorded in the consolidated statements of income.

(v) Fiduciary activities -
Assets and income arising from fiduciary activities together with related undertakings to return such assets to customers are excluded from the consolidated financial statements where the Group acts in a fiduciary capacity such as a nominee, trustee or agent.

(w) Cash and cash equivalents -
For the purposes of the consolidated cash flow statements, cash and cash equivalents comprise balances with less than three months maturity from the date of acquisition, including cash, balances with central banks, overnight deposits and amounts due from banks.

(x) Financial statements as of December 31, 2002 and 2001 -
Certain reclassifications have been made to prior years financial statements to conform to current year presentation.

4. Cash and due from banks

(a) This item is made up as follows:

	2003 US$(000)	**2002** US$(000)
Cash and clearing	228,965	320,595
Deposits in Peruvian Central Bank – BCRP (b)	929,557	1,317,030
Deposits in banks	454,208	544,765
Total	1,612,730	2,182,390

(b) As of December 31, 2003, includes US$385 million corresponding to an overnight operation (US$1,080 million at December 31, 2002), which earned interest at an annual effective rate of 0.98 percent (1.25 percent in 2002).

(c) Likewise, as of December 31, 2003, cash and due from banks includes approximately US$301.8 million (US$485.5 million as of December 31, 2002), issued mainly from Banco de Credito of Peru, which represent the legal reserve that the Peruvian banks must maintain for its obligations with the public. These funds are deposited in the vaults of the Bank and in the BCRP, and are within the limits established by prevailing legislation.

Reserve funds kept in BCRP do not earn interest, except for the part of the demandable reserve in foreign currency that exceeds the minimum legal reserve. As of December 31, 2003, the monthly excess amounts to approximately US$884.1 million and earns interest in US Dollars at an annual rate of 1.05 percent.

5. Trading securities

(a) This item is made up as follows:

	2003 US$(000)	**2002** US$(000)
Shares -		
Listed equity securities	14,028	15,128
Bonds and similar instruments -		
Peruvian Treasury Bonds (b)	28,196	96,109
Investments in foreign financial institutions	21,166	63,576
Mutual funds	20,529	36,314
Bank certificates	13,755	13,004
Corporate and leasing bonds (c)	476	62,596
BCRP certificates of deposit (d)	-	184,033
Debt issued by Central Banks of other countries	-	49,809
Bonds from international financial institutions (e)	-	42,082
Other	-	42,453
	84,122	589,976
Total	98,150	605,104

The reduction of the trading securities balance in relation to the previous year is explained by the Group's management decision to discontinue the trading activities mainly with BCRP certificates of deposit, in order to maintain a more stable position in this kind of investments which have a better yield, less risk and volatility. As result; after the liquidation of the balance maintained as of December 31, 2002 during the year 2003, the new purchases of those and other investments have been classified as available-for-sale, see note 6.

(b) The Peruvian Treasury bonds are issued in Peruvian Currency by the Economic and Financial Ministry, have an active market quotation in the Peruvian market and are traded daily with third parties. In 2003, these bonds accrued interest at annual rates that ranged between 5.89 and 12.85 percent (between 6.53 and 10.37 percent in 2002), and have maturities between June 2004 and January 2005.

(c) As of December 31, 2002, comprise corporate and leasing bonds for US$55.1 and US$7.4 million with maturities between 2003 and 2011. These bonds accrue interests at annual effective rates that range between 3.46 and 13.56 percent for the bonds denominated in Peruvian currency, and between 4.37 and 13.63 percent for the bonds denominated in US dollars.

(d) BCRP certificates of deposit are instruments in Peruvian currency with maturities due within one year. Annual interest rates in Peruvian currency ranged between 3.54 and 6.21 percent in 2002.

(e) Comprise debt securities issued by Corporación Andina de Fomento – CAF which were acquired by the Group with maturities between February 2003 and March 2004. Annual interests rates ranged between 6.75 and 8.87 percent in 2002.

6. Investments available-for-sale

(a) This item is made up as follows:

	2003				2002
	Amortized cost	Unrealized gross amount		Estimated fair value	Estimated fair value
		Gain	Losses		
	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)
Fixed maturity -					
Corporate, leasing and subordinated bonds (c)	557,146	10,514	(1,076)	566,584	304,771
BCRP certificates of deposit (d)	375,403	395	(85)	375,713	-
Government Treasury Bonds (e)	316,076	877	(965)	315,988	89,568
Bonds from international financial institutions (f)	86,410	112	(1,663)	84,859	-
Mutual funds	60,707	2,220	-	62,927	22,338
Commercial papers	53,208	-	-	53,208	16,264
Participation in RAL's funds (g)	40,861	-	-	40,861	-
Debt issued by Central Banks of other countries	13,172	23	-	13,195	17,769
Other	17,640	6	(3)	17,643	39,372
	1,520,623	14,147	(3,792)	1,530,978	490,082
Shares					
Listed securities	46,698	25,296	-	71,994	99,124
Non-listed securities	42,212	244	(3,326)	39,130	46,078
	88,910	25,540	(3,326)	111,124	145,202
Total	1,609,533	39,687	(7,118)	1,642,102	635,284

(b) The change in the net unrealized gains and losses, and the provision for impairment recorded by the Group each year are presented as follows:

	2003 US$(000)	**2002** US$(000)	**2001** US$(000)
Net unrealized gains (losses)	18,844	(14,444)	(3,096)
Net realized gains (losses)	7,265	(4,038)	8,583
Provision for permanent impairment on investments	(18,666)	(8,129)	-

(c) As of December 31, 2003 and 2002, comprise corporate bonds for US$544.1, leasing bonds for US$14.6, and subordinated bonds for US$7.9 million (US$294.2, US$6.3 and US$4.3 million, respectively, as of December 31, 2002) with maturities between January 2004 and February 2011. These bonds accrue interests at annual effective rates that range between 4.03 and 10.4 percent for the bonds denominated in Peruvian currency (between 5.81 and 7.93 percent in 2002), and between 2.51 and 10.25 percent for the bonds denominated in US dollars (between 1.33 and 12.91 percent in 2002).

(d) BCRP certificates of deposit are discounted Peruvian currency instruments with maturities due within one year. These certificates have been acquired in public auctions. Annual interest rates in Peruvian currency range between 2.73 and 5.57 percent.

(e) Includes credit instruments for US$131.7, US$117.6 and US$15.0 million issued by US Government agencies, the Peruvian Government and the Government of El Salvador, respectively. Their maturities are between June 2004 and November 2033 at annual interest rates that range between 1.69 and 9.88 percent.

(f) Comprise mainly of USS$53.3 and US$16.5 million of debt instruments issued in US dollars by Corporación Andina de Fomento - CAF and by Fondo Latinoamericano de Reservas - FLAR, respectively. Such bonds have maturities between March 2004 and August 2006. Annual interests rates are between 3.0 and 8.88 percent.

(g) The participation quotas in the Fund “Requirement of Cash Assets (RAL for its Spanish denomination), stated at Bolivian pesos, are comprised of investments made by the Group 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 2.1 percent.

(h) As of December 31, 2003 and 2002, the amortized cost and market value of the investments classified by maturity were as follows:

	2003		2002
	Amortized cost US$(000)	**Market value** US$(000)	**Market value** US$(000)
From 3 months to 1 year	617,690	619,511	24,110
From 1 to 5 years	697,830	706,318	246,832
Over 5 years	205,103	205,149	219,140
Without maturity (shares)	88,910	111,124	145,202
Total	1,609,533	1,642,102	635,284

7. Net loans

(a) This item is made up as follows:

	2003 US$(000)	2002 US$(000)
Direct loans		
Loans	3,147,982	3,268,103
Discounted notes	176,991	180,314
Advances and overdrafts	181,986	169,132
Leasing receivables	452,635	491,666
Factoring receivables	56,446	62,302
Refinanced and restructured loans	296,116	330,842
Past due and under legal collection loans	256,208	406,135
	4,568,364	4,908,494
Less		
Unearned interest	(86,868)	(90,831)
Allowance for credit losses	(326,677)	(424,031)
Total direct loans	4,154,819	4,393,632
Indirect loans, note 17	782,886	956,930

(b) Interest rates on loans are set considering the rates prevailing in the markets where the Group's subsidiaries operate.

(c) As of December 31, 2003 and 2002, the Group's direct loan portfolio is distributed among the following economic sectors:

	2003 US$(000)	%	2002 US$(000)	%
Sector				
Manufacturing	1,461,350	32.0	1,592,191	32.4
Consumer and mortgage loans	920,016	20.1	522,998	10.7
Commerce	560,052	12.3	617,491	12.6
Leaseholds and real estate activities	233,506	5.1	281,753	5.7
Mining	233,355	5.1	227,879	4.6
Electricity, gas and water	211,610	4.6	302,976	6.2
Communications, storage and transportation	189,612	4.2	209,174	4.3
Agriculture	142,697	3.1	158,500	3.2
Education, health and other services	106,296	2.3	93,851	1.9
Financial services	96,371	2.1	210,404	4.3
Fishing	90,795	2.0	104,604	2.1
Construction	70,676	1.5	86,632	1.8
Other	252,028	5.6	500,041	10.2
Total	4,568,364	100.0	4,908,494	100.0

(d) As of December 31, 2003 and 2002, the credit risk classification of the Group's loan portfolio is as follows:

	2003						2002					
Risk category	**Direct credits** US$(000)	%	**Indirect credits** US$(000)	%	**Total** US$(000)	%	**Direct credits** US$(000)	%	**Indirect credits** US$(000)	%	**Total** US$(000)	%
Normal	3,480,701	76.2	682,732	87.3	4,163,433	77.8	3,633,983	74.0	863,475	90.2	4,497,458	76.7
Potential problems	437,682	9.6	67,551	8.6	505,233	9.4	456,056	9.3	66,488	6.9	522,544	8.9
Substandard	240,316	5.3	25,266	3.2	265,582	5.0	334,423	6.8	18,895	2.0	353,318	6.0
Doubtful	266,723	5.8	4,928	0.6	271,651	5.1	239,101	4.9	6,324	0.7	245,425	4.2
Loss	142,942	3.1	2,409	0.3	145,351	2.7	244,931	5.0	1,748	0.2	246,679	4.2
	4,568,364	100.0	782,886	100.0	5,351,250	100.0	4,908,494	100.0	956,930	100.0	5,865,424	100.0

(e) As of December 31 2003 and 2002, the Group's structure of its direct loan portfolio by the country in which its clients are located was as follows:

	2003 US$(000)	2002 US$(000)
Country		
Peru	3,937,093	4,293,097
Bolivia	340,382	313,968
Colombia	222,085	224,258
Other	68,804	77,171
Total	4,568,364	4,908,494

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

	2003 US$(000)	2002 US$(000)	2001 US$(000)
Balances at January 1	424,031	344,433	341,487
Provision	66,421	99,596	119,422
Recoveries of written off loans	17,416	12,050	14,935
Allowance for the loan portfolio acquired from BSCH - Peru	-	122,841	-
Loan portfolio sold and written-off	(185,688)	(150,102)	(124,690)
Translation result	4,497	(4,787)	(6,721)
Balance at December 31	326,677	424,031	344,433

In Management's opinion, the allowance for credit losses, according to the IFRS, recorded as of December 31, 2003, 2002 and 2001 are sufficient to cover the potential losses on loans, see note 3(g).

(g) Loan collateralized by commercial and mortgage loan portfolio -

On December 6, 2002, BCP entered into a purchase-sale agreement with a Peruvian financial entity to acquire a commercial loan portfolio up to US$30 million, of which BCP acquired US$24.8 million as of December 31, 2002. As part of the agreement BCP designated the same Peruvian financial entity as the collection agency. As of December 31, 2002, the balance of the portfolio amounted to US$10.2 million, net of the repurchase made until such date for US$14.6 million. In March 2003, the Peruvian financial entity repurchased the total outstanding balance of such portfolio for US$10.2 million. The price paid by the Peruvian financial entity for each repurchase credit was the initial price of acquisition plus a premium equivalent to an annual effective interest rate of 5 percent.

In addition, as of December 31, 2002, BCP acquired a mortgage loan portfolio amounting to US$72.2 million. The terms of the agreement consider the collection by BCP of a disbursement commission of 0.5 percent, as well as an amount that should withheld as a guarantee equivalent to 15 percent of the principal of the mortgage loans acquired, which was deposited in the BCP. As part of the agreement BCP designated the Peruvian financial entity as the collection agent. The Peruvian financial entity has repurchased this mortgage portfolio, being the agreed price the cost of acquisition plus a premium equivalent to an annual effective interest rate of 5 percent. As of December 31, 2002, the balance of the acquired mortgage credit portfolio amounted to US$71.2 million.

These operations have been recorded as a commercial loan granted to the Peruvian financial entity that are collateralized with the aforementioned commercial and mortgage loan portfolio.

The aforementioned operations have been completed and cancelled during the year 2003.

(h) An important part of the loan portfolio is collateralized with guarantees received from clients, which mainly consist of mortgages; trust assignments, credit instruments, financial instruments, industrial pledges and mercantile pledges.

(i) As of December 31, 2003 and 2002, the gross loan portfolio classified by maturity, based in the remaining period to the repayment date is as follows:

	2003 US$(000)	**2002** US$(000)
Outstanding loans -		
Up to 1 year	2,752,828	3,095,916
From 1 to 5 years	1,024,954	934,179
Over 5 years	534,374	472,264
Past due loans -		
Up to 4 months	50,981	82,259
Over 4 months	82,439	91,028
Under legal collection loans	122,788	232,848
Total	4,568,364	4,908,494

Interest on past due loans and loans in legal collection are recognized when collected. As of December 31, 2003, 2002 and 2001, the interest income and its respective allowance that had been recorded for these credits amount approximated US$14.0, US$28.3 and US$22.7 million, respectively.

8. Property, furniture and equipment and accumulated depreciation

(a) The movement of property, furniture and equipment and accumulated depreciation, for the years ended 2003 and 2002, is as follows:

	Land US$(000)	**Buildings and other construction** US$(000)	**Installations** US$(000)	**Furniture and equipment** US$(000)	**Vehicles and equipment** US$(000)	**Work in progress** US$(000)	**2003** US$(000)	**2002** US$(000)
Cost -								
Balance as of January 1	39,144	261,415	65,759	203,119	38,234	4,326	611,997	554,921
Additions	350	2,381	5,652	14,497	3,579	3,460	29,919	22,864
Assets incorporated for merger with BSCH - Peru	-	-	-	-	-	-	-	40,306
Retirements and transfers	(5,855	(6,798	(4,485	(9,809	(8,349	(1,846	(37,142	(6,094
Balance as of December 31	33,639	256,998	66,926	207,807	33,464	5,940	604,774	611,997
Accumulated depreciation -								
Balance as of January 1	-	114,347	35,559	150,761	21,145	-	321,812	296,051
Additions	-	7,731	5,729	15,478	2,682	-	31,620	29,642
Assets incorporated for merger with BSCH - Peru	-	-	-	-	-	-	-	460
Retirements and transfers	-	(843	(2,596	(201	(9,551	-	(13,191	(4,341
Balance as of December 31	-	121,235	38,692	166,038	14,276	-	340,241	321,812
Net book value	33,639	135,763	28,234	41,769	19,188	5,940	264,533	290,185

(b) Banks, financial institutions and insurance companies located in Peru are not allowed to pledge their fixed assets.

9. Assets seized, net

(a) As of December 31, 2003 and 2002, this caption includes land, buildings and machinery and equipment received in payment of loans. Seized assets were recorded at estimated fair values determined on the basis of technical third party appraisals. This item is made up as follows:

	2003 US$(000)	2002 US$(000)
Assets seized	124,077	136,066
Reserve	(35,047)	(27,067)
Total	89,030	108,999

(b) The changes in the provision for assets seized are summarized as follows:

	2003 US$(000)	2002 US$(000)	2001 US$(000)
Balances as of January 1	27,067	16,762	18,280
Provision	13,588	15,094	7,447
Amount recovered for sale of assets seized	(5,608)	(4,789)	(8,965)
Balances as of December 31	35,047	27,067	16,762

10. Other assets and other liabilities

(a) These items are made up as follows:

	2003 US$(000)	2002 US$(000)
Other assets -		
Interest, commissions and accounts receivable	85,072	118,035
Operations in process (b)	32,849	38,406
Goodwill, net (c)	32,510	28,741
Income tax prepayments	31,374	21,770
Deferred expenses	28,780	23,108
Intangibles, net (d)	22,206	22,200
Deferred income tax, note 15(b)	20,305	12,858
Accounts receivable for derivatives instruments	3,974	10,543
Other	19,715	10,775
Total	276,785	286,436
Other liabilities -		
Interest and other accounts payable	96,431	123,115
Payroll taxes, salaries and other personnel expenses payable	28,695	24,940
Deferred income tax, note 15 (b)	23,022	25,085
Operations in process (b)	22,817	47,763
Provision for sundry risks (e)	10,078	11,942
Accounts payable for derivatives instruments	1,069	1,011
Total	182,112	233,856

(b) Operations in process include deposits received, loans disbursed, payments collected, funds transferred and other similar types of transactions, which are realized at the end of the month and not reclassified to their final balance sheets accounts until the beginning days of the following month. These transactions do not affect the Group’s net income.

(c) The movement of goodwill for the years 2003, 2002 and 2001 is summarized as follows:

	2003 US$(000)	2002 US$(000)	2001 US$(000)
Cost -			
Balance as of January 1	49,999	47,930	49,998
Additions, note 2	7,992	-	-
Retirements	-	-	(2,068)
Balances as of December 31	57,991	47,930	47,930
Accumulated amortization -			
Balance as of January 1	21,258	16,156	14,366
Additions	4,223	3,033	3,377
Retirements	-	-	(1,587)
Balances as of December 31	25,481	19,189	16,156
Net cost	32,510	28,741	31,774

(d) Intangibles primarily consist of purchased software.

(e) The movement of the provision for sundry risks for the years 2003, 2002 and 2001 is summarized as follows:

	2003 US$(000)	2002 US$(000)	2001 US$(000)
Balances as of January 1	11,942	14,628	9,714
Provision, note 19	2,022	4,649	13,317
Deductions	(3,886)	(7,335)	(8,403)
Balances as of December 31	10,078	11,942	14,628

This provision mainly comprises the provision for probable losses to complement insurance coverage which correspond to claims not covered by the insurance companies, provisions for estimated losses in legal actions against the Group and other similar obligations, which have been recorded based on Management's and its legal advisors estimates.

11. Deposits and obligations

(a) This item is made up as follows:

	2003 US$(000)	**2002** US$(000)
Non-interest bearing deposits and obligations -		
In Peru	726,492	762,013
In other countries	134,093	60,871
	860,585	822,884
Interest bearing deposits and obligations -		
In Peru	4,053,237	4,436,685
In other countries	1,072,408	1,121,631
	5,125,645	5,558,316
Total	5,986,230	6,381,200

The Group has established a policy to remunerate demand deposits and savings accounts according to an interest rate scale, based on the average balance maintained in such accounts. Additionally, according to such policy, it was established that the balances that were lower than a specified amount, for each type of account, do not bear interest.

(b) As of December 31, 2003 and 2002, the balance of deposits and obligations by type of transaction is made up as follows:

	2003 US$(000)	**2002** US$(000)
Time deposits	2,426,782	2,589,221
Demand deposits	1,491,679	1,455,608
Saving deposits	1,482,610	1,700,878
Severance indemnity deposits	527,434	552,174
Bank certificates	57,725	83,319
Total	5,986,230	6,381,200

(c) As of December 31, 2003, the total amount of individual time deposits and bank certificates that exceed of US$100,000 are approximately US$2,124.5 and US$11.7 million, respectively (US$1,507.7 million and US$33.1 million, respectively as of December 31, 2002).

(d) Interest rates applied to different deposits and obligations accounts are determined by the Group considering interest rates prevailing in the market in which the subsidiaries operate.

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

	2003 US$(000)	**2002** US$(000)
From 3 months to 1 year	1,824,324	1,823,539
From 1 to 5 years	513,362	728,908
More than 5 years	89,096	36,774
Total	2,426,782	2,589,221

12. Due to banks and correspondents

(a) This item is made up as follows:

	2003 US$(000)	**2002** US$(000)
By type -		
Due to banks and correspondents (b)	182,676	230,066
Promotional credit lines (c)	59,164	34,241
Interbank funds	28,618	43,194
Loans of international funds	3,276	2,197
Total	273,734	309,698
By term -		
Short-term debt	96,311	124,961
Long-term debt	177,423	184,737
Total	273,734	309,698

(b) The balance of the liabilities with banks and correspondents correspond to the following operations:

- Bank loans obtained by the Group mainly to finance foreign trade and working capital amounted US$84.1 and US$103.5 million in 2003 and 2002, respectively.

- The amount owed from a loan transaction made in November 1998, amounting to US$100 million, with maturities until November 2005, secured by the collection of the BCP's future inflows corresponding to the receivables and advances made in Peru through the credit cards of Visa International issued by foreign banks. In this transaction, Deutsche Bank AG. of Germany acted as trustee for the securitization operation. This obligation will be paid through the transfers of funds corresponding to the future inflows to be received by BCP from Visa International, which will be deposited directly by Visa International in a special account managed by Deutsche Bank A.G. of Germany. This transaction bears an annual interest rate of 5.74 percent. As of December 31, 2003 and 2002, the securitization obligation amounted to US$33.3 and US$48.4 million, respectively. This transaction is recorded as a secured borrowing.

  In addition, BCP has signed an insurance policy with MBIA Insurance Corporation of New York that guarantees the future cash inflows to pay the quarterly payments with maturities November 2005.

- The amount owed from a securitization transaction made by the BCP in January 2001 amounting to US$100 million, with maturity until January 2008, corresponding to the future collection of the orders of payment in US Dollars related to the transfers of funds received from banks located outside Peru associated with the Society for Worldwide Interbank Financial Telecommunications (Swift). In this transaction, ING Barings acted as trustee for the securitization transaction. This transaction bears a monthly interest rate that fluctuates between 1.44 and 1.83 percent (between 1.73 and 2.41 percent in 2002). As of December 31, 2003 and 2002 the balance of this obligation amounts to US$65.3 and US$78.2 million, respectively. This transaction is recorded as a secured borrowing.

(c) Promotional credit lines represent loans granted to BCP by Corporacion Financiera de Desarrollo (COFIDE) and Banco Interamericano de Desarrollo (BID), for promoting the development of the Republic of Peru. As of December 31, 2003 and 2002, these credit lines are guaranteed with a loan portfolio amounting to US$43.2 and US$18.4 million, respectively, and include covenants specifying the use of funds, financial conditions that the borrower must maintain and other administrative matters.

(d) Maturities of due to banks and correspondents are shown below, based in the remaining period to the repayment date:

	2003 US$(000)	**2002** US$(000)
Up to 1 year	96,311	130,961
From 1 to 5 years	137,627	135,822
Over 5 years	39,796	42,915
Total	273,734	309,698

13. Bonds issued

(a) This item is made up as follows:

	Weighted annual rate %	Maturity	2003 US$(000)	2002 US$(000)
Corporate bonds	6.29	Between March 2004 and August 2006	55,409	36,561
Leasing bonds	5.93	Between June 2004 and November 2010	232,993	350,191
Mortgage bonds	7.71	Between May 2011 and April 2012	30,207	28,454
Subordinated bonds	6.82	Between August 2007 and October 2010	97,140	68,349
Total			415,749	483,555

(b) Leasing and mortgages loans are collateralized by the fixed assets financed by the Group with these resources.

(c) The issued bonds balance as of December 31, 2003 and 2002, classified by maturity, is shown below:

	2003 US$(000)	2002 US$(000)
Up to 1 year	34,487	223,523
From 1 to 5 years	247,005	101,846
Over 5 years	134,257	158,186
Total	415,749	483,555

14. Shareholders' equity

(a) Capital stock -

As of December 31, 2003, 2002 and 2001, the capital stock is represented by 94,382,317 outstanding common shares, with a par value of US$5.

(b) Treasury stock -

Treasury stock corresponds to the nominal value of Credicorp's shares owned by Group companies, which amounts to 14,634,925 shares as of December 31, 2003 and 2002 (14,920,825 shares as of December 31, 2001). The difference between the acquisition cost of US$186.5 million and their par value of US$73.2 million is recorded as a capital surplus.

(c) Reserves -

In accordance with the laws that regulate financial and insurance activities of the Group's subsidiaries, they are required to establish a reserve of up to at least 35 percent of their paid-in capital through annual transfers of at least 10 percent of their net income. These reserves amount to approximately US$247.1 and US$242.1 million as of December 31, 2003 and 2002, respectively. Also, include transfers from retained earnings for an estimation of generic provisions for previous years for approximately US$34.6 million.

Credicorp has recorded similar reserves on a consolidated basis, which are not subject to any restriction.

(d) Dividends distribution -

During 2003, 2002 and 2001, Credicorp paid cash dividends for approximately US$23.9, US$16.0 and US$8 million, respectively. In addition, in 2001 the Board of Directors agreed to distribute an extraordinary dividend of approximately US$15.9 million related to the gain generated by the Group on the sale of the Union de Cerveceras Peruanas Backus y Johnston S.A. shares.

In accordance with current Peruvian legislation, there is no restriction for overseas remittance of dividends or the repatriation of foreign investment. As explained in note 15, since 2003 the tax regime applicable to dividends has been modified.

(e) Shareholders' equity for legal purposes (Regulatory capital) -

The minimum regulatory capital for the subsidiaries engaged on financial activities (hereafter "the financial group") amounted approximately to US$820.1 and US$809.4 million as of December 31, 2003 and 2002, respectively. This regulatory capital has been determined in accordance with the Superintendencia de Banca y Seguros del Perú regulations in force as of such dates. The assets and indirect credits weighted by credit risk, determined by the financial group, amount approximately to US$5,367.3 million and US$576.9 million, respectively, generating a global ratio for credit and market risk of 10.8 times the regulatory capital of the financial group as of December 31, 2003 (9.6 times as of December 31, 2002). According to the Banking law, this ratio cannot be more than 11 times higher than regulatory capital.

15. Taxes

(a) Credicorp is not subject to any type of income taxes, nor taxes on capital gains, equity or property. The Peruvian subsidiaries are subject to corporate taxation on income under the Peruvian Tax system. The statutory income tax rate payable in Peru is 27 percent of taxable income (as of December 31, 2001 the income tax rate was 30 percent which could be reduced to 20 percent for the re-invested portion of the taxable income of the subsidiaries). Effective January 1, 2004, the tax rate was increased to 30 percent.

ASHC and its subsidiaries are not subject to taxes in the Cayman Islands nor Panama. For the years ended December 31, 2003, 2002 and 2001, no taxable income was generated from its operations in the United States of America.

A reconciliation of the differences between the statutory income tax rate and the effective tax rate for the Group is shown as follows:

	2003 %	2002 %	2001 %
Peruvian statutory tax rate	27.00	27.00	30.00
Increase (decrease) in the statutory tax rate due to:			
(i) Increase (decrease) arising from net income of subsidiaries not domiciled in Peru	6.00	8.00	2.00
(ii) Non-taxable costs (income), net	(2.00)	3.00	(9.00)
(iii) Adjustment of deferred income tax for changes in rates	2.00	-	3.00
Effective income tax rate	33.00	38.00	26.00

(b) In 2003, 2002 and 2001, the deferred income tax has been calculated on all temporary differences applied at an income tax rate of 30 percent for 2003 and 27 percent for 2002 and 2001. The income tax expense analysis as of December 31, 2003, 2002 and 2001, is as follows:

	2003 US$(000)	2002 US$(000)	2001 US$(000)
Current -			
Peruvian	33,206	34,344	23,266
In other countries	2,079	399	347
	35,285	34,743	23,613
Deferred -			
Peruvian	982	(2,115)	392
Adjustment of deferred income tax for change in rates	3,428	-	1,130
	4,410	(2,115)	1,522
Total	39,695	32,628	25,135

A portion of the Group's deferred tax asset arises from part of the provisions for sundry risks and for credit losses, which are not deductible for income tax purposes until they comply with all the requirements established by the tax authorities. Therefore, the Group has recorded an accumulated deferred tax asset (including the effect of the workers' profit sharing) to reflect the future tax benefit of the deduction of these provisions.

The Group's deferred tax liability arises mainly from the depreciation of certain buildings from the BCP and PPS that is not acceptable for tax purposes and from leasing operations.

The following table shows a summary of the Group's deferred income taxes:

	2003 US$(000)	2002 US$(000)
Assets		
Allowance for credit losses	10,023	5,693
Reserve for sundry risks	5,583	4,462
Tax loss carry-forward	1,590	2,136
Other	3,109	567
	20,305	12,858
Tax loss carry-forward of ASHC - Miami	-	4,831
Allowance for deferred tax corresponding to the tax loss carry-forward	-	(4,831)
Net deferred income tax assets	20,305	12,858
Liabilities		
Provision for assets seized	(7,479)	(2,131)
Fixed assets	(6,511)	(8,412)
Leasing operations	(4,507)	(4,430)
Intangibles	(3,731)	(5,621)
Other	(794)	(4,491)
Deferred income tax liabilities	(23,022)	(25,085)
Net deferred income tax liability	(2,717)	(12,227)

(c) As of December 31, 2002, ASHC's Miami agency had United States federal tax loss carry forwards available to reduce future taxable income, if any, for approximately US$17.9 million. Due to the uncertainty regarding the Agency's ability to generate future federal and state taxable income needed to utilize the net deferred tax assets, the net deferred tax assets related to those tax loss carry-forward were not recorded. Such tax loss carry-forward was not recovered because the agency ceased operations during the year 2003.

(d) The Peruvian tax authorities have the right to review and, if necessary, amend the annual tax returns of the Peruvian subsidiaries. Fiscal years 2001 through 2003, inclusive, are pending review by the tax authorities. Any additional tax arising as a result of examination by the tax authorities will be charged to income in the year when such tax is determined, if any. At present, it is not possible to estimate the adjustments that the tax authorities may determine. However, in Management's opinion, it is not expected that any additional assessments will be determined in amounts considered significant to the consolidated financial statements as of December 31, 2003 and 2002.

16. Stock options on appreciation rights

As indicated in note 3(t), Credicorp has granted options over Credicorp's stock appreciation rights to certain key executives and employees who have at least one year of service in Credicorp or any of its subsidiaries. The options expire after eight years and 25 percent of the appreciation rights granted may be exercised during each of the first four years of the plan.

At the end of the fourth year and until the expiration date of the option, all or a portion of the options that are still outstanding under the plan may be exercised at any time. As of December 31, 2003, 298,500 appreciation rights had been exercised (1,250 as of December 31, 2002) under this plan for an approximate amount of US$1 million.

The number of stock appreciation rights options outstanding and the price of such rights at December 31, 2003, 2002 and 2001 are as follows:

Year	Number of shares	2003 US$	2002 US$	2001 US$
1999	366,000	8.94	9.09	9.39
2000	429,000	10.10	10.25	10.50
2001	481,500	6.90	7.05	7.30
2002	515,000	8.58	8.73	-
2003	569,750	9.77	-	-

In 2003 and 2002, the Group has recorded a provision for those options that could be executed corresponding to the difference between the price of the option and the quoted price at the consolidated balance sheet date (1,555,813 and 904,625, respectively), amounting approximately to US$8.4 and US$0.9 million, respectively. The provisions were recorded in the caption "Remunerations and employees' benefits" of the consolidated statement of income. The quoted price of the Credicorp's shares in the New York Stock Exchange as of December 31, 2003, 2002 and 2001 was US$13.35, US$9.4 and US$8.75, respectively.

In 2003 and 2002, the options prices were modified and informed to the executives of the Group.

17. Off-balance sheet accounts

(a) This item is made up as follows:

	2003 US$(000)	2002 US$(000)
Contingent credits		
Guarantees and stand by letters (c)	690,634	816,844
Import and export letters of credit (c)	152,942	140,086
	843,576	956,930
Responsibilities under credit lines agreements	509,586	188,428
Financial derivative contracts, net (d)	135,647	269,500
Swaps contracts (e)	98,083	10,784
Total	1,586,892	1,425,642

(b) In the normal course of its business, the Group's banking subsidiaries are party to transactions with off balance sheet risk. These transactions expose the Group's banking subsidiaries to credit risk in addition to the amounts recognized in the consolidated balance sheet. Credit risk for off-balance sheet financial instruments is defined as the possibility of sustaining a loss because any other party to a financial instrument fails to perform in accordance with the terms of the contract. The Group'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 Group uses 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, note 7, when it is deemed necessary. Collateral held varies, but may include deposits held in financial institutions, securities or other assets.

Due to the fact that many 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 Group 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, 2003 and 2002, Credicorp has derivatives transactions related to purchase and sale agreements for foreign currency forwards. Foreign currency forwards are commitments to buy or sell currency at a future date at a contracted price. Risk arises from the possibility that the counter-party to the transaction does not perform as agreed. As of December 31, 2003 and 2002, forward foreign currency purchase and sale agreements referred to above include nominal amounts of approximately US$313.9 and US$530.6 million, respectively, see note 22, with maturities not greater than one year.

These agreements are executed to satisfy client requirements and are recognized in the financial statements at fair market value.

(e) Interest rate swaps are derivatives contracts that exchange variable interest rates for fixed interest rates. The risk arises each time the projected level of the variable rate during the term of the operation is higher than the swap rate, as well as from non-compliance with contractual terms by one of the parties. As of December 2003, the notional amount of interest rate swap contracts in force was approximately US$98.1 million (approximately US$10.8 million at December 31, 2002). These contracts are recorded at fair market value.

18. Net premiums earned

In the ordinary course of its business PPS, Credicorp's subsidiary, engages in insurance activities and transfers reinsurance to other insurance companies to share the risk of its insurance contracts and to limit the potential losses arising from significant coverage. PPS is ultimately responsible for the payment of claims to the policyholder if the reinsurer is unable to meet its obligations.

Reinsurance includes shared quotas, excess of loss and facultative reinsurance. Amounts recoverable from reinsurers are estimated on a basis consistent with the associated claim liabilities and are presented as a component of reinsured assets.

Net premiums earned for the three years ended December 31, 2003, 2002 and 2001 are as follows:

	Gross amount US$(000)	**Ceded to other companies** US$(000)	**Assumed from other companies** US$(000)	**Net premiums earned** US$(000)	**Percentage of amount assumed on net premiums**
As of December 31, 2003					
Life insurance	32,340	(2,482)	311	30,169	1.03
Accident and health insurance	59,531	(3,718)	7	55,820	0.01
Property and casualty insurance	108,045	(72,270)	3,351	39,126	8.56
Total premiums	199,916	(78,470)	3,669	125,115	2.93
As of December 31, 2002					
Life insurance	36,395	(2,094)	268	34,569	0.77
Accident and health insurance	46,461	(1,682)	15	44,794	0.03
Property and casualty insurance	110,452	(68,861)	4,264	45,855	9.30
Total premiums	193,308	(72,637)	4,547	125,218	3.63

	Gross amount US$(000)	Ceded to other companies US$(000)	Assumed from other companies US$(000)	Net premiums earned US$(000)	Percentage of amount assumed on net premiums
As of December 31, 2001					
Life insurance	33,083	(2,532)	452	31,003	1.46
Accident and health insurance	41,097	(1,258)	12	39,851	0.03
Property and casualty insurance	89,688	(49,955)	1,617	41,350	3.91
Total premiums	163,868	(53,745)	2,081	112,204	1.85

19. Other income and expenses

This item is made up as follows:

	2003 US$(000)	2002 US$(000)	2001 US$(000)
Other income			
Recoveries of other accounts receivable and other assets	4,801	5,213	5,307
Real estate rental income	2,436	687	877
Recoveries of provisions for sundry risks	3,818	4,337	-
Income from the sale of assets seized	551	146	2,142
Other	11,621	1,268	4,204
Total other income	23,227	11,651	12,530
Other expenses			
Commissions	13,468	10,449	10,537
Provision for sundry risks, note 10(e)	2,022	4,649	13,317
Provisions for other operational expenses	1,639	1,907	3,392
Provisions for other account receivables	4,944	5,033	5,862
Other	5,673	5,713	1,511
Total other expenses	27,746	27,751	34,619

20. Earnings per share

The earnings per common share have been determined as follows:

	2003	2002	2001
Number of outstanding shares:			
Common shares, note 14(a)	94,382,317	94,382,317	94,382,317
Less: treasury shares	(14,634,925)	(14,634,925)	(14,920,825)
Total outstanding shares	79,747,392	79,747,392	79,461,492
Net income (in thousands of United States dollars)	80,607	42,383	54,513
Basic and diluted earnings per share (in United States dollars)	1.01	0.53	0.69

21. Financial information by industry and geographical area

The Group is organized on two main lines of business: banking and insurance.

The banking business includes services related with loans and other credit facilities to corporate clients, consumer and mortgage credits, debit and credit cards, savings and deposits, overdrafts, custody services, among others.

The insurance business includes the issuance of policies of insurance to cover claims that clients can suffer, such as fires, vehicles, transport, personal accidents and life insurance, among others.

Other activities developed by the Group comprise intermediation activities in the Peruvian stock market, trusteeship and administration of funds.

The following table presents the Group's financial information by industry (primary segment) and geographical area (secondary segment) for the three years ended December 31, 2003:

(a) Segments of business by industry (amounts expressed in million of U.S. dollars):

	External revenues	Revenues from other segments	Eliminations	Total revenues	Operating income (*)	Total assets	Fixed assets	Depreciation and amortization	Other provisions (**)
2003 -									
Banking	703	29	(29)	703	364	6,912	217	36	80
Insurance	125	12	(12)	125	26	587	33	5	-
Brokerage and other	84	108	(108)	84	21	795	15	3	-
Total consolidated	912	149	(149)	912	411	8,294	265	44	80
2002 -									
Banking	697	38	(38)	697	343	7,671	257	33	115
Insurance	145	12	(12)	145	27	408	31	4	-
Brokerage and other	26	76	(76)	26	11	551	2	4	-
Total consolidated	868	126	(126)	868	381	8,630	290	41	115
2001 -									
Banking	821	38	(38)	821	364	6,628	221	34	127
Insurance	151	11	(11)	151	15	395	33	4	-
Brokerage and other	52	77	(77)	52	12	559	5	5	-
Total consolidated	1,024	126	(126)	1,024	391	7,582	259	43	127

(b) Segment information by geographical area (amounts expressed in million of U.S. dollars):

	2003			2002			2001		
	Total income	**Operating income (*)**	**Total assets**	**Total income**	**Operating income (*)**	**Total assets**	**Total Income**	**Operating income (*)**	**Total assets**
Peru	788	326	6,208	714	332	6,809	774	304	5,325
Panama	20	2	264	2	2	72	2	2	23
Cayman Islands	10	9	880	43	8	706	87	13	1,018
Bolivia	47	34	446	57	29	475	80	43	656
Republic of El Salvador	-	-	-	-	-	-	19	7	-
Colombia	42	38	300	46	9	280	52	20	395
United States of America	5	2	196	6	1	288	10	2	165
Total consolidated	912	411	8,294	868	381	8,630	1,024	391	7,582

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

(**) Other provisions correspond to provisions for asset seized and the allowance for credit losses.

22. Financial instruments

The Group's activities are mainly related to the use of financial instruments including derivatives. The Group accepts deposits from customers at both fixed and floating rates and for various periods and seeks to earn above average interest margins by investing these funds in high quality assets. The Group seeks to increase these margins by consolidating short-term funds and lending for longer periods at higher rates while maintaining sufficient liquidity to meet all claims that might fall due.

The Group also seeks 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. Such exposures involve not just on-balance sheet loans and advances but the Group also enters into guarantees and other commitments such as letters of credit and security letters.

The Group also trades in financial instruments where it takes positions in traded and over the counter instruments, including derivatives, to take advantage of short-term market movements in the equity and bond markets and in currency and interest rates. Management places trading limits on the level of exposure that can be taken in relation to both overnight and intra-day market positions. Entering into counterbalancing positions, thereby controlling the variability in the net cash amounts required to liquidate market positions, normally offsets foreign exchange exposures associated with derivatives.

Market risks -

The Group takes on exposure to market risks. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The Group applies a "value at risk" methodology to estimate the market risk of position held and the maximum losses expected, based upon a number of assumptions for various changes in market conditions. The management sets limits on the value of risk that may be accepted, which is monitored on a daily basis.

The daily market value at risk measure (VAR) is an estimate, of the potential loss that might arise if the current positions were to be held unchanged for one business day. The measurement is structured so that daily losses exceeding the VAR figure should occur, on average, not more than once every day. Actual outcomes are monitored regularly to test the validity of the assumptions and parameters used in the VAR calculation.

Since VAR constitutes an integral part of the Group's market risk control regime, management for all trading and portfolio operations establishes VAR limits. However, the use of this approach does not prevent losses outside the limits established in the even of more significant market movements.

Liquidity risk -

The Group is expose to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loan drawdowns, guarantees and other calls. The Group does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. The Management of the Group subsidiaries sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of Interbank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demands.

The notes to the financial statements include an analysis of the assets and liabilities of the Group by maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date.

Liquidity requirements to support calls under guarantees and standby letters of credit are considerably less than the amount of the commitment because the Group does not generally expect the third party to draw funds under the agreement. The total outstanding contractual amount of commitments to extend credit does not necessarily represent future cash requirements, since many of these commitments will expire or terminate without being funded.

Interest rate risk -

The Group is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. The Management of the Group sets limits on the level of mismatch of interest rate repricing that may be undertaken. These limits are monitored daily; however, the Group is mainly engaged in providing short-term financing, at variable interest rates. Resources for trading finance are mainly obtained from short-term liabilities, the interests of which are agreed at fixed and variable rates prevailing in the markets that are located the Groups' subsidiaries.

Loans, customer deposits and other financing instruments are subject to risks derived from interest rate fluctuations. The relevant contract maturity characteristics and interest rates of such financial instruments are disclosed in notes 7, 11 and 13.

Currency risk -

Most assets and liabilities are maintained in U.S. dollars. Foreign currency transactions are made at the free market exchange rates of the countries where Credicorp's subsidiaries are established. As of December 31, 2003 and 2002 the Group's assets and liabilities by currencies are as follows:

	2003				2002			
	U.S. dollars US$(000)	Peruvian new sol US$(000)	Other currencies US$(000)	Total US$(000)	U.S. dollars US$(000)	Peruvian new sol US$(000)	Other currencies US$(000)	Total US$(000)
Assets -								
Cash and due from banks	1,443,208	139,514	30,008	1,612,730	1,977,733	162,612	42,045	2,182,390
Trading securities	31,843	28,196	38,111	98,150	295,755	297,563	11,786	605,104
Loans	3,469,891	637,200	47,728	4,154,819	3,568,523	630,184	194,925	4,393,632
Other assets	1,767,266	632,643	28,786	2,428,695	1,220,217	99,335	128,953	1,448,505
	6,712,208	1,437,553	144,633	8,294,394	7,062,228	1,189,694	377,709	8,629,631
Liabilities -								
Deposits and obligations	(4,631,187)	(1,306,463)	(48,580)	(5,986,230)	(5,011,722)	(1,168,385)	(201,093)	(6,381,200)
Due to banks and correspondents	(79,284)	(162,150)	(32,300)	(273,734)	(208,496)	(61,026)	(40,176)	(309,698)
Bonds issued	(294,028)	(121,721)	-	(415,749)	(391,696)	(91,859)	-	(483,555)
Other liabilities	(484,607)	(128,392)	(22,111)	(635,110)	(430,254)	(123,261)	(13,121)	(566,636)
	(5,489,106)	(1,718,726)	(102,991)	(7,310,823)	(6,042,168)	(1,444,531)	(254,390)	(7,741,089)
	1,223,102	(281,173)	41,642	983,571	1,020,060	(254,837)	123,319	888,542
Forward positions	(135,647)	127,590	8,057	-	(269,500)	269,500	-	-
Net position	1,087,455	(153,583)	49,699	983,571	750,560	14,663	123,319	888,542
Net monetary position (*)	573,548	121,618	193,314	888,480	235,694	14,663	123,319	373,676

(*) Exclude all non-monetary assets (mainly property, furniture and equipment, assets seized, intangible and goodwill) of the consolidated balance sheets as of December 31, 2003 and 2002.

Credit risk -

Credit risk is mainly controlled through the evaluation and analysis of each transaction considering such aspects as credit concentration of economic groups, evaluation of economic sectors, portfolio foreseen losses, guarantees and requirements for working capital according to market risks.

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 to any one borrower including banks and investments, is further restructured by sub-limits covering on and off-balance sheet exposures and daily delivery risk limits to trading items. Actual exposure against limits are monitored daily.

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 transactions, 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 respective 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 the 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 Group's assets and liabilities are short-term financial instruments, with a remaining maturity of under one-year. These short-term financial instruments, with the exception of those for which an active market exists, are considered to have a fair value equivalent to their carrying value at the balance sheet date.

The methodologies and assumptions used depend on the terms and risk characteristics of the various instruments and include the following:

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

- Trading securities and investments available-for-sale are generally quoted on exchanges. Interest earning assets and liabilities with an original maturity of less than one year have been assumed to have a fair value not materially different from book value.

- Market value of loans is similar to their book values, 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 Management as the estimated amount recoverable at the date of the consolidated financial statements.

- Market value of deposits and obligations is similar to their book value; principally because of their liquid nature and that the interest rates are comparable with the interest rate of other similar liabilities.

- 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 is similar to their market value.

Derivatives instruments -
Except for currency forwards and interest rate swaps, as indicated in note 17(d) and (e), the Group does not enter into other agreements, generally described as derivative transactions. The Group records these derivatives at their fair market value; therefore there are no differences with their book values.

Currency forward contracts represent commitments to purchase or sell foreign and domestic currency on a specified term. In these contracts there are not cash flows at the beginning of the transaction. The payments are made at the date of expiration, when surrendering and receiving local or foreign currency if it is buying or selling, respectively.

The Group maintains strict control on the limits and net derivative positions. For the foreign currency contracts and swaps of interest rates maximum levels have been established for the net maximum positions without hedge and a “stop loss” limit for the maximum levels of loss that the Group is willing to assume.

The notional amounts of forward contracts provide a basis for comparison with instruments recognized on the balance sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Group’s exposure to credit or price risks. The derivative instruments become favorable (assets) or unfavorable (liabilities) as a result of fluctuations in foreign exchange rates and interest rates relative to their terms. The aggregate contractual or notional amount of derivative financial instruments outstanding, and their aggregate fair value can fluctuate significantly from time to time.

As of December 31, 2003 and 2002, the notional amounts of the outstanding contracts are approximately US$313.9 and US$530.6 million, respectively, which have maturities of less than a year. As of December 31, 2003 and 2002 the forward contracts net position is an oversell of U.S. dollars of approximately US$135.6 and US$269.5 million, respectively. The fair value of the asset and liability forward contracts as of December 31, 2003 amounted approximately to US$4.0 and US$1.1 million, respectively (approximately US$8.2 and US$0.2 million as of December 31, 2002), and are included under the caption “Other assets and other liabilities” of the consolidated balance sheet, respectively. In addition, as of December 31, 2003 and 2002, the notional amount of the outstanding swap contracts amounted to US$98.1 and US$10.8 million, respectively.

23. Transactions with related parties and affiliated companies

Certain shareholders, directors and officers of the Group have been involved, directly and indirectly, in credit transactions with certain subsidiaries of the Group, as permitted by Peruvian Law 26702, which regulates and limits certain transactions with employees, directors and officers of a bank or an insurance company. As of December 31, 2003 and 2002, loans and other credits to employees of the Group are as follows:

	2003 US$(000)	**2002** US$(000)
Mortgage loans	9,503	16,114
Other loans	1,841	4,797
Total	11,344	20,911

As of December 31, loans and other contingent credits to related parties comprise:

	2003 US$(000)	**2002** US$(000)
Direct loans	66,474	73,195
Contingent loans	6,905	10,468
Total	73,379	83,663

As of December 31, 2003, direct and contingent credits to related companies comprise approximately 1.46 and 0.88 percent, respectively (1.49 percent and 1.09 percent, respectively, as of December 31, 2002), of the total portfolio of direct loans of the Group, which are ranked in the following risk categories:

	2003 %	**2002** %
Normal	59.5	34.8
Potential problems	34.4	46.3
Substandard	6.1	14.8
Doubtful	-	4.1
Total	100.0	100.0

In addition, the Group has investments available-for-sale in related entities for approximately US$9.0 and US$20.0 as of December 31, 2003 and 2002, respectively.

24. Significant differences between International Financial Reporting Standards and United States Generally Accepted Accounting Principles

The accompanying consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). A description of the significant differences between IFRS and U.S. generally accepted accounting principles (U.S. GAAP) follows:

(a) Allowance for credit losses -

Management believes that there is no significant difference between the amount of the reserve for loan losses provided under IFRS and the required reserve that would be provided under U.S. GAAP. Management believes that the reserve for loan losses was adequate at December 31, 2003 and 2002 to cover any known losses and any losses that have not been specifically identified in the loan portfolio.

(b) Investments in debt and equity securities -

Since 2001, the Group adopted IAS 39 “Financial Instruments: Recognition and Measurement”; consequently, at the beginning of 2001 the Group recorded the cumulative effect of the adoption of IAS 39 for investments that were considered as available-for-sale and trading investments in retained earnings and income for the year, respectively. The accounting treatment established by IAS 39 is similar to that required by SFAS 115.

- Trading securities are valued at their market value and the unrealized gains and losses are recorded in the income for the year in a similar way to U.S. GAAP.

- Investments available-for-sale are carried at their market value, with unrealized gains and losses being recorded in shareholders’ equity; while in accordance with SFAS 115 the unrealized gains and losses should be recorded in Other Comprehensive Income.

The reconciling items included in paragraph f) for the years 2003, 2002 and 2001 and in paragraph d) for the year 2001 correspond to i) the reclassification of the unrealized gains and losses corresponding to investments that are available-for-sale from retained earnings to Other Comprehensive Income and ii) the adjustment to market value of the trading securities recorded in 2000 for U.S. GAAP purposes and recognized in 2001 for IFRS purposes.

(c) Amortization of goodwill -

IAS 22 establishes that the goodwill should be amortized, consistently, in the term of its useful life, i.e. in the period during which future economic benefits are expected to flow to the company, which should not exceed twenty years. The amortization period and the amortization method should be reviewed at least at the end of each financial year.

SFAS 142, “Goodwill and other intangibles” establishes that the goodwill should be assigned to a reporting unit, which is defined as an operating unit or a component of an operating unit. Also, the goodwill is not subject to amortization and should be tested for impairment at least annually. In this respect, the Group made the analysis and evaluation of the impairment of goodwill as of January 1 and December 31 2003 and 2002, and no impairment loss was required.

(d) Summary of significant adjustments to net income -

The significant adjustments that would be required to determine the net income of the Group under U.S. GAAP instead of under IFRS are summarized below:

	For the year ended December 31,		
	2003 US$(000)	**2002** US$(000)	**2001** US$(000)
Net income in accordance with IFRS	80,607	42,383	54,513
Additions (deductions):			
Reversal of amortization of goodwill	4,223	3,033	-
Valuation of trading securities at their market value	-	-	1,257
Deferred income tax	-	-	120
Minority interest	-	-	(39)
Net income in accordance with U.S. GAAP	84,830	45,416	55,851
Net income per share in accordance with U.S. GAAP based on weighted average number of shares issued and in circulation	1.06	0.57	0.70
Weighted average number of outstanding shares issued and in circulation, excluding treasury stock (in thousands of shares)	79,747	79,747	79,461

(e) Summary of significant adjustments to shareholders' equity -

A summary of the significant adjustments that would be required to determine the shareholders' equity of the Group under U.S. GAAP instead of under IFRS are as follows:

	As of December 31,		
	2003 US$(000)	**2002** US$(000)	**2001** US$(000)
Shareholders' equity in accordance with IFRS	910,730	823,800	796,773
Additions			
Reversal of amortization of goodwill	7,256	3,033	-
Shareholders' equity in accordance with U.S. GAAP	917,986	826,833	796,773

The changes in shareholders' equity of the Group under U.S. GAAP are summarized below:

	For the year ended December 31,		
	2003 US$(000)	**2002** US$(000)	**2001** US$(000)
Balances as of January 1	826,833	796,773	785,853
Cash dividends	(23,922)	(15,987)	(23,908)
Decrease (increase) in treasury stock	-	2,908	(9,344)
Other comprehensive income (loss)	30,245	(2,277)	(11,679)
Net income	84,830	45,416	55,851
Balances as of December 31	917,986	826,833	796,773

(f) Other comprehensive income -

	For the year ended December 31,		
	2003 US$(000)	**2002** US$(000)	**2001** US$(000)
Net income in accordance with U.S.GAAP	84,830	45,416	55,851
Unrealized (losses) gains arising during the period, net of tax and minority interest	18,844	(14,444)	(3,096)
Transfer of realized losses (gains) to net income	11,401	12,167	(8,583)
Other comprehensive (loss) income	30,245	(2,277)	(11,679)
Comprehensive Income	115,075	43,139	44,172

Cumulative other comprehensive income (loss) is as follows:

	For the year ended December 31,		
	2003 US$(000)	**2002** US$(000)	**2001** US$(000)
Beginning balance	(9,495)	(7,218)	4,461
Current period changes	30,245	(2,277)	(11,679)
Ending balance	20,750	(9,495)	(7,218)

(g) Commitments and guarantees -

The disclosures required for FIN 45 applicable to Credicorp’s operations are as follow:

Commitments to extend credit -

Commitments include consumer credit lines an other consumer that are cancelable upon notification to the consumer. In addition commitments to extend credit are legally binding and generally have fixed expiration dates or other termination clauses. The contractual amount represents the Company's exposure to credit loss, in the event of default by the borrower. The Group manages this credit risk by using the same credit policies it applies to loans. Collateral is obtained to commercial commitments based on management's credit assessment of the borrower. Since the Group expects many of the commitments to expire without being drawn, total commitment amounts do not necessarily represent the Group's future liquidity requirements. The contract or notional amounts of commitments to extend credit at December 31, 2003, were as follows:

	Expire within 1 year US$(000)	**Expire after 1 year** US$(000)	**Total** US$(000)
Consumer credit cards	3,311	475,998	479,309
Commercial	22,094	-	22,094
Other consumer	8,183	-	8,183
	33,588	475,998	509,586

Letters of credit and guarantees -

Standby letters of credit are conditional commitments the Group issues to guarantee the performance of a customer to a third-party. The guarantees frequently support public and private borrowing arrangements, including commercial paper issuances, bond financings and other similar transactions. The Group issues commercial letters of credit on behalf of customers to ensure payment or collection in connection with trade transactions. In the event of a customer's nonperformance, the Group's credit loss exposure is the same as in any extension of credit, up to the letter's contractual amount. Management assesses the borrower's credit to determine the necessary collateral, which may include marketable securities, real estate, accounts receivable and inventory. Since the conditions requiring the Group to fund letters of credit may not occur, the Group expects its liquidity requirements to be less than the total outstanding commitments. The maximum potential future payments guaranteed by the Group understand by letter of credit and guarantees arrangements at December 31, 2003, were approximately $690.6 million with a weighted average term of approximately 24 months. The estimated fair value of standby letters of credit and guarantees was approximately $0.7 million at December 31, 2003. The contract or notional amounts of letters of credit and guarantees at December 31, 2003, were as follows:

	Expire within 1 year US$(000)	**Expire after 1 year** US$(000)	**Total** US$(000)
Standby letters of credit and guarantees	579,857	110,777	690,634
Commercial	148,506	4,436	152,942
	728,363	115,213	843,576

Fiduciary activities -

The Group provides investment management to third parties that involve the Group in allocation, purchase and selling decisions of investments on behalf of these third parties. Those assets that are held in a fiduciary capacity are not included in the consolidated financial statements.

Assets managed on behalf of customers of the Group comprise buildings and future cash flows of collections. As of December 31, 2003, the assigned value of the financial assets under administration amounts to approximately US$634.5 million (US$544.8 million in 2002).

In addition, as of December 31, 2003 the net equity of the investment mutual funds managed by the subsidiaries of the Group amount to approximately US$1,017.8 million (US$904.8 million in 2002).

(h) Recently U.S. GAAP pronouncements -

- Costs Associated with Exit or Disposal Activities

  SFAS 146, "Accounting for Costs Associated with Exit or Disposal Activities" (SFAS 146) requires that a liability for costs associated with exit or disposal activities, other than in a business combination, be recognized when the liability is incurred. Previous generally accepted accounting principles provided for the recognition of such costs at the date of management's commitment to an exit plan. In addition, SFAS 146 requires that the liability be measured at fair value and be adjusted for changes in estimated cash flows. The provisions of the new standard are effective for exit or disposal activities initiated after December 31, 2002. Credicorp has assessed the impact in its financial statements as of December 31, 2003 of applying the SFAS 146 since January 1, 2003 (the effective date for its application) and conclude that there are not material effects for its consolidated financial statements.

- Derivative Instruments and Hedging Activities

  SFAS 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities" (SFAS 149) amends and clarifies accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS 133). In particular, this SFAS 149 clarifies under what circumstances a contract with an initial net investment meets the characteristic of a derivative and when a derivative contains a financing component that warrants special reporting in the statement of cash flows. This Statement is generally effective for contracts entered into or modified after June 30, 2003 and did not have a material impact on the Credicorp's Consolidated Financial Statements.

- Liabilities and Equity
  SFAS 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity" (SFAS 150) establishes standards for how an issuer measures certain financial instruments with characteristics of both liabilities and equity and classifies them in its statement of financial position. It requires that an issuer classify a financial instrument that is within its scope as a liability (or an asset in some circumstances) when that financial instrument embodies an obligation of the issuer. SFAS 150 is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective July 1, 2003, and did not have a material impact on the Credicorp's Consolidated Financial Statements.

- Consolidation of Variable Interest Entities
  In January 2003, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 46, Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51 (FIN 46). In December 2003, the FASB modified FIN 46 to make certain technical corrections and address certain implementation issues that had arisen. FIN 46 provides a new framework for identifying variable interest entities (VIEs) and determining when a company should include the assets, liabilities, non-controlling interests and results of activities of a VIE in its consolidated financial statements. The provisions of FIN 46 are effective for the year ending December 31, 2004. The Company believes that the adoption of FIN 46 will not have a significant impact on the Company's operating results or financial condition.

- Guarantees and Indemnifications
  In November 2002, FASB issued FASB Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" (FIN 45), which requires that, for guarantees within the scope of FIN 45 issued or amended after December 31, 2002, a liability for the fair value of the obligation undertaken in issuing the guarantee be recognized. The impact of adopting FIN 45 as of December 31,2003 was not material for Credicorp's consolidated financial statements. FIN 45 also requires additional disclosures in financial statements for periods ending after December 15, 2002, which are included in paragraph (g) above.

(i) Recently issued IFRS -
Over the past year and until the date of the issuance of this report, the IASB has been in the process of revising previously issued International Accounting Standards known as the "Improvements Project" and issuing new standards existing guidance did not exist such as IFRSs 2, 3, 4 and 5. None of the revisions to existing IAS or the newly issued IFRSs were required to be adopted for the year-ended December 31, 2003. The Group is currently in the process of assessing the impact of adopting the revised IASs and newly issued IFRSs although, at this time, it is not expected that their adoption will have a material impact on the financial condition of the Group.