UNITED STATES STEEL CORP
Form 4
May 31, 2007

FORM 4

OMB APPROVAL

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
GARRAUX JAMES D

(Last) (First) (Middle)

600 GRANT STREET

(Street)

PITTSBURGH, PA 15219-2800

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
UNITED STATES STEEL CORP [X]

3. Date of Earliest Transaction (Month/Day/Year)
05/29/2007

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
Gn Cnsl & SVP-Lbr Rel & Env Af

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
United States Steel Corporation Common Stock (1)	05/29/2007		A		3,100	A	$ 109.315	15,654.749	D	
United States Steel Corporation Common Stock	05/30/2007		F		178	D	$ 110.52	15,476.749	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)	
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares
Performance Award	(2)	05/29/2007		A		3,500		(3)	05/29/2010	Common Stock	3,500
Stock Option	$ 109.315	05/29/2007		A		6,800		(4)	05/29/2017	Common Stock	6,800

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
GARRAUX JAMES D 600 GRANT STREET PITTSBURGH, PA 15219-2800			Gn Cnsl & SVP-Lbr Rel & Env Af	

Signatures

B. E. Lammel by Power of Attorney	05/31/2007
**Signature of Reporting Person	Date

Explanation of Responses:

- * If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).
- ** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).
- **(1)** Restricted stock grant vests ratably over three years, one-third on each of the first, second and third grant date anniversaries.
- **(2)** 0 or from 50% to 200% depending upon the performance of U. S. Steel's common stock vs. that of a peer group.
- **(3)** Performance award vests depending upon the performance of U. S. Steel's common stock vs. that of a peer group over a three-year period.
- **(4)** Option grant vests ratably over three years, one-third on each of the first, second and third grant date anniversaries.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.

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(ii) The Group is exposed to variability in future interest cash flows on assets and liabilities in foreign currency and/or which bear interest variable rates. The Group uses derivatives financial instruments as cash flow hedges to cover these risks.

A schedule indicating, as of December 31, 2012, the periods when the cash flow hedges are expected to occur and affect the consolidated statement of income, net of the deferred income tax is presented below:

	Up to 1 year US$(000)	From 1 to 3 years US$(000)	From 3 to 5 years US$(000)	Over 5 years US$(000)
Cash outflows (liabilities)	382,825	513,977	30,644	273,605
Consolidated statement of income	22,394	30,640	6,535	5,913

As of December 31, 2012, the accumulated balance of unrealized loss on cash flow hedges recorded as other comprehensive income in the caption “Cash flow hedges reserve”, results from the current hedges (unrealized loss for approximately US$52.4 million) and the terminated hedge in 2009 (unrealized gain for approximately US$9.1 million) which is being recognized over the maturity of the underlying financial instrument, see Note 16(a)(viii). Likewise, the transfer of net unrealized loss on cash flow hedges to the consolidated statements of income is presented in Note 17(c).

(c) Operations in process include deposits received, loans disbursed, loans collected, funds transferred and other similar types of transactions, which are made at the end of the month and not reclassified to their final consolidated statements of financial position account until the first days of the following month. These transactions do not affect the Group’s net consolidated income.

(d) The movement of the provision for sundry risks for the years ended December 31, 2012, 2011 and 2010 is as follows:

	2012 US$(000)	2011 US$(000)	2010 US$(000)
Beginning balance	29,009	19,425	27,225
Provision, Note 25	12,942	10,661	8,440
Business acquisition , Note 2(b)	7,339	4,044	-
Decreases	(10,220)	(5,121)	(16,240)
Ending balance	39,070	29,009	19,425

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Notes to the consolidated financial statements (continued)

Due to the nature of its business, the Group has some pending legal claims for which it records a provision when, in Management's and its legal advisor's opinion, they will result in an additional liability and such amount can be reliably estimated. Regarding legal claims against the Group which have not been provided for, in Management's and its legal advisor's opinion, they will not have a material effect on the Group's consolidated financial statements.

(e) As of December 31, 2012, it corresponds to restricted funds related to repurchase agreements (Note 5(b)) amounting to US$68.7 million (as of December 31, 2011, it corresponds to restricted funds related to repurchase agreements and derivatives transactions amounting to US$82.8 million and US$7.3 million, respectively).

13. Deposits and obligations

(a) This item is made up as follows:

	2012 US$(000)	2011 US$(000)
Demand deposits	8,065,131	6,614,487
Saving deposits	6,084,078	5,096,509
Time deposits (c)	7,415,710	5,039,541
Severance indemnity deposits	2,232,492	1,757,124
Bank's negotiable certificates	167,542	136,338
	23,964,953	18,643,999
Interest payable	75,467	59,848
Total	24,040,420	18,703,847

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 those accounts; on the other hand, according to such policy, balances that are lower than a specified amount for each type of account, do not bear interest. Also, time deposits earn interest at market rates.

Interest rates are determined by the Group considering interest rates prevailing in the market in which each of the Group's subsidiaries operates.

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Notes to the consolidated financial statements (continued)

(b) The amounts of non-interest and interest bearing deposits and obligations are made up as follows:

	2012 US$(000)	2011 US$(000)
Non-interest		
In Peru	5,767,705	4,645,607
In other countries	855,660	745,081
	6,623,365	5,390,688
Interest bearing		
In Peru	16,033,766	12,363,772
In other countries	1,307,822	889,539
	17,341,588	13,253,311
Total	23,964,953	18,643,999

(c) Time deposits balance classified by maturity is as follows:

	2012 US$(000)	2011 US$(000)
Up to 3 months	5,218,466	3,163,777
From 3 months to 1 year	1,757,737	1,531,252
From 1 to 3 years	221,231	293,393
From 3 to 5 years	168,268	1,118
More than 5 years	50,008	50,001
Total	7,415,710	5,039,541

As of December 31, 2012 and 2011, in Management’s opinion, the Group’s deposits and obligations are diversified with no significant concentrations.

As of December 31, 2012 and 2011, approximately US$7,560.0 million and US$6,233.4 million, respectively of the deposits and obligations balances, are covered by the Peruvian “Fondo de Seguro de Depósitos” (Deposit Insurance Fund). At those dates, the “Fondo de Seguro de Depósitos” covered up to US$35,771.0 and US$33,984.1, respectively.

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Notes to the consolidated financial statements (continued)

14. Due to banks and correspondents

(a) This item is made up as follows:

	2012 US$(000)	2011 US$(000)
International funds and others (i)	2,226,341	1,672,348
Promotional credit lines (ii)	332,687	241,836
Inter-bank funds	117,599	138,671
	2,676,627	2,052,855
Interest payable	9,634	7,165
Total	2,686,261	2,060,020

(i) This item is made up as follows:

	2012 US$(000)	2011 US$(000)
Syndicated loans (*)	381,101	496,073
Deutsche Bank	154,161	121,679
China Development Bank	149,122	148,875
Standard Chartered Bank	140,335	197
JP Morgan Chase	130,068	-
Cobank	116,338	47,903
Bank of America N.A.	110,000	95,645
Citibank N.A.	105,390	94,968
Bank of New York Mellon	99,000	50,000
Toronto Dominion Bank	98,000	85,000
Sumitomo Mitsui Banking Corp.	90,000	20,000
Corporación Andina de Fomento – CAF	85,000	200,00
Wells Fargo & Co.	78,000	144,998
Banco Latinoamericano de Comercio Exterior	60,000	-
Banco de la Nación	47,059	11,128
Commerzbank	29,910	-
Other	352,857	355,882
Total	2,226,341	1,672,348

(*) As of December 31, 2012, the balance includes two syndicated loans obtained from foreign financial entities in March 2011 and October 2010 amounting to US$150.0 million and US$233.3 million, respectively with maturity in March 2014 and October 2013, respectively, with interest payments every semester at Libor 6m+1.75 percent. During 2011, the syndicated loans, which are subject to variable interest rate risk, were hedged through IRS with the same maturities; as a result, the loans were economically converted to fix interest rate, see Note 12(b).

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Notes to the consolidated financial statements (continued)

(ii) Promotional credit lines represent loans granted by Corporación Financiera de Desarrollo and Fondo de Cooperación para el Desarrollo Social (COFIDE and FONCODES for their Spanish acronym, respectively) to promote the development of Peru, they have maturities between May 2013 and December 2035 and their annual interest rates are between 6.00 and 7.75 percent (between January 2012 and November 2031 and annual interest rate between 6.00 and 7.75 percent as of December 31, 2011). These credit lines are secured by a loan portfolio amounting to US$332.6 and US$241.8 million as of December 31, 2012 and 2011, respectively.

Some due to foreign financial entities and promotional credit lines balances include standard covenants related to financial ratios, use of funds and other administrative matters, which in Management's opinion, do not limit the Group's operations and it has fully complied with as of the dates of the consolidated financial statements.

(b) As of December 31, 2012 and 2011, maturities of due to banks and correspondents are shown below, based on the remaining period to the repayment date:

Due to banks and correspondents	2012 US$(000)	2011 US$(000)
Up to 3 months	898,085	585,211
From 3 months to 1 year	872,282	458,685
From 1 to 3 years	377,932	731,912
From 3 to 5 years	254,938	199,575
More than 5 years	273,390	77,472
Total	2,676,627	2,052,855

(c) As of December 31, 2012 and 2011, credit lines granted by several local and foreign financial institutions, available for future operating activities amounted to US$2,891.7 and US$2,117.0, respectively.

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Notes to the consolidated financial statements (continued)

15. Insurance claims reserves and technical reserves

(a) This item is made up as follows:

2012	Claims reserves		Technical reserves	Total
	Direct	Assumed		
	US$(000)	US$(000)	US$(000)	US$(000)
Life insurance	129,260	-	1,067,727	1,196,987
General insurance	116,913	15,487	189,267	321,667
Health insurance	54,848	8	41,489	96,345
Total	301,021	15,495	1,298,483	1,614,999

2011	Claims reserves		Technical reserves	Total
	Direct	Assumed		
	US$(000)	US$(000)	US$(000)	US$(000)
Life insurance	100,940	-	901,175	1,002,115
General insurance	111,901	1,136	186,470	299,507
Health insurance	44,718	7	31,951	76,676
Total	257,559	1,143	1,119,596	1,378,298

Insurance claims reserves represent reported claims and an estimation for incurred but non reported claims (IBNR). Reported claims are adjusted on the basis of technical reports received from independent adjusters.

Insurance claims and technical reserves corresponding to the reinsurers and coinsurers are shown as ceded claims, which are presented in the caption “Accounts receivable from reinsurers and coinsurers” of the consolidated financial statements, see note 9.

As of December 31, 2012, the reserves for direct claims include reserves for IBNR for life, general and health insurance for an amount of US$44.4, US$1.2 and US$28.9 million, respectively (US$28.1, US$3.2 and US$23.8 million, respectively, as of December 31, 2011).

During 2012 and previous years, the differences between the estimations for the incurred and non-reported claims and the settled and pending liquidation claims have not been significant. Retrospective analysis indicates that the amounts accrued are adequate and the Management believes that the estimated IBNR reserve is sufficient to cover any liability as of December 31, 2012 and 2011.

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Notes to the consolidated financial statements (continued)

Technical reserves comprise reserves for future benefit obligation under its in-force life, annuities and accident insurance policies and the unearned premium reserves in respect of the portion of premiums written that is allocable to the unexpired portion of the related policy periods for general and health insurance products.

The movement for the years ended December 31, 2012 and 2011 of insurance claims and technical reserves is as follows:

(b) Insurance claims reserves (direct and assumed):

	2012 Life insurance US$(000)	General insurance US$(000)	Health insurance US$(000)	Total US$(000)
Initial balance	100,940	113,037	44,725	258,702
Claims, Note 24	166,249	140,747	220,972	527,968
Payments	(124,735)	(121,206)	(214,133)	(460,074)
Translation result	(13,194)	(178)	3,292	(10,080)
Final balance	129,260	132,400	54,856	316,516

	2011 Life insurance US$(000)	General insurance US$(000)	Health insurance US$(000)	Total US$(000)
Initial balance	84,919	127,712	41,431	254,062
Claims, Note 24	123,194	93,314	189,878	406,386
Payments	(108,738)	(107,840)	(187,250)	(403,828)
Translation result	1,565	(149)	666	2,082
Final balance	100,940	113,037	44,725	258,702

(c) Technical reserves:

2012

	Life insurance US$(000)	General insurance US$(000)	Health insurance US$(000)	Total US$(000)
Initial balance	901,175	186,470	31,951	1,119,596
Time course expenses and other	34,541	-	-	34,541
Unearned premium and other technical reserves variation, net	11,233	2,375	8,362	21,970
Insurance subscriptions	168,641	-	-	168,641
Payments	(41,765)	-	-	(41,765)
Translation result	(6,098)	422	1,176	(4,500)
Final balance	1,067,727	189,267	41,489	1,298,483

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Notes to the consolidated financial statements (continued)

	2011 Life insurance US$(000)	General insurance US$(000)	Health insurance US$(000)	Total US$(000)
Initial balance	758,807	156,808	26,646	942,261
Time course expenses and other	32,258	-	-	32,258
Unearned premium and other technical reserves variation, net	9,435	30,953	5,312	45,700
Insurance subscriptions	135,073	-	-	135,073
Payments	(37,470)	-	-	(37,470)
Translation result	3,072	(1,291)	(7)	1,774
Final balance	901,175	186,470	31,951	1,119,596

As of December 31, 2012 and 2011, no additional reserves were needed as a result of the liability adequacy test. The main assumptions used in estimation of retirement, disability and survival annuities and individual life (included unit linked insurance contracts) reserves as of those dates, were the following:

Modality	Mortality Table	Technical rates
Annuities	RV - 2009, B - 2006 and MI – 2006	3.5% - 6.03% in dollars, 3.5% - 5.13% in adjusted dollars, 1.50% - 3.56% in soles and 4.5% - 5.59% adjusted soles.
Retirement, disability and survival	B-85, B-85 adjusted, MI-85	1.24% -3% in soles, 4.54% - 4.55% in adjusted soles and 3.62% - 3.53% in adjusted dollars
Individual life insurance contracts (included unit linked insurance contracts)	CSO 80 adjustable	4.00% - 5.00% in US$

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Notes to the consolidated financial statements (continued)

The sensitivity of the estimates used by the Group to measure its insurance risks is represented primarily by the life insurance risks; the main variables as of December 31, 2012, are the interest rates and the mortality tables used. The Group has evaluated the changes of the reserves related to its most significant life insurance contracts included in retirement, disability and survival annuities contracts of +/- 100 bps of the interest rates and of +/- 5 bps of the mortality factors, being the results as follows:

Variables	Amount of the reserve	Variation of the reserve	
		Amount	Percentage
	US$(000)	US$(000)	%
Portfolio in U.S. Dollars - Basis amount	500,730		
Changes in interest rates: + 100 bps	453,897	(46,832)	(9.35)
Changes in interest rates: - 100 bps	556,975	56,245	11.23
Changes in Mortality tables to 105%	495,485	(5,245)	(1.05)
Changes in Mortality tables to 95%	506,263	5,533	1.11

Variables	**Amount of the reserve**	**Variation of the reserve**	
		Amount	**Percentage**
	US$(000)	US$(000)	%
Portfolio in S/. - Basis amount	389,364		
Changes in interest rates: + 100 bps	346,051	(43,313)	(11.12)
Changes in interest rates: - 100 bps	442,560	53,196	13.66
Changes in Mortality tables to 105%	385,906	(3,459)	(0.89)
Changes in Mortality tables to 95%	393,027	3,662	0.94

Notes to the consolidated financial statements (continued)

16. Bonds and notes issued

(a) This item is made up as follows:

	Weighted annual interest rate %	Interest payment	Maturity	Issued amount (000)		2012 US$(000)	2011 US$(000)
Senior Notes – (i)							
First issuance	5.38	Semi-annual	September 2020	US$	800,000	790,446	796,010
Second issuance	4.75	Semi-annual	March 2016	US$	700,000	694,037	687,002
						1,484,483	1,483,012
CCR Inc. MMT 100 – Secured notes – (ii)							
2005 Series A Floating Rate Certificates	Libor 1m + 21 bps	Monthly	October 2012	US$	230,000	-	19,252
2006 Series A Floating Rate Certificates	Libor 1m + 24 bps	Monthly	March 2016	US$	100,000	22,364	27,326
2008 Series A Fixed Rate Certificates	6.27	Monthly	June 2015	US$	150,000	66,173	88,170
2008 Series B Floating Rate Certificates	Libor 1m + 25 bps	Monthly	December 2015	US$	150,000	87,112	116,731
2010 Series A Floating Rate Certificates	Libor 1m + 47.5 bps	Monthly	October 2012	US$	128,074	-	44,118
2010 Series B Floating Rate Certificates	Libor 1m + 57.6 bps	Monthly	March 2016	US$	100,000	41,399	51,164
	Libor 1m + 44.5 bps	Monthly	July 2017	US$	350,000	279,247	311,912

2010 Series C Floating Rate Certificates							
2010 Series D Floating Rate Certificates	Libor 1m + 36.1 bps	Monthly	July 2014	US$	150,000	66,896	103,821
2012 Series A y B Floating Rate Certificates	Libor 1m + 22.5 bps	Monthly	July 2017	US$	150,000	148,976	-
2012 Series C Fixed Rate Certificates	4.75	Monthly	July 2022	US$	315,000	312,785	-
						1,024,952	762,494
Corporate bonds – (iii) First program Tenth issuance Series B	8.00	Quarterly	March 2013	S/.	10,000	3,922	9,273
Second program							
First issuance (Series A y B)	6.83	Semi-annual	Between December 2014 and March 2015	S/.	275,000	80,045	102,003
First and second issuance (Series A) – Edyficar	5.49	Semi-annual	Between April 2015 and January 2016	S/.	130,000	49,411	-
Third issuance (Series A and B)	7.72	Quarterly	Between June and July 2018	S/.	200,000	76,302	74,184
Fourth Program Fourth issuance (Series A, B, C y D)	6.41	Semi-annual	Between July and December 2014	S/.	233,414	70,360	66,549
	5.31	Semi-annual		S/.	50,000	19,608	17,365

Fifth issuance (Series A)			September 2013				
Eight issuance (Series A)	3.75	Semi-annual	January 2014	US$	91,000	89,000	88,674
Ninth issuance (Series A)	6.22	Semi-annual	November 2016	S/.	128,000	49,957	47,423
Tenth issuance (Series A, B and C)	5.92	Semi-annual	Between December 2021 and November 2022	S/.	550,000	210,298	55,638
BCP Emisiones Latam 1 S.A. (First issuance - Series A) – (iv)	4.00	Semi-annual	October 2014	Ch UF	2,700	128,490	114,692
						777,393	575,801

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Notes to the consolidated financial statements (continued)

	Weighted annual interest rate %	Interest payment	Maturity	Issued amount (000)		2012 US$(000)	2011 US$(000)
Subordinated notes - (v)	6.13	Semi-annual	April 2027	US$	350,000	348,015	-
Subordinated notes – (vi)	6.88	Semi-annual	September 2026	US$	350,000	327,708	317,497
Junior subordinated bonds – (vii)	9.75	Semi-annual	November 2069	US$	250,000	223,374	220,396
Subordinated bonds							
First issuance (Series A)	6.22	Semi-annual	May 2027	S/.	15,000	5,882	5,564
First issuance (Series A) – PPS	6.97	Quarterly	November 2026	US$	60,175	55,174	52,018
First, second and third issuance (Series A) – Edyficar	7.44	Semi-annual	Between October 2021 and December 2022	S/.	110,000	43,137	25,965
Fifth issuance (Series A)	8.25	Semi-annual	October 2012	S/.	50,000	-	4,803
Fourth issuance (Series A, B, C y D)	7.82	Quarterly	Between February and May 2016	US$	113,822	98,789	97,612
First issuance – Second program (Series A y B)	5.75	Semi-annual	Between September and October 2013	US$	20,000	8,078	12,801
						211,060	198,763
Negotiable certificate of	7.45	Semi-annual	October 2022	S/.	483,280	177,386	171,387

deposit – (viii)							
Subordinated negotiable certificates of deposit - (ix)	6.88	Semi-annual	Between November 2021 and September 2026	US$	129,080	119,239	118,574
Leasing bonds - First program – (x) Sixth issuance (Series A)	8.72	Quarterly	August 2018	S/.	100,000	39,216	37,092
Negotiable certificates of deposit – First Program Fourth issue (Series A, B y C) – Edyficar	5.31	At maturity	Between July and August 2012	S/.	94,906	-	35,203
Mortgage bonds - (x)	7.44	Semi-annual	April 2012	US$	5,000	-	503
						4,732,826	3,920,722
Interest payable						50,562	44,800
Total						4,783,388	3,965,522

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Notes to the consolidated financial statements (continued)

(i) BCP can redeem in whole or in a part these notes at any time, with the penalty of the payment of an interest rate equivalent to the American Treasury plus 40 basis points. Payment of principal will take place at the date of maturity or redemption.

(ii) All issuances are secured by the collection of BCP´s (including its foreign branches) future inflows from electronic messages sent through the Society for Worldwide Interbank Financial Telecommunications (“SWIFT”) network and utilized within the network to instruct correspondent banks to make a payment of a certain amount to a beneficiary that is not a financial institution.

2005, 2006, 2008 and 2010 issuances subject to variable interest rates were hedged through IRS; as a result, they were economically converted to fix interest rate, see Note 12(b).

(iii) As of December 31,2012 and 2011, the Group has hedged through CCS and IRS, corporate bonds issued in Peruvian currency for a notional amount of US$60.1 million and US$82.2 million, respectively, subject to foreign exchange and variable interest risks, see Note 12(b); as a result, these bonds were economically converted to US$ Dollars at fixed rate.

(iv) This issuance is denominated in “Chilean Unidades de Fomento – UF” for 2.7 million. The Group can redeem 100 of the bonds only if the legal reserve funds legislation and the tax law, related to income tax and value added tax change in Peru, Panama or Chile. This debt, subject to foreign exchange risk, has been hedged through CCS for a notional amount equal to the principal and with the same maturity, see Note 12(b); as a result, these bonds were economically converted to US$ Dollars.

(v) Starting April 24, 2022, the interest rate becomes a variable rate of Libor 3 months plus 704.3 basis points. Between April 24, 2017 and until April 24, 2022, BCP may redeem all or part of the subordinated notes with the penalty of the payment of an interest equivalent to the American Treasury plus 50 basis points. Additionally, from April 24, 2022 or at any later date of coupon payment, BCP can redeem all or part of the bonds without penalty. Payment of principal will take place at the date of maturity or redemption.

(vi) Starting September 16, 2021, the interest rate becomes a variable rate of Libor 3 months plus 770.8 basis points. Between September 16, 2016 and until September 15, 2021, BCP may redeem all or part of the bonds, with the penalty of the payment of an interest equivalent to the American Treasury plus 50 basis points. Additionally, from September 16, 2021 or at any later date of coupon payment, BCP can redeem all or part of the bonds without penalty. Payment of principal will take place at the date of maturity or redemption.

(vii)

In November 2019, interest rate will be Libor 3 months plus 816.7 basis points. On that date and on any interest payment date BCP can redeem 100 percent of the bonds without penalty. Payment of principal will take place at the date of maturity or redemption.

This debt does not have collateral and qualifies as Tier 1 capital for SBS regulations.

(viii) In October 2017, interest rate will be the average of at least three valuations on the market interest rate for sovereign bonds issued by the Peruvian Government (with maturity on 2037), plus 150 basis points, with semiannual payments. From such date, BCP can redeem 100 percent of the certificates, without penalties. Payment of principal will take place at the date of maturity or redemption.

Cash flows of this debt, subject to foreign exchange risk and interest rate risk, were hedged, until October 2009, through CCS and IRS; at that date, the Group discontinued prospectively the combined cash flow hedge of CCS and IRS through their unwinding, see Note 12(b)(ii).

(ix) In November 2016, the interest rate will change to a floating interest rate, established as Libor plus 2.79 percent, with semi-annual payments. From such date, BCP can redeem 100 percent of the debt, without penalties. Payment of principal will take place at he date of maturity or redemption.

(x) The leasing bonds and mortgage bonds are collateralized by the fixed assets financed by the Group.

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Notes to the consolidated financial statements (continued)

(b) Bonds and notes issued, classified by maturity are shown below:

	2012 US$(000)	2011 US$(000)
Up to 3 months	44,573	55,335
From 3 months to 1 year	169,750	227,195
From 1 to 3 years	770,808	683,228
From 3 to 5 years	1,211,711	345,134
More than 5 years	2,535,984	2,609,830
Total	4,732,826	3,920,722

17. Equity

(a) Share capital -

As of December 31, 2012, 2011 and 2010, 94,382,317 shares of capital stock were issued at US$5 per share.

(b) Treasury stock -

As of December 31, 2012, treasury stock comprises the par value of 14,991,059 Credicorp's shares (14,974,957 and 14,941,833 Credicorp's shares as of December 31, 2011 and 2010, respectively) owned by the Group's companies.

The difference between their acquisition cost of US$220.8 million and their par value of US$74.6 million (as of December 31, 2011 and 2010 acquisition cost of US$217.8 million and of US$209.2 million, respectively and their par value of US$74.9 million and US$74.7 million, respectively) is presented as a reduction of "Capital surplus".

Notes to the consolidated financial statements (continued)

(c) Reserves -

Some of the Group’s subsidiaries are required to establish a reserve equivalent to a certain percentage of their paid-in capital (20, 30 or 35 percent, depending on their activity and country of incorporation) through annual transfers of 10 percent of their net income. As of December 31, 2012, 2011 and 2010, these reserves amounted to approximately US$620.3, US$461.9 and US$441.5 million, respectively.

The Shareholders’ meetings held on March 30, 2012, March 31, 2011 and March 26, 2010 agreed to transfer from “Retained earnings” to “Reserves” US$517.4, US$407.8 and US$331.6 million, respectively.

Notes to the consolidated financial statements (continued)

The caption "Other reserves" includes the unrealized net gain (loss) from available-for-sale investments and from derivatives instruments used as cash flow hedges, net deferred income tax and non-controlling interest; its movement is as follows:

	Unrealized net gain (loss) of: Available-for-sale Investments reserve	Cash flow hedge reserve	Foreign currency translation reserve	Total
	US$(000)	US$(000)	US$(000)	US$(000)
Balances as of January 1, 2010	288,977	(51,531)	-	237,446
Net unrealized gain from available-for-sale investments	191,305	-	-	191,305
Transfer of net realized gain from investments available-for-sale to the consolidated statements of income, net of realized loss	(59,785)	-	-	(59,785)
Transfer of impairment on investment available-for-sale to the consolidated statements of income	3,250	-	-	3,250
Net unrealized gain from cash flow hedges	-	(44,584)	-	(44,584)
Transfer of net realized loss from cash flow hedges to the consolidated statements of income	-	39,089	-	39,089
Balances as of December 31, 2010	423,747	(57,026)	-	366,721
Net unrealized gain from available-for-sale investments	6,330	-	-	6,330
Transfer of net realized gain from investments available-for-sale to the consolidated statements of income, net of realized loss	(35,760)	-	-	(35,760)
Transfer of impairment on investment available-for-sale to the consolidated statements of income, Note 6(c)	1,025	-	-	1,025
Net unrealized loss from cash flow hedges	-	(23,578)	-	(23,578)
Transfer of net realized loss from cash flow hedges to the consolidated statements of income	-	25,430	-	25,430
Balances as of December 31, 2011	395,342	(55,174)	-	340,168
Net unrealized gain from available-for-sale investments	321,492	-	-	321,492
Transfer of net realized gain from investments available-for-sale to the consolidated statements of income, net of realized loss	(44,511)	-	-	(44,511)
Transfer of impairment on investment available-for-sale to the consolidated statements of income, Note 6(c)	81	-	-	81
Net unrealized loss from cash flow hedges, Note12(b)(ii)	-	(8,548)	-	(8,548)
Transfer of net realized loss from cash flow hedges to the consolidated statements of income, Note 12(b)(ii)	-	20,414	-	20,414
Foreign currency translation	-	-	8,171	8,171
Balances as of December 31, 2012	672,404	(43,308)	8,171	637,267

Notes to the consolidated financial statements (continued)

(d) Components of other comprehensive income -
The consolidated statement of comprehensive income includes other comprehensive income from available-for-sale investments and from derivatives financial instruments used as cash flow hedges; its movement is as follows:

	2012 US$(000)	2011 US$(000)	2010 US$(000)
Available-for-sale investments:			
Net unrealized gain from available-for-sale investments	321,492	6,330	191,305
Transfer of realized gain from investments available-for-sale to the consolidated statements of income, net of realized loss	(44,511)	(35,760)	(59,785)
Transfer of impairment on investment available-for-sale to consolidated statements of income	81	1,025	3,250
Sub total	277,062	(28,405)	134,770
Non-controlling interest	914	4,842	22,795
Income tax	21,342	(29,605)	67,696
	299,318	(53,168)	225,261
Cash flow hedges:			
Net unrealized loss from cash flow hedges	(8,548)	(23,578)	(44,584)
Transfer of net realized loss from cash flow hedges to the consolidated statements of income	20,414	25,430	39,089
Sub total	11,866	1,852	(5,495)
Non-controlling interest	72	(272)	(138)
Income tax	165	(1,412)	(1,686)
	12,103	168	(7,319)
Foreign currency translation reserve			
Exchange differences on translation of foreign operations	8,171	-	-
Non-controlling interest	91	-	-
	8,262	-	-

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Notes to the consolidated financial statements (continued)

(e) Dividend distribution -

During 2012, 2011 and 2010, Credicorp paid cash dividends, net of the effect of treasury shares, for approximately US$183.4, US$155.5 and US$135.5 million, respectively.

The Board of Directors Meeting dated February 27, 2013 agreed to declare a cash dividend of US$2.6 per common share, approximately US$245.4 million, corresponding to the 2012 results, dividends will be paid in cash starting May 10, 2013.

In accordance with current Peruvian legislation, there is no restriction for overseas remittance of dividends or the repatriation of foreign investment. Dividends paid by the Peruvian subsidiaries to Credicorp are subject to a withholding tax of 4.1 percent.

(f) Equity for legal purposes (Regulatory capital) -

As of December 31, 2012 and 2011, the regulatory capital for Credicorp's subsidiaries engaged in financial and insurance activities in Peru calculated following SBS regulations amounted to approximately US$3,975.6 and US$3,022.7 million, respectively. As of December 31, 2012, the consolidated regulatory capital for Credicorp exceeds by approximately US$357.5 million the minimum regulatory consolidated capital required by the SBS (approximately US$549.2 million as of December 31, 2011).

18. Taxes

(a) Credicorp is not subject to income tax or any taxes on capital gains, equity or property. Credicorp's subsidiaries are subject to corporate taxation on income depending on their country of incorporation. The Peruvian statutory Income Tax rate is 30 percent on taxable income after calculating the workers' profit sharing, which is determined using a 5 percent rate.

The Bolivian, Chilean and Colombian statutory Income Tax rate are 25, 35 and 33 percent, respectively.

ASHC and its Subsidiaries are not subject to taxes in the Cayman Islands or Panama. For the three years ended December 31, 2012, 2011 and 2010, no taxable income was generated from their operations in the United States of America.

The reconciliation between the statutory income tax rate and the effective tax rate for the Group is as follows:

	2012 %	2011 %	2010 %
Peruvian statutory income tax rate	30.00	30.00	30.00
Increase (decrease) in the statutory tax rate due to:			
(i) Increase (Decrease) arising from net income of subsidiaries not domiciled in Peru	0.60	(0.91)	(0.36)
(ii) Non-taxable income, net	(3.94)	(4.49)	(4.73)
(iii) Translation results not considered for tax purposes	(2.92)	(2.07)	(1.24)
Effective income tax rate	23.74	22.53	23.67

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Notes to the consolidated financial statements (continued)

(b) Income tax expense as of December 31, 2012, 2011 and 2010 comprises:

	2012 US$(000)	2011 US$(000)	2010 US$(000)
Current -			
In Peru	259,367	217,726	200,195
In other countries	8,524	1,839	3,219
	267,891	219,565	203,414
Deferred -			
In Peru	(16,308)	(9,057)	(16,333)
Total	251,583	210,508	187,081

The deferred income tax has been calculated on all temporary differences considering the income tax rates effective where Credicorp's subsidiaries are located.

(c) The following table presents a summary of the Group's deferred income tax:

	2012 US$(000)	2011 US$(000)
Net deferred income tax asset		
Deferred assets		
Allowance for loan losses, net	99,405	72,540
Reserve for sundry risks, net	8,000	9,010
Share-based compensation rights provision	3,437	3,293
Other	48,602	27,085
Deferred liabilities		
Indexed certificates	(6,033)	(5,596)
Intangibles assets, net	(668)	(2,561)
Gain for difference tax exchange	(1,444)	(1,438)
Other	(6,791)	(6,259)
Total	144,508	96,074
Net deferred income tax liability		
Deferred assets		
Allowance for loan losses, net	597	889

Reserve for sundry risks, net	1,472	1,220
Other	1,530	434
Deferred liabilities		
Unrealized net gains on investments	(96,432)	(67,405)
Intangibles assets, net	(52,403)	(23,298)
Deferred commissions	(5,651)	(5,742)
Leasing operations, net	(2,326)	(2,066)
Other	(15,286)	(13,596)
Total	(168,499)	(109,564)

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Notes to the consolidated financial statements (continued)

Credicorp and its subsidiaries have recorded a deferred income tax as part of the equity caption "Other reserves" for US$13.0, US$31.0 and US$66.0 million, as of December 31, 2012, 2011 and 2010, respectively, related to the income tax effects of unrealized gains and losses on investments available for sale and cash flow hedges. Likewise, the recognized deferred tax liability arising from the Group's acquisitions, see Notes 2(a) and 2(b), amounted to US$29.7 million (approximately US$14.3 million, as of December 31, 2011).

(d) The Peruvian Tax Authority has the right to review and, if necessary, amend the annual tax returns of the Peruvian subsidiaries up to four years after their filing. Tax returns of the main subsidiaries not yet reviewed by the Peruvian Tax Authority are the following:

Banco de Crédito del Perú	2009 to 2012
Edyficar	2008 to 2012
Prima AFP	2008 and 2010 to 2012
Pacífico Peruano Suiza	2008 and 2010 to 2012
Pacífico EPS	2008 and 2010 to 2012
Pacífico Vida	2008 and 2010 to 2012

Likewise, the Income Tax returns for the fiscal years 2006 to 2012 of Banco de Crédito de Bolivia are pending to be reviewed by the Bolivian Tax Authority.

The Income Tax returns for the fiscal years 2010 to 2012 of Correval are pending to be reviewed by the Colombian Tax Authority

Also, the Income Tax returns for the fiscal years 2009 to 2012 of IM Trust are pending to be reviewed by the Chilean Tax Authority.

Since tax regulations are subject to interpretation by the different Tax Authorities where Credicorp's subsidiaries are located it is not possible to determine up to date whether the reviews will generate additional liabilities for Credicorp's subsidiaries. Therefore, any unpaid tax, penalties or interests that might result from said reviews will be expensed in the year in which they are determined. Nevertheless, Management of Credicorp and its Subsidiaries and their legal advisors consider that any additional tax assessments would not have a significant impact on the consolidated financial statements as of December 31, 2012 and 2011.

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Notes to the consolidated financial statements (continued)

19. Share-based compensation plans

(a) Stock appreciation rights -

As indicated in Note 3(w)(i), the Group granted Credicorp stock appreciation rights (SARs) to certain employees. As of December 31, 2012 and 2011, all SARs had vested and they can be executed up to April, 2014.

Credicorp's Management has estimated the SARs' fair value as of December 31, 2012 and 2011, using the binomial option pricing model, considering the following market information:

Key assumptions	2012	2011
Expected volatility	37.23 %	39.05 %
Risk free interest rate	3.08 %	2.43 %
Expected lifetime	1.21 years	1.76 years
Quoted price of Credicorp shares at year-end	US$ 146.56	US$ 109.47

The expected life of the SARs is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the SARs is indicative of future trends, which may also not necessarily be the actual outcome.

The movement of SARs for the years ended December 31, 2012 and 2011 is as follows:

	2012			2011		
	Outstanding SARs	Vested SARs		Outstanding SARs	Vested SARs	
	Number	Number	Amount US$(000)	Number	Number	Amount US$(000)
Balance as of January 1	243,223	243,223	22,088	795,155	777,699	76,989
Vested	-	-	-	-	15,627	(1,356)
Exercised	(110,529)	(110,529)	(12,750)	(550,103)	(550,103)	(45,255)
Decrease	-	-	-	(1,829)	-	-
Increase (decrease) in fair value	-	-	7,314	-	-	(8,290)

Balance as of December 31	132,694	132,694	16,652	243,223	243,223	22,088

The Group assumes the payment of the related income tax on behalf of its employees, which corresponds to 30 percent of the benefit.

The liability recorded for this plan, including the above mentioned income tax, is included in the consolidated statements of financial position caption "Other liabilities – Payroll taxes, salaries and other personnel expenses", Note 12(a), and the related expense in the consolidated statements of income caption "Salaries and employees benefits".

As explained in Note 8(c), the Group has certificates linked to the yield of Credicorp's shares.

(b) Stock awards ("equity-settled transaction") -

As indicated in Note 3(w)(iii), on March or April of each year (the "grant date"), the Group grants Credicorp shares ("stock awards") to certain employees. Shares granted vest 33.3 percent in each one of the subsequent three years. The Group assumes the payment of the related income tax on behalf of its employees, which corresponds to 30 percent of the benefit.

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Notes to the consolidated financial statements (continued)

The fair value of stock awards granted is estimated at the grant date using a binomial pricing model with similar key assumptions as those used for the valuation of SARs (see paragraph (a) above), taking into account the terms and conditions upon which the shares were granted.

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

20. Off-balance sheet accounts

(a) This item is made up as follows:

	2012 US$(000)	2011 US$(000)
Contingent credits - indirect loans (b), Note 7(a)		
Guarantees and standby letters	3,933,834	3,128,534
Import and export letters of credit	586,273	599,466
	4,520,107	3,728,000
Derivatives, Note 12(b)		
Held for trading		
Forward currency contracts - buy	3,216,504	1,892,970
Forward currency contracts - sell	2,614,723	1,580,294
Interest rate swaps	1,310,895	697,436
Currency swaps	588,839	312,975
Options	95,288	64,184

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Notes to the consolidated financial statements (continued)

	2012 US$(000)	2011 US$(000)
Held as hedges		
Cash flow hedges:		
Interest rate swaps	1,089,055	1,187,673
Cross currency swaps	257,506	115,433
Cross currency swaps and interest rate swaps	60,118	82,226
Fair value hedges:		
Interest rate swap	53,515	54,049
	9,286,443	5,987,240
Responsibilities under credit lines agreements (c)	4,008,572	3,525,517
Total	17,815,122	13,240,757

(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 them to credit risk in addition to the amounts recognized in the consolidated statements of financial position.

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

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

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Notes to the consolidated financial statements (continued)

21. Interest and dividend income and interest expenses

These items are made up as follow:

	2012 US$(000)	2011 US$(000)	2010 US$(000)
Interest and dividend income			
Interest on loans	1,948,472	1,533,351	1,218,728
Interest on investments available-for-sale	268,408	223,809	191,971
Interest on due from banks	40,844	42,886	32,337
Interest on trading securities	6,378	3,900	4,824
Dividends from investments available-for-sale and trading securities	16,354	15,321	11,615
Other interest income	29,985	18,497	12,233
Total	2,310,441	1,837,764	1,471,708
Interest expenses			
Interest on deposits and obligations	(284,827)	(217,322)	(156,106)
Interest on bonds and notes issued	(242,266)	(186,743)	(124,311)
Interest on due to banks and correspondents	(82,776)	(64,369)	(43,532)
Loss from hedging derivatives instruments	(27,666)	(34,922)	(25,692)
Other interest expenses	(56,111)	(28,244)	(64,480)
Total	(693,646)	(531,600)	(414,121)

During 2012, 2011 and 2010, the interest income accrued on impaired financial instruments recognized in the consolidated statements of income amounted to US$11.5, US$7.8 and US$7.2 million, respectively.

22. Banking services commissions

This item is made up as follows:

2012 US$(000)	2011 US$(000)	2010 US$(000)

Maintenance of accounts, transfers and credit and debit card services	336,779	288,493	251,840
Funds management	177,189	147,470	125,605
Contingent loans fees	60,616	52,162	43,781
Collection services	69,747	57,036	49,836
Commissions for banking services	23,256	28,249	22,038
Brokerage and custody services	19,756	8,737	7,473
Other	50,078	25,696	24,322
Total	737,421	607,843	524,895

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Notes to the consolidated financial statements (continued)

23. Net premiums earned

(a) This item is made up as follows:

	Gross premiums (*) US$(000)	Premiums ceded to reinsurers, net (**) US$(000)	Assumed from other companies, net US$(000)	Net premiums earned US$(000)	Percentage of assumed net premiums %
2012					
Life insurance	255,938	(11,026)	137	245,049	0.06
Health insurance	294,111	(2,854)	202	291,459	0.07
General insurance	302,252	(138,718)	4,163	167,697	2.48
Total	852,301	(152,598)	4,502	704,205	0.64
2011					
Life insurance	200,468	(8,633)	-	191,835	-
Health insurance	236,512	(3,195)	2,338	235,655	1.00
General insurance	258,274	(117,975)	6,634	146,933	4.51
Total	695,254	(129,803)	8,972	574,423	1.56
2010					
Life insurance	156,611	(7,544)	-	149,067	-
Health insurance	203,635	(2,817)	3,355	204,173	1.64
General insurance	204,236	(84,935)	7,752	127,053	6.10
Total	564,482	(95,296)	11,107	480,293	2.31

(*) Includes the annual variation of the unearned premiums and other technical reserves.
(**) "Premiums ceded to reinsurers, net" include:

	2012 US$(000)	2011 US$(000)
Premiums ceded for automatic contracts (mainly excess of loss), Note 9(b)	(52,172)	(40,255)
Premiums ceded for facultative contracts, Note 9(b)	(101,023)	(98,639)
Annual variation for unearned premiums ceded reserves, Note 9(b)	597	9,091

(152,598)	(129,803)

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Notes to the consolidated financial statements (continued)

(b) Gross premiums earned by insurance type and its participation over total gross premiums are described below:

	2012		2011		2010	
	US$(000)	%	US$(000)	%	US$(000)	%
Life insurance (i)	255,938	30.03	200,468	28.83	156,611	27.74
Health insurance (ii)	294,111	34.51	236,512	34.02	203,635	36.07
General insurance (iii)	302,252	35.46	258,274	37.15	204,236	36.18
Total	852,301	100.00	695,254	100.00	564,482	100.00

(i) The breakdown of life insurance gross premiums earned is as follows:

	2012		2011		2010	
	US$(000)	%	US$(000)	%	US$(000)	%
Credit Life	60,364	23.59	43,328	21.61	32,445	20.72
Group Life	51,465	20.11	42,382	21.14	35,078	22.40
Retirement, disability and survival	79,814	31.18	54,746	27.31	47,083	30.06
Annuities	5,623	2.20	5,159	2.58	6,941	4.43
Individual life and personal accident (*)	58,672	22.92	54,853	27.36	35,064	22.39
Total life insurance gross premiums	255,938	100.00	200,468	100.00	156,611	100.00

(*) This item includes unit linked insurance contracts.

(ii) Health insurance gross premiums includes medical assistance which amounts to US$287.3 in 2012 (US$231.1 and US$198.8 in 2011 and 2010, respectively) and represents 97.67 percent in this business line in 2012 (97.71 and 97.60 percent in 2011 and 2010, respectively).

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Notes to the consolidated financial statements (continued)

(iii) The breakdown of General insurance gross premiums earned is as follows:

	2012		2011		2010	
	US$(000)	%	US$(000)	%	US$(000)	%
Automobile	95,847	31.71	85,567	33.13	73,753	36.11
Fire and allied lines	72,624	24.03	50,490	19.55	45,136	22.10
Technical lines (*)	28,933	9.57	26,138	10.12	20,978	10.27
Third party liability	20,073	6.64	20,719	8.02	5,495	2.69
Aviation	17,727	5.86	17,377	6.73	7,275	3.56
Theft and robbery	17,258	5.71	13,054	5.06	11,136	5.45
Transport	16,736	5.54	14,217	5.50	12,916	6.33
SOAT (Mandatory automobile line)	11,303	3.74	11,160	4.32	9,716	4.76
Marine Hull	7,306	2.42	6,684	2.59	6,228	3.05
Others	14,445	4.78	12,868	4.98	11,603	5.68
Total general insurance gross premiums	302,252	100.00	258,274	100.00	204,236	100.00

(*) Technical lines include Contractual All Risk (CAR), Machinery breakdown, Erection All Risk (EAR), Electronic equipment (EE), Construction equipment All Risk (TREC).

24. Net claims incurred for life, property and casualty and health insurance contracts

This item is made up as follows:

	2012			
	Life insurance US$(000)	General insurance US$(000)	Health insurance US$(000)	Total US$(000)
Gross insurance claims, Note 15(b)	166,249	140,747	220,972	527,968
Ceded claims, Note 9(b)	(6,284)	(55,125)	(1,099)	(62,508)
Net insurance claims	159,965	85,622	219,873	465,460

	2011			
	Life insurance US$(000)	General insurance US$(000)	Health insurance US$(000)	Total US$(000)
Gross insurance claims, Note 15(b)	123,194	93,314	189,878	406,386
Ceded claims, Note 9(b)	(4,515)	(22,602)	(1,510)	(28,627)
Net insurance claims	118,679	70,712	188,368	377,759

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Notes to the consolidated financial statements (continued)

	2010 Life insurance US$(000)	General insurance US$(000)	Health insurance US$(000)	Total US$(000)
Gross insurance claims	102,821	82,763	161,606	347,190
Ceded claims	(2,719)	(27,849)	(1,050)	(31,618)
Net insurance claims	100,102	54,914	160,556	315,572

25. Other income and expenses

These items are made up as follow:

	2012 US$(000)	2011 US$(000)	2010 US$(000)
Other income			
Income from medical services and sale of medicines	67,918	11,442	-
Real estate rental income	6,564	5,672	4,309
Income from sale of seized assets	2,976	4,089	5,373
Recoveries of other accounts receivable and other assets	668	658	1,749
Other	8,448	8,513	19,237
Total other income	86,574	30,374	30,668
Other expenses			
Commissions from insurance activities	68,428	48,847	39,796
Cost of medical services and sale of medicines	60,452	7,693	-
Sundry technical insurance expenses	27,684	29,292	17,413
Provision for sundry risks, Note 12(d)	12,942	10,661	8,440
Provision for other accounts receivables	1,343	1,649	2,613
Other	17,201	11,398	22,957
Total other expenses	188,050	109,540	91,219

Notes to the consolidated financial statements (continued)

26. Earnings per share

The net earnings per ordinary share were determined over the net income attributable to equity holders of Credicorp, as follows:

	2012 US$(000)	2011 US$(000)	2010 US$(000)
Net income attributable to equity holders of Credicorp (in thousands of U.S. Dollars)	788,778	709,272	571,302
Number of shares:			
Ordinary shares, Note 17(a)	94,382,317	94,382,317	94,382,317
Less - treasury shares	(14,974,957)	(14,941,833)	(14,847,842)
Acquisition of treasury shares, net	28,903	(24,843)	(70,494)
Weighted average number of ordinary shares for basic earnings	79,436,263	79,415,641	79,463,981
Plus - effect of dilution Stock awards	211,720	247,204	201,168
Weighted average number of ordinary shares adjusted for the effect of dilution	79,647,983	79,662,845	79,665,149
Basic earnings per share (in U.S. Dollars)	9.93	8.93	7.19
Diluted earnings per share (in U.S. Dollars)	9.90	8.90	7.17

27. Operating segments

For management purposes, the Group is organized into four operating segments based on products and services as follows:

Banking -

Principally handling loans, credit facilities, deposits and current accounts.

Insurance -

Principally granting property, transportation, marine hull, automobile, life, health and pension fund underwriting insurance. Private hospitals operations are also included under this operating segment, said operations are specialized in providing health and wellness programs, primary and specialized ambulatory services, and comprehensive acute care services.

Pension funds -

Providing private pension fund management services to individuals.

Investment banking –

Providing brokerage and securities and investment management services to a diversified client base, including corporations, institutional investors, governments and endowments. Also, it includes the structuring and placement of primary market issuances and the execution and trading of secondary market transactions. In addition, offers securitization structuring to corporate entities and manages mutual funds.

Certain operating segments have been aggregated to form the above reportable operating segments.

Notes to the consolidated financial statements (continued)

The Group monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements.

Transfer prices between operating segments are on an arm’s length basis in a manner similar to transactions with third parties.

No revenue from transactions with a single external customer or counterparty amounted to 10 percent or more of the Group’s total revenue in 2012, 2011 and 2010.

Notes to the consolidated financial statements (continued)

(i) The following table presents income and certain asset information regarding the Group's operating segments (in millions of U.S. Dollars) for the years ended 31 December 2012, 2011 and 2010:

	External income	Income from other segments	Eliminations	Total income (*)	Operating income (**)	Provision for loan losses, net of recoveries	Depreciation and amortization	Impairment of available-for-sale investments	Income before translation result and income tax	Translation result and income tax	Net income	Capital expenditures, intangible assets and goodwill	Total assets
2012													
Banking	3,062	140	(140)	3,062	1,558	(378)	(87)	-	786	(151)	632	202	36,227
Insurance	827	33	(33)	827	261	-	(11)	-	98	-	97	66	2,616
Pension funds	118	1	(1)	118	-	-	(9)	-	55	(18)	41	-	249
Investment banking	128	1	(1)	128	37	-	(2)	-	46	(8)	38	274	1,705
Total consolidated	4,135	175	(175)	4,135	1,856	(378)	(109)	-	985	(177)	808	542	40,797
2011													
Banking	2,419	125	(125)	2,419	1,224	(215)	(77)	(1)	725	(146)	571	144	28,338
Insurance	682	37	(37)	682	279	-	(8)	-	90	(2)	89	133	2,101
Pension funds	106	-	-	106	-	-	(9)	-	52	(15)	37	2	239
Investment banking	44	1	(1)	44	-	-	-	-	29	(10)	27	-	36
Total consolidated	3,251	163	(163)	3,251	1,503	(215)	(94)	(1)	896	(173)	724	279	30,714
2010													
Banking	2,054	133	(133)	2,054	990	(175)	(66)	(3)	601	(132)	470	140	26,377
Insurance	578	30	(30)	578	232	-	(6)	-	94	(13)	80	7	1,716
Pension funds	87	-	-	87	-	-	(10)	-	38	(9)	29	2	258
Investment banking	38	2	(2)	38	-	-	-	-	33	(9)	24	-	43
Total consolidated	2,757	165	(165)	2,757	1,222	(175)	(82)	(3)	766	(163)	603	149	28,394

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Notes to the consolidated financial statements (continued)

(ii) The following tables presents (in millions of U.S. Dollars) the distribution of the Group's external income, operating income, and non-current assets allocated based on the location of the customer and its assets, respectively for the years ended 31 December 2012, 2011 and 2010:

	2012			2011			2010		
	Total income (*)	Operating income (**)	Non-current assets (***)	Total income (*)	Operating income (**)	Non-current assets (***)	Total income (*)	Operating income (**)	Non-current assets (***)
Peru	3,554	1,698	909	3,019	1,423	719	2,540	1,158	687
Panama	255	8	123	50	8	155	46	13	-
Cayman Islands	91	35	-	69	16	-	69	7	-
Bolivia	105	60	16	91	42	17	83	33	19
Colombia	67	37	109	-	-	-	-	-	-
United States of America	17	15	5	17	13	35	16	13	40
Chile	46	3	188	5	1	-	3	(2)	-
Total consolidated	4,135	1,856	1,350	3,251	1,503	926	2,757	1,222	746

(*) Includes total interest and dividend income, other income and net premiums earned from insurance activities.

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

(***) Non-current assets consist of property, furniture and equipment, intangible assets, and goodwill, net.

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Notes to the consolidated financial statements (continued)

28. Transactions with related parties

(a) The Group's consolidated financial statements as of December 31, 2012 and 2011 include transactions with related companies, the Board of Directors, the Group's key executives (defined as the Management of Credicorp) and enterprises which are controlled by these individuals through their majority shareholding or their role as Chairman or CEO.

(b) The following table shows the main transactions with related parties as of December 31, 2012 and 2011:

	2012 US$(000)	2011 US$(000)
Direct loans	448,353	258,088
Investments available-for-sale and trading securities	171,025	139,676
Deposits	237,610	72,264
Contingent credits	52,556	38,927
Derivatives at fair value	(1,833)	(1,491)
Interest income related to loans – income	7,851	5,755
Interest expense related to deposits - expense	6,651	1,564
Other income	2,136	2,147

(c) All transactions with related parties are made in accordance with normal market conditions available to other customers. As of December 31, 2012, direct loans to related companies are secured by collaterals, had maturities between January 2013 and August 2022 and accrued an annual average interest rate of 7.76 percent (as of December 31, 2011, had maturities between January 2012 and October 2019 and accrued an annual average interest rate of 7.55 percent). Likewise, as of December 31, 2012, the Group maintained an allowance for loan losses to related parties amounting to US$0.7 million (US$1.5 as of December 31, 2011).

(d) As of December 31, 2012 and 2011, directors, officers and employees of the Group have been involved, directly and indirectly, in credit transactions with certain subsidiaries of the Group, as permitted by Peruvian Banking and Insurance Law Nº26702, which regulates and limits certain transactions with employees, directors and officers of a bank or an insurance company. As of December 31, 2012 and 2011, direct loans to employees, directors and key Management amounted to US$247.2 and US$176.5 million, respectively; said loans are paid monthly and earn interest at market rates.

There are no loans to the Group's directors and key personnel guaranteed with Credicorp or any of its Subsidiaries' shares.

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Notes to the consolidated financial statements (continued)

(e) The Group's key executives' compensation (including the related income taxes assumed by the Group) as of December 31, 2012, 2011 and 2010, comprised the following:

	2012 US$(000)	2011 US$(000)	2010 US$(000)
Salaries	8,060	6,672	5,893
Directors' compensations	2,214	2,181	2,090
Total	10,274	8,853	7,983

Also, key executives compensation includes share based payments as explained in more detail in Note 19. SARs valuation for the years 2012, 2011 and 2010 resulted in a loss amounting to US$5.3 million, a gain amounting to US$5.8 million and a loss amounting to US$24.5 million, respectively. During said years approximately US$8.9 million, US$25.5 million and US$14.8 million, SARs were executed corresponding to SARs vested in previous years and up to April, 2011. Likewise, approximately US$5.6 million, US$4.9 million and US$3.8 million, stock awards vested in the years 2012, 2011 and 2010, respectively. The related executives' income tax is assumed by the Group.

(f) As of December 31, 2012 and 2011, the Group has participations in different mutual funds and hedge funds managed by certain Group's Subsidiaries; said participations are classified as trading securities or Investments available-for-sale and amounted to approximately US$172.1 and US$75.2 million, respectively.

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Notes to the consolidated financial statements (continued)

29. Financial instruments classification

The following are the carrying amounts of the financial assets and liabilities captions in the consolidated statements of financial position, by categories as defined under IAS 39:

	As of December 31, 2012 Financial assets and liabilities designated at fair value							As of December 31, Financial assets and at fair value	
	Held for trading or hedging US$(000)	At inception US$(000)	Loans and receivables US$(000)	Investments available-for-sale US$(000)	Investments held-to-maturity US$(000)	Liabilities at amortized cost US$(000)	Total US$(000)	Held for trading or hedging US$(000)	At incept US$(000)
Assets									
Cash and due from banks	-	-	7,849,105	-	-	-	7,849,105	-	-
Receivables from reverse repurchase agreements and security borrowing	-	-	1,200,218	-	-	-	1,200,218	-	-
Trading securities	176,751	-	-	-	-	-	176,751	75,611	-
Investments available-for-sale	-	-	-	7,411,695	-	-	7,411,695	-	-
Investments held-to-maturity	-	-	-	-	259,663	-	259,663	-	-
Loans, net	-	-	20,772,622	-	-	-	20,772,622	-	-
Financial assets designated at fair value through profit or loss	-	107,138	-	-	-	-	107,138	-	90,103
Premiums and other policies receivable	-	-	183,983	-	-	-	183,983	-	-
Accounts receivable from reinsurers and coinsurers	-	-	167,460	-	-	-	167,460	-	-
Due from customers on acceptances	-	-	100,768	-	-	-	100,768	-	-
Other assets, Note 12	159,364	-	702,028	-	-	-	861,392	82,519	-

	336,115	107,138	30,976,184	7,411,695	259,663	-	39,090,795	158,130	90,103
Liabilities									
Deposits and obligation	-	-	-	-	-	24,040,420	24,040,420	-	-
Payables from repurchase agreements and security lending	-	-	-	-	-	1,878,341	1,878,341	-	-
Due to banks and correspondents	-	-	-	-	-	2,686,261	2,686,261	-	-
Bankers' acceptances outstanding	-	-	-	-	-	100,768	100,768	-	-
Financial liabilities designated at fair value through profit or loss	96,124	-	-	-	-	-	96,124	-	-
Accounts payable to reinsurers and coinsurers	-	-	-	-	-	68,536	68,536	-	-
Bonds and notes issued	-	-	-	-	-	4,783,388	4,783,388	-	-
Other liabilities, Note 12	166,158	121,772	-	-	-	664,292	952,222	145,261	-
	262,282	121,772	-	-	-	34,222,006	34,606,060	145,261	-

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Notes to the consolidated financial statements (continued)

30. Financial risk management

The Group's activities involve principally the use of financial instruments, including derivatives. The Group accepts deposits from customers at both fixed and floating rates, 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 market margins, net of allowances, through lending to commercial and retail borrowers with a range of credit products. Such exposures involve not just on-balance sheet loans and advances; the Group also enters into guarantees and other commitments such as letters of credit and performance.

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 equities, bonds, currencies and interest rates.

In this sense, risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. The Group is exposed to operating risk, credit risk, liquidity risk and market risk, the latter being subdivided into trading and non-trading risks.

The independent risk control process does not include business risks such as changes in the environment, technology and industry. They are monitored through the Group's strategic planning process.

(a) Risk management structure -

The Group's Board of Directors and of each subsidiary is ultimately responsible for identifying and controlling risks; however, there are separate independent bodies in the major subsidiaries responsible for managing and monitoring risks, as further explained bellow:

(i) Board of Directors

The Board of Directors of each major Subsidiary is responsible for the overall risk management approach and for the approval of the policies and strategies currently in place. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments.

(ii) Risk Management Committee

The Risk Management Committee of each major Subsidiary is responsible for the strategy used for mitigating risks as well as setting forth the overall principles, policies and limits for the different types of risks; it is also responsible for monitoring fundamental risk issues and manages and monitors the relevant risk decisions. In addition, in order to effectively manage all the risks, the Risk Management Committee is divided into the following tactical committees which report on a monthly basis all changes or issues in the managed risks:

Credit Risk Committee -

The Credit Risk Committee is responsible of reviewing the tolerance level, limits of exposure, the objective, guidelines and policies for managing credit risk, the delegation of authority and the supervision and establishment of autonomy for taking credit risks and the metrics for measuring performance incorporating risk variables. Also, it is responsible of approving the methodologies, models, parameters, scenarios, processes, stress tests and manuals to identify, measure, treat, monitor, control and report all the market risks to which the Group is exposed. Furthermore, it proposes the approval of any changes to the functions described above and reports any finding to the Risk Management Committee.

Notes to the consolidated financial statements (continued)

The Credit Risk Committee is mainly composed by the Chief Risk Executive, the Manager of the Credit Division and the Manager of the Risk Management Area.

Treasury and ALM Risk Committee -

The Treasury and ALM Risk Committee is responsible of reviewing the tolerance level, limits of exposure, the objective, guidelines and policies for managing market risks, the delegation of authority and the supervision and establishment of autonomy for taking market risks, and the metrics for measuring performance incorporating risk variables. Also, it is responsible of approving the methodologies, models, parameters, processes and manuals to identify, measure, treat, monitor, control and report all the market risks to which the Group is exposed. Furthermore, it proposes the approval of any changes of the functions described above and reports any finding to the Risk Management Committee.

The Treasury and ALM Risk Committee is mainly composed by the Chief Risk Executive, the Manager of the Risk Management Area, the Manager of the Treasury Risk Area and the Manager of the Treasury Division.

Operational Risk Committee -

The Operational Risk Committee is responsible of reviewing the tolerance level, limits of exposure, the objective, guidelines and policies for managing operational risks and the mechanisms for implementing corrective actions. Also, it is responsible of approving:

(i) the standard methodology for measuring operational risks, (ii) the taxonomy of operational risks and controls and (iii) all the critical processes of the Group. Furthermore, it proposes the approval of any changes to the functions described above and reports any finding to the Risk Management Committee.

The Credit Risk Committee is mainly composed by the Chief Risk Executive, the Manager of the Risk Management Area, the Manager of the Operational Risk Management Department, the Manager of the Internal Audit Division.

Notes to the consolidated financial statements (continued)

(iii) Chief Risk Office

The Chief Risk Office is responsible for Implementing policies, procedures, methodologies and actions to identify, measure, monitor, mitigate, report and control the different types of risks to which the Group is exposed. Also, it participates in the design and definition of the strategic plans of the business units to ensure that they are framed within the risk appetite metrics approved by the Board of Directors.

The Chief Risk Office is divided into the following areas:

Risk Management Area

The Risk Management Area is responsible of ensuring that policies and risk management policies established by the Board of Directors are complied and monitored. The Risk Management Area is composed by the Credit Risk Management Department, Market Risk Management Department, the Operational Risk Management Department and the Insurance Risk Management Department.

Treasury Risk Area

The Treasury Risk Area is responsible of planning, coordinating and monitoring the compliance of the Treasury Division with risk measurement methodologies and limits approved by the Risk Management Committee. Also, it is responsible to assess the effectiveness of hedge derivatives and the valuation of investments.

Consumer and Micro-business Risk Area

The Consumer and Micro-business Risk Area is responsible of ensuring the quality of the retail loans portfolio and of developing credit standards in line with the guidelines and risk levels defined by the Board of Directors.

(iv) Treasury Division

Treasury Division is responsible for managing the Group’s assets and liabilities and the overall financial structure. It is also primarily responsible for the Group’s management of funding and liquidity risks; as well as the investment, forward and spot portfolios, assuming the related liquidity, interest rate and exchange rate risks under the policies and limits currently effective.

(v) Internal Audit Division

Risk management processes throughout the Group are monitored by the internal audit function, which examines both the adequacy of the procedures and the compliance of them. Internal Audit discusses the results of all assessments with Management, and reports its findings and recommendations to Credicorp’s Audit Committee and Board of Directors.

Notes to the consolidated financial statements (continued)

(b) Risk measurement and reporting systems -
The models make use of probabilities derived from historical experience, adjusted to reflect the economic environment. The Group also runs worse case scenarios that would arise in the event that extreme events which are unlikely to occur do, in fact, occur.

Monitoring and controlling risks are primarily performed based on limits established by the Group. These limits reflect the business strategy and market environment of the Group as well as the level of risk that the Group is willing to accept. In addition, the Group monitors and measures the overall risk bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

Information compiled from all the Group's Subsidiaries is examined and processed in order to analyze, control and identify early any risks. This information is presented and explained to the Board of Directors, the Risk Management Committee, the Audit Committee, and all relevant members of the Group. The report includes aggregate credit exposure, credit metric forecasts, hold limit exceptions, VaR (Value at Risk), liquidity ratios and risk profile changes. Senior Management assesses the fair value of the investments and the appropriateness of the allowance for credit losses periodically.

(c) Risk mitigation -
As part of its overall risk management, the Group uses derivatives and other instruments to manage exposures resulting from changes in interest rates, foreign currencies, equity risk and credit risk.

The risk profile is assessed before entering into hedge transactions, which are authorized by the appropriate level of seniority within the Group. The effectiveness of hedges is assessed by the Treasury Risk Area. The effectiveness of all the hedge relationships is monitored monthly. In situations of ineffectiveness, the Group will enter into a new hedge relationship to mitigate risk on a continuous basis.

The Group actively uses collateral to reduce its credit risks.

(d) Excessive risk concentration -
Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location.

In order to avoid excessive concentrations of risk, the Group’s policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

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Notes to the consolidated financial statements (continued)

30.1. Credit risk -

(a) The Group takes on exposure to credit risk, which is the risk that a counterparty cause a financial loss by failing to discharge an obligation. Credit risk is the most important risk for the Group's business; therefore, Management carefully manages its exposure to credit risk. Credit exposures arise principally in lending activities that lead to loans and receivables from security borrowing, and investment activities that bring debt securities and other bills into the Group's asset portfolio. There is also credit risk in off-balance sheet financial instruments, such as contingent credits (indirect loans), which expose the Group to similar risks to loans (direct loans); they are both mitigated by the same control processes and policies. Likewise, credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values, as recorded in the consolidated statements of financial position.

Impairment provisions are provided for losses that have been incurred at the date of the consolidated statements of financial position. Significant changes in the economy or in the particular situation of an industry segment that represents a concentration in the Group's portfolio could result in losses that are different from those provided for at the date of the consolidated statements of financial position.

The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower or groups of borrowers, and to geographical and industry segments. Such risks are monitored on a revolving basis and subject to frequent reviews. Limits in the level of credit risk by product, industry sector and by geographic segment are approved by the Board of Directors.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and principal repayment obligations and by changing these lending limits where appropriate. Some other specific control and mitigation measures are outlined below:

(i) Collateral

The Group employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of collateral for loans granted. The Group implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The main types of collateral obtained are as follows:

- For reverse repurchase agreements and security borrowing, securities.
- For loans and advances, collaterals include, among others, mortgages over residential properties; liens over business assets such as premises, inventory and accounts receivable; and liens over financial instruments such as debt securities and equities.

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Notes to the consolidated financial statements (continued)

- For longer-term finance and lending to corporate entities, collateral includes revolving individual credit facilities. Loans to micro entrepreneurs are generally unsecured. In addition, in order to minimize credit loss the Group will seek additional collateral from the counterparty as soon as impairment indicators arise.

Collateral held as security for financial assets other than loans is determined by the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured, with the exception of assets back securities and similar instruments, which are secured by portfolios of financial instruments.

Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral obtained during its review of the adequacy of the allowance for impairment losses. It is the Group's policy to dispose off repossessed properties in an orderly manner. The proceeds are used to reduce or repay the outstanding claim. In general, the Group does not use repossessed properties for its own business.

(ii) Derivatives

The Group maintains strict control limits on net open derivative positions (for example, the difference between purchase and sale contracts), by both amount and term. The amount subject to credit risk is limited to the current fair value of instruments that are favorable to the Group (for example, an asset when fair value is positive), which in relation to derivatives is only a small fraction of the contract, or notional amount used to express the volume of instruments outstanding. This credit risk exposure is managed as part of the overall lending limits with customers, together with potential exposures from market movements. Collateral or other security is not usually obtained for credit risk exposures on these instruments.

Settlement risk arises in any situation where a payment in cash, securities or equity is made in the expectation of a corresponding receipt in cash, securities or equity. Daily settlement limits are established for each counterparty in order to cover the aggregate of all settlement risk arising from the Group's market transactions on any single day.

(iii) Credit-related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit have the same credit risk as loans. Documentary and commercial letters of credit - which are written undertakings by the Group on behalf of a customer authorizing a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions - are collateralized by the underlying shipments of goods to which they relate and therefore have less risk than a direct loan. The Group has no mandatory commitments to extend credit.

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Notes to the consolidated financial statements (continued)

In order to manage credit risk, as part of the Group's risk management structure, see Note 30(a), there is a Credit Risk Management Department whose major functions are implementing methodologies and statistical models for measuring credit risk exposures, developing and applying methodologies for the calculation of risk-ratings, both at the corporate and business unit levels, performing analysis of credit concentrations, verifying that credit exposures are within the established limits and suggesting global risk exposures by economic sector, time term, among others.

Also, a Risk Assessment Committee has been established comprising three directors, the Chief Executive Officer, the Chief Financial Officer, the Deputy Chief Executive Officer, the Chief Risk Officer, the Risk Management Department Manager, Central Manager Retail Banking, Central Manager Wholesale Banking, the Credit Division Manager and the Internal Audit Division Manager as an observer. Each of the financial indicators prepared by the Risk Management Department are analyzed by this committee on a monthly basis to subsequently evaluate the policies, procedures and limits currently effective at the Group to ensure that an efficient and effective risk management is always in place.

At the same time, the Group has a Credit Division, which establishes the overall credit policies for each and all the businesses in which the Group decides to take part. Said credit policies are set forth based on the guidelines established by the Board of Directors and keeping in mind the statutory financial laws and regulations. It's main activities are: establish the client credit standards and guidelines (evaluation, authorization and control); follow the guidelines established by the Board of Directors and General Management, as well as those established by governmental regulatory bodies; review and authorize credit applications, up to the limit within the scope of its responsibilities and to submit to upper hierarchies those credit applications exceeding the established limits; monitor credit-granting activities within the different autonomous bodies, among others.

(b) The maximum exposure to credit risk as of December 31, 2012 and 2011, before the effect of mitigation through any collateral, is the book value of each class of financial assets indicated in Note 30.7(a) and the contingent credits detailed in Note 20(a).

Management is confident in its ability to continue to control and sustain minimal exposure of credit risk to the Group resulting from both its loan portfolio and investments based on the following:

- 98 percent of the gross loan portfolio is categorized in the top two grades of the internal rating system as of December 31, 2012 and 2011;

- 96 percent of the loan portfolio is considered to be neither past due nor impaired as of December 31, 2012 (97 percent as of December 31, 2011);

- 81.4 percent of the investments have at least investment credit rating (BBB- or higher) or are debt securities issued by BCRP (unrated) as of December 31, 2012 (81.6 percent as of December 31, 2011);

- 93.6 percent of securities received as collateral in reverse repurchase agreements and security borrowing have investment credit rating (BBB- or higher) or are debt securities issued by the Colombian and Chilean Governments as of December 31, 2012; and

- 8.7 percent and 79.1 percent of the cash and due from banks represent amounts deposited in the Group's vaults or in the BCRP, respectively, as of December 31, 2011 (15.2 percent and 68.7 percent, respectively, as of December 31, 2011).

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Notes to the consolidated financial statements (continued)

(c) Credit risk management for loans -

Credicorp classifies its loan portfolio into one of five risk categories, depending upon the degree of risk of non-payment of each debtor. The categories used are: (i) normal - A, (ii) potential problems - B, (iii) substandard - C, (iv) doubtful - D and (v) loss - E, which have the following characteristics:

Normal (Class A): Debtors of commercial loans that fall into this category have complied on a timely basis with their obligations and at the time of evaluation do not present any reason for doubt with respect to repayment of interest and principal on the agreed dates, and there is no reason to believe that the status will change before the next evaluation. To place a loan in Class A, a clear understanding of the use to be made of the funds and the origin of the cash flows to be used by the debtor to repay the loan is required. Consumer and micro-business loans are categorized as Class A if payments are current or up to eight days past-due. Residential mortgage loans warrant Class A classification if payments are current or up to thirty days past-due.

Potential problems (Class B): Debtors of commercial loans included in this category are those that at the time of the evaluation demonstrate certain deficiencies, which, if not corrected on a timely manner, imply risks with respect to the recovery of the loan. Certain common characteristics of loans or credits in the category include: delays in loan payments which are promptly covered, a general lack of information required to analyze the credit, out-of-date financial information, temporary economic or financial imbalances on the part of the debtor which could affect its ability to repay the loan, and market conditions that could affect the economic sector in which the debtor is active. Consumer and micro-business loans are categorized as Class B if payments are between 9 and 30 days late. Residential mortgage loans become Class B when payments are between 31 and 60 days late.

Substandard (Class C): Debtors of commercial loans included in this category demonstrate serious financial weakness, often with operating results or available income insufficient to cover financial obligations on agreed upon terms, with no reasonable short-term prospects for a strengthening of their financial capacity. Debtors demonstrating the same deficiencies that warrant classification as category B warrant classification as Class C if those deficiencies are such that if they are not corrected in the near term, they could impede the recovery of principal and interest on the loan on the originally agreed terms. In addition, commercial loans are classified in this category when payments are between 61 and 120 days late. Consumer and micro-business loans are categorized as Class C if payments are between 31 and 60 days late. Residential mortgage loans are classified as Class C when payments are between 61 and 120 days late.

Doubtful (Class D): Debtors of commercial loans included in this category present characteristics that make doubtful the recovery of the loan. Although the loan recovery is doubtful, if there is a reasonable possibility that in the near future the creditworthiness of the debtor might improve, a Class D categorization is appropriate. These credits are distinguished from Class E credits by the requirement that the debtor remain in operation, generate cash flow, and make payments on the loan, although at a rate less than that specified in its contractual obligations. In addition,

commercial loans are classified in this category when payments are between 121 and 365 days late. Consumer and micro-business loans are categorized as Class D if payments are between 61 and 120 days late. Residential mortgage loans are Class D when payments are between 121 and 365 days late.

Loss (Class E): Commercial loans which are considered unrecoverable or which for any other reason should not appear on Group's books as an asset based on the originally contracted terms fall into this category. In addition, commercial loans are classified in this category when payments are more than 365 days late. Consumer and micro-business loans are categorized as Class E if payments are more than 120 days late. Residential mortgage loans are Class E when payments are more than 365 days late.

Notes to the consolidated financial statements (continued)

The Group reviews its loan portfolio on a continuing basis in order to assess the completion and accuracy of its classifications.

All loans considered impaired (the ones classified as substandard, doubtful or loss) are analyzed by the Group's Management, which addresses impairment in two areas: individually assessed allowance and collectively assessed allowance, as follows:

- Individually assessed allowance -
The Group determines the appropriate allowance for each individually significant loan or advance on an individual basis. Items considered when determining allowance amounts include the sustainability of the counterparty's business plan, its ability to improve its performance once a financial difficulty has arisen, projected cash flows and the expected payout should bankruptcy happens, the availability of other financial support, including the realizable value of collateral, and the timing of the expected cash flows.

The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group in order to reduce any differences between loss estimates and actual loss experience.

- Collectively assessed allowance -
Allowance requirements are assessed collectively for losses on loans and advances that are not individually significant (including consumer, micro-business and residential mortgages) and for individually significant loans and advances where there is not yet objective evidence of individual impairment (included in categories A and B).

Notes to the consolidated financial statements (continued)

The collective assessment takes account of impairment that is likely to be present in the portfolio even though there is not yet objective evidence of the impairment in an individual assessment. Impairment losses are estimated by taking into consideration the following information: historical losses on the portfolio, current economic conditions, the approximate delay between the time a loss is likely to have been incurred and the time it will be identified as requiring an individually assessed impairment allowance, and expected receipts and recoveries once impaired. Management is responsible for deciding the length of this period which can extend for as long as one year. The impairment allowance is then reviewed by Management to ensure alignment with the Group's overall policy.

Impairment losses are evaluated at each reporting date as to whether there is any objective evidence that a financial asset or group of assets is impaired.

Financial guarantees and letter of credit (indirect loans) are assessed and a provision estimated following a similar procedure as for loans.

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

When a loan is uncollectible, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary legal procedures have been completed. Subsequent recoveries of amounts previously written off decrease the amount of the provision for loan impairment in the consolidated statements of income.

Notes to the consolidated financial statements (continued)

The following is a summary of the direct loans classified in three major groups: i) Loans neither past due nor impaired, comprising those direct loans having presently no delinquency characteristics and related to clients ranked as normal or potential problems; ii) Past due but not impaired loans, comprising past due loans of clients classified as normal or with potential problems and iii) Impaired loans, or those past due loans of clients classified as substandard, doubtful or loss; presented net of the provision for loan losses for each of the loan classifications:

	As of December 31, 2012						As of December 31, 2011		
	Commercial loans	Residential mortgage loans	Micro-business loans	Consumer loans	Total	%	Commercial loans	Residential mortgage loans	Micro-business loans
	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)		US$(000)	US$(000)	US$(000)
Neither past due nor impaired -									
Normal	11,772,380	3,157,358	2,518,271	2,414,579	19,862,588	94	10,036,441	2,496,958	1,954,199
Potential problem	259,701	17,922	24,847	23,458	325,928	2	308,164	16,673	15,464
Past due but not impaired -									
Normal	423,698	197,393	71,221	246,657	938,969	4	192,320	118,598	50,584
Potential problem	10,018	14,696	13,862	48,006	86,582	-	3,532	13,462	4,952
Impaired -									
Substandard	31,399	29,860	60,573	70,780	192,612	1	35,791	23,883	36,716
Doubtful	46,289	35,993	64,571	85,315	232,168	1	36,908	26,545	43,680
Loss	5,603	32,265	93,776	76,482	208,126	1	18,185	29,026	69,934
Gross	12,549,088	3,485,487	2,847,121	2,965,277	21,846,973	103	10,631,341	2,725,145	2,175,529
Less: Allowance for loan losses	244,929	80,437	177,239	196,417	699,022	3	187,056	65,429	131,888
Total, net	12,304,159	3,405,050	2,669,882	2,768,860	21,147,951	100	10,444,285	2,659,716	2,043,641

As of December 31, 2012 and 2011, renegotiated loans amounted to approximately US$142.2 and US$96.0 million, respectively, of which US$35.2 and US$23.8 million, respectively, are classified as neither past due nor impaired,

US$13.7 and US$0.5 million past due but not impaired, and US$93.3 and US$71.7 million impaired but not past due, respectively.

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Notes to the consolidated financial statements (continued)

The breakdown of the gross amount of impaired loans by class, along with the fair value of related collateral and the amounts of their allowance for loan losses is as follows:

	As of December 31, 2012					As of December 31, 2011				
	Commercial loans	Residential mortgage loans	Micro-business loans	Consumer loans	Total	Commercial loans	Residential mortgage loans	Micro-business loans	Consumer loans	Total
	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)
Impaired loans	83,291	98,118	218,920	232,577	632,906	90,884	79,454	150,330	147,847	468,515
Fair value of collateral	106,635	91,877	38,596	23,800	260,908	112,530	73,815	16,081	11,824	214,250
Allowance for loan losses	48,905	46,401	123,414	162,726	381,446	39,729	38,187	93,215	111,825	282,956

(d) Credit risk management on reverse repurchase agreements and security borrowing -
Most of these operations are performed by Correval and IM Trust. The Group has implemented credit limits for each counterparty and most of the transactions are collaterized with investment grade financial instruments issued by Colombian and Chilean entities and financial instruments issued by the Colombian and Chilean Governments.

(e) Credit risk management on investments in trading securities, available-for-sale and held-to-maturity -
The Group evaluates the credit risk identified of each of the financial instruments in these categories, considering the risk rating granted to them by a risk rating agency. For investments traded in Peru, the risk ratings used are those provided by the three most prestigious Peruvian rating agencies (authorized by the Peruvian government regulator) and for investments traded abroad, the risk-ratings used are those provided by the three most prestigious international rating agencies. In the event any subsidiary uses a risk-rating prepared by any other risk rating agency, such risk-ratings are standardized with those provided by the afore-mentioned institutions for consolidation purposes.

Notes to the consolidated financial statements (continued)

The following table shows the analysis of the risk-rating of investments available-for-sale and held-to-maturity, provided by the institutions referred to above:

	As of December 31, 2012		As of December 31, 2011	
	US$(000)	%	US$(000)	%
Instruments rated in Peru:				
AAA	484,610	6.3	481,736	8.1
AA- to AA+	179,566	2.3	88,669	1.5
A- to A+	16,985	0.2	23,984	0.4
BB- to BB+	-	-	2,232	-
Unrated				
BCRP certificates of deposit	2,965,313	38.7	2,059,780	34.8
Listed and non-listed securities	325,737	4.3	254,306	4.3
Restricted mutual funds	99,748	1.3	88,319	1.5
Mutual funds	117,206	1.5	38,639	0.7
Other instruments	17,937	0.2	33,729	0.6
Subtotal	4,207,102	54.8	3,071,394	51.9
Instruments rated abroad:				
AAA	47,957	0.6	128,762	2.2
AA- to AA+	99,081	1.3	164,636	2.8
A- to A+	509,819	6.7	501,229	8.5
BBB- to BBB+	1,929,326	25.2	1,377,466	23.3
BB- to BB+	141,810	1.9	162,137	2.7
Lower than B+	81,450	1.0	47,781	0.8
Unrated				
Listed and non-listed securities	298,325	3.9	225,110	3.8
Central Bank of Bolivia certificates of deposit	160,097	2.1	110,945	1.9
Participation in RAL’s funds	78,751	1.0	49,263	0.8
Mutual funds	30,699	0.4	30,069	0.5
Hedge funds	25,050	0.3	27,857	0.5
Other instruments	61,891	0.8	18,952	0.3
Subtotal	3,464,256	45.2	2,844,207	48.1
Total	7,671,358	100.0	5,915,601	100.0

Notes to the consolidated financial statements (continued)

(f) Concentration of financial instruments exposed to credit risk:

As of December 31, 2012 and 2011, financial instruments with exposure to credit risk were distributed considering the following economic sectors:

	2012						2011		
	Designated at fair value through profit for loss						Designated at fair value through pr		
	Held for trading and hedging US$(000)	At inception US$(000)	Loans and receivables US$(000)	Investments available-for-sale US$(000)	Investments held-to-maturity US$(000)	Total US$(000)	Held for trading and hedging US$(000)	At inception US$(000)	Loans and receivables US$(000)
Central Reserve Bank of Perú	-	-	6,205,611	2,965,313	-	9,170,924	-	-	3,784,514
Financial services	238,529	67,774	4,112,539	1,837,776	-	6,256,618	68,940	67,370	2,118,920
Manufacturing	3,438	10,799	2,884,945	445,694	-	3,344,876	27,389	5,308	2,972,923
Mortgage loans	-	-	3,405,050	-	-	3,405,050	-	-	2,659,716
Consumer loans	-	-	2,768,860	-	-	2,768,860	-	-	2,099,536
Micro-business loans	-	-	2,669,882	-	-	2,669,882	-	-	2,043,641
Commerce	7,343	1,244	2,204,924	64,517	-	2,278,028	1,825	1,754	1,854,206
Electricity, gas and water	22,588	9,089	1,301,228	509,344	-	1,842,249	3,581	4,741	1,063,025
Government and public administration	38,095	923	21,125	1,003,341	259,663	1,323,147	50,739	-	310,817
Leaseholds and real estate activities	853	-	1,212,116	80,112	-	1,293,081	4,201	-	924,031
Communications, storage and transportation	1,137	2,325	724,846	289,094	-	1,017,402	39	2,152	665,460
Mining	4,370	13,271	734,003	111,071	-	862,715	138	7,640	834,210
Community services	-	-	816,744	-	-	816,744	10	-	585,654
Construction	5,438	1,653	478,389	25,894	-	511,374	523	1,138	245,083
Agriculture	1,878	-	431,794	1,032	-	434,704	383	-	292,648
Education, health and other services	1,902	-	229,441	28,407	-	259,750	323	-	339,201
Insurance	-	-	242,045	711	-	242,756	-	-	178,795
Fishing	939	-	197,810	-	-	198,749	-	-	162,196

Other	9,605	60	334,832	49,389	-	393,886	39	-	227,770
Total	336,115	107,138	30,976,184	7,411,695	259,663	39,090,795	158,130	90,103	23,362,346

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Notes to the consolidated financial statements (continued)

As of December 31, 2012 and 2011, the financial instruments with exposure to credit risk were distributed by the following geographical areas:

	2012					
	Designated at fair value through profit or loss					
	Held for trading and hedging	At inception	Loans and receivables	Investments available-for-sale	Investments held-to-maturity	Total
	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)
Peru	135,021	39,499	27,780,639	5,059,738	153,438	33,168,335
United States of America	42,771	32,101	521,118	901,518	-	1,497,508
Colombia	74,323	-	1,193,428	147,887	50,155	1,465,793
Bolivia	154	-	1,068,992	260,712	-	1,329,858
Chile	24,914	-	191,711	394,783	-	611,408
Brazil	-	1,059	25,451	156,801	43,885	227,196
Europe:						
United Kingdom	33,127	-	57,623	71,636	-	162,386
Switzerland	3,028	-	15,499	6,834	-	25,361
France	3,155	20,545	273	19,937	-	43,910
Luxembourg	-	11,594	-	25,590	-	37,184
Spain	-	-	15,525	21,449	-	36,974
Netherlands	-	-	43	24,820	-	24,863
Other Europe	529	-	16,884	11,304	-	28,717
Mexico	-	353	10,097	59,891	12,185	82,526
Multilateral development banks	-	64	-	78,287	-	78,351
Other	19,093	1,923	78,901	170,508	-	270,425
Total	336,115	107,138	30,976,184	7,411,695	259,663	39,090,795

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Notes to the consolidated financial statements (continued)

	2011				
	Designated at fair value through profit or loss				
	Held for trading and hedging	At inception	Loans and receivables	Investments available-for-sale	Total
	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)
Peru	119,391	28,390	21,410,476	3,843,207	25,401,464
United States of America	18,468	26,981	425,327	939,126	1,409,902
Bolivia	182	-	942,281	179,353	1,121,816
Colombia	4,028	-	210,324	172,117	386,469
Chile	135	-	43,610	284,047	327,792
Brazil	-	297	7,460	113,710	121,467
Europe:					
United Kingdom	14,941	-	56,874	62,283	134,098
Switzerland	-	-	51,871	6,485	58,356
France	-	31,157	1,696	11,735	44,588
Luxembourg	-	2,201	-	26,466	28,667
Spain	-	-	8,844	16,815	25,659
Netherlands	-	-	77	20,782	20,859
Other Europe	136	-	12,273	5,610	18,019
Multilateral development banks	-	-	-	74,910	74,910
Mexico	-	-	10,001	59,865	69,866
Other	849	1,077	181,232	99,090	282,248
Total	158,130	90,103	23,362,346	5,915,601	29,526,180

30.2. Market risk -

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

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

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Notes to the consolidated financial statements (continued)

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

(a) Trading Book –

The trading book is characterized for having liquid positions in equities, bonds, foreign currencies and derivatives, arising from market-making transactions where the Group acts as a principal with the clients or with the market. This portfolio includes investments and derivatives classified by Management as held for trading.

(i) Value at Risk (VaR) -

The Group applies the VaR approach to its trading portfolio to estimate the market risk of positions held and the maximum losses that are expected, based upon a number of assumptions for various changes in market conditions.

Daily calculation of VaR is a statistically-based estimate of the potential loss on the current portfolio from adverse market movements.

The VaR expresses the "maximum" amount the Group might lose, but only to a certain level of confidence (99 percent). There is therefore a specified statistical probability (1 percent) that actual loss could be greater than the VaR estimate. The VaR model assumes a certain "holding period" until positions can be closed (1 - 10 days).

The time horizon used to calculate VaR is one day; however, the one-day VAR is amplified to a 10-day time frame and calculated multiplying the one-day VaR times the square root of 10. This adjustment will be exact only if the changes in the portfolio in the following days have a normal distribution identical and independent; otherwise, the VAR to 10 days will be an approximation.

The use of this approach does not prevent losses outside of these limits in the event of more significant market movements. Losses exceeding the VaR figure should occur, on average under normal market conditions, not more than once every hundred days.

VaR limits have been established to control and keep track of all the risks taken. These risks arise from the size of the positions and/or the volatility of the risk factors embedded in each financial instrument. Regular reports are prepared for the Treasury and ALM Risk Committee, the Risk Management Committee and Senior Management.

In VaR calculation, the foreign exchange effect is not included because it is measured in the net monetary position, see note 30.2 (b)(ii).

Notes to the consolidated financial statements (continued)

As of December 31, 2012 and 2011, the Group's VaR by type of asset is as follows:

	2012 US$(000)	2011 US$(000)
Equity investments	2,759	234
Debt Investments	2,311	4,763
Swaps	309	3,957
Forwards	1,871	6,325
Options	49	9
Diversification effect	(4,962)	(7,707)
Consolidated VaR by asset type	2,337	7,581

As of December 31, 2012 and 2011, the Group's VaR by risk type is as follows:

	2012 US$(000)	2011 US$(000)
Interest rate risk	2,787	7,596
Price risk	2,759	234
Volatility risk	1	4
Diversification effect	(3,210)	(253)
Consolidated VaR by risk type	2,337	7,581

(b) ALM Book –

Non-trading portfolios which comprise the ALM Book are exposed to different sensitivities that can bring about a deterioration in the value of the assets compared to its liabilities and hence to a reduction of its net worth.

(i) Interest rate risk -

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. Cash flows interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flows risks. Interest margins may increase as a result of such changes but may also decrease in the event that unexpected movements arise. The

Board sets limits on the level of mismatch of interest rate re-pricing that may be undertaken, which is monitored daily by the Market Risk Management Department.

Re-pricing gap -

Gap analysis comprises aggregating re-pricing timeframes into buckets and checking if each bucket nets to zero. Different bucketing schemes might be used. An interest rate gap is simply a positive or negative net re-pricing timeframe for one of the buckets.

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Notes to the consolidated financial statements (continued)

The table below summarizes the Group's exposure to interest rate risks. It includes the Group's financial instruments at carrying amounts, categorized by the earlier of contractual re-pricing or maturity dates:

	As of December 31, 2012						
	Up to 1 month US$(000)	1 to 3 months US$(000)	3 to 12 months US$(000)	1 to 5 years US$(000)	More than 5 years US$(000)	Non-interest bearing US$(000)	Total US$(000)
Assets							
Cash and due from banks	6,600,786	32,762	49,288	19,312	-	1,146,957	7,849,105
Receivables from reverse repurchase agreements and security borrowing	1,199,700	518	-	-	-	-	1,200,218
Investments	332,967	1,284,701	1,908,865	1,307,115	1,890,216	1,124,245	7,848,109
Loans, net	2,573,312	5,835,736	4,258,041	5,152,617	2,952,916	-	20,772,622
Financial assets designated at fair value through profit or loss	740	4	2,817	5,082	11,412	87,083	107,138
Premiums and other policies receivables	-	-	-	-	-	183,983	183,983
Accounts receivable from reinsurers and coinsurers	-	-	-	-	-	167,460	167,460
Other assets	-	-	-	-	-	2,668,486	2,668,486
Total assets	10,707,505	7,153,721	6,219,011	6,484,126	4,854,544	5,378,214	40,797,121
Liabilities							
Deposits and obligations	6,587,944	1,218,407	7,824,254	1,666,669	119,781	6,623,365	24,040,420
Payables from repurchase agreements and security lending	1,097,358	438,336	342,647	-	-	-	1,878,341
Due to banks and correspondents	387,469	647,311	743,474	591,645	265,497	50,865	2,686,261
	-	-	-	-	-	68,536	68,536

Accounts payable to reinsurers and coinsurers							
Financial liabilities designated at fair value through profit or loss	-	-	-	-	-	96,124	96,124
Technical, insurance claims reserves and reserves for unearned premiums	28,244	27,358	80,366	359,231	701,489	418,311	1,614,999
Bonds and notes issued	645,994	14,607	53,114	1,412,375	2,648,566	8,732	4,783,388
Other liabilities	-	-	-	-	-	1,263,717	1,263,717
Equity	-	-	-	-	-	4,365,335	4,365,335
Total liabilities and equity	8,747,009	2,346,019	9,043,855	4,029,920	3,735,333	12,894,985	40,797,121
Off-Balance sheet items							
Derivatives assets	365,338	448,243	236,937	311,622	98,054	-	1,460,194
Derivatives liabilities	173,992	305,055	262,070	533,902	185,175	-	1,460,194
	191,346	143,188	(25,133)	(222,280)	(87,121)	-	-
Marginal gap	2,151,842	4,950,890	(2,849,977	2,231,926	1,032,000	(7,516,771)	-
Accumulated gap	2,151,842	7,102,732	4,252,755	6,484,681	7,516,771	-	-

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Notes to the consolidated financial statements (continued)

	As of December 31, 2011						
	Up to 1 month US$(000)	1 to 3 months US$(000)	3 to 12 months US$(000)	1 to 5 years US$(000)	More than 5 years US$(000)	Non-interest bearing US$(000)	Total US$(000)
Assets							
Cash and due from banks	4,246,213	78,627	54,071	29,383	-	1,094,568	5,502,862
Investments	373,863	918,258	1,657,330	832,015	1,430,167	779,580	5,991,212
Loans, net	2,162,685	4,925,920	3,257,678	4,363,071	2,212,879	-	16,922,233
Financial assets designated at fair value through profit or loss	239	-	1,012	7,043	4,937	76,872	90,103
Premiums and other policies receivables	-	-	-	-	-	174,367	174,367
Accounts receivable from reinsurers and coinsurers	-	-	-	-	-	151,080	151,080
Other assets	-	-	-	-	-	1,882,540	1,882,540
Total assets	6,783,000	5,922,805	4,970,091	5,231,512	3,647,982	4,159,007	30,714,397
Liabilities							
Deposits and obligations	4,373,417	873,441	6,663,716	1,314,787	87,798	5,390,688	18,703,847
Payables from repurchase agreements and security lending	-	-	250,000	-	-	-	250,000
Due to banks and correspondents	463,660	170,703	683,052	562,815	121,513	58,277	2,060,020
Accounts payable to reinsurers and coinsurers	-	-	-	-	-	75,366	75,366
Technical, insurance claims reserves and reserves for unearned premiums	23,622	19,418	59,191	303,226	596,492	376,349	1,378,298
Bonds and notes issued	711,515	2,737	33,934	1,289,361	1,856,528	71,447	3,965,522
Other liabilities	-	-	-	-	-	818,704	818,704
Equity	-	-	-	-	-	3,462,640	3,462,640
Total liabilities and equity	5,572,214	1,066,299	7,689,893	3,470,189	2,662,331	10,253,471	30,714,397

Off-Balance sheet items							
Derivatives assets	495,709	255,321	485,646	202,705	-	-	1,439,381
Derivatives liabilities	14,595	66,720	317,161	972,288	68,617	-	1,439,381
	481,114	188,601	168,485	(769,583)	(68,617)	-	-
Marginal gap	1,691,900	5,045,107	(2,551,317)	991,740	917,034	(6,094,464)	-
Accumulated gap	1,691,900	6,737,007	4,185,690	5,177,430	6,094,464	-	-

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Notes to the consolidated financial statements (continued)

Sensitivity to changes in interest rates –

The following table presents the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the Group's consolidated statements of income and consolidated statements of comprehensive income; before income tax and non-controlling interest.

The sensitivity of the consolidated statements of income is the effect of the assumed changes in interest rates on the net interest income for one year before income tax and non-controlling interest, based on the floating rate of non-trading financial assets and financial liabilities held at December 31, 2012 and 2011, including the effect of derivatives instruments. The sensitivity of consolidated comprehensive income is calculated by revaluing fixed rate available-for-sale financial assets, before income tax and non-controlling interest, including the effect of any associated hedges, and derivatives instruments designated as cash flow hedges, as of December 31, 2012 and 2011 for the effects of the assumed changes in interest rates:

	As of December 31, 2012					
Currency	Changes in basis points		Sensitivity of net income US$(000)		Sensitivity of comprehensive income US$(000)	
U.S. Dollar	+/-	50	+/-	26,026	-/+	87,437
U.S. Dollar	+/-	75	+/-	39,039	-/+	131,155
U.S. Dollar	+/-	100	+/-	52,052	-/+	174,874
U.S. Dollar	+/-	150	+/-	78,079	-/+	262,310
Peruvian Currency	+/-	50	-/+	505	-/+	59,708
Peruvian Currency	+/-	75	-/+	757	-/+	89,561
Peruvian Currency	+/-	100	-/+	1,009	-/+	119,415
Peruvian Currency	+/-	150	-/+	1,514	-/+	179,123

	As of December 31, 2011					
Currency	Changes in basis points		Sensitivity of net income US$(000)		Sensitivity of comprehensive income US$(000)	
U.S. Dollar	+/-	50	+/-	15,400	-/+	41,907
U.S. Dollar	+/-	75	+/-	23,100	-/+	62,861
U.S. Dollar	+/-	100	+/-	30,800	-/+	83,815
U.S. Dollar	+/-	150	+/-	46,199	-/+	125,722
Peruvian Currency	+/-	50	-/+	792	-/+	41,839

Peruvian Currency	+/-	75	-/+	1,188	-/+	62,759
Peruvian Currency	+/-	100	-/+	1,585	-/+	83,678
Peruvian Currency	+/-	150	-/+	2,377	-/+	125,518

The interest rate sensitivities set out in the table above are illustrative only and are based on simplified scenarios. The figures represent the effect of the pro-forma movements in the net interest income based on the projected yield curve scenarios and the Group's current interest rate risk profile. This effect, however, does not incorporate actions that would be taken by Management to mitigate the impact of this interest rate risk. In addition, the Group seeks proactively to change the interest rate risk profile to minimize losses and optimize net revenues. The projections above also assume that interest rate of all maturities move by the same amount and, therefore, do not reflect the potential impact on net interest income of some rates changing while others remain unchanged. The projections make other simplifying assumptions too, including that all positions run to maturity.

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Notes to the consolidated financial statements (continued)

Equity securities, mutual funds and hedge funds are not considered as part of the investment securities for sensitivity calculation purposes; however, a 10, 25 and 30 percent of changes in market prices is conducted to these price-sensitivity securities and the expected unrealized gain or loss, before income tax, as of December 31, 2012 and 2011 is presented below:

Market price sensitivity	Changes in market prices	2012	2011
	%	US$(000)	US$(000)
Equity securities	+/-10	62,406	47,942
Equity securities	+/-25	156,016	119,854
Equity securities	+/-30	187,219	143,825
Mutual funds	+/-10	14,791	6,871
Mutual funds	+/-25	36,976	17,177
Mutual funds	+/-30	44,372	20,612
Hedge funds	+/-10	2,505	2,786
Hedge funds	+/-25	6,263	6,964
Hedge funds	+/- 30	7,515	8,357

Commitments in liabilities at fair value (short sales) are related to fixed income and equity financial instruments, and have maturities of one month or less, therefore, the Group expects minimal price fluctuations. As a result, the Group is not subject to significant price risk on these financial liabilities.

(ii) Foreign exchange risk -

The Group is exposed to foreign currency exchange rates on its financial position and cash flows. Management sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily.

Notes to the consolidated financial statements (continued)

Foreign currency transactions are made at the free market exchange rates of the countries where Credicorp's Subsidiaries are established. As of December 31, 2012 and 2011, the Group's assets and liabilities by currencies were as follows:

	2012				2011			
	U.S. Dollars	Peruvian currency	Other currencies	Total	U.S. Dollars	Peruvian currency	Other currencies	Total
	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)	US$(0
Monetary assets - Cash and due from banks	4,864,941	2,811,102	173,062	7,849,105	3,848,401	1,528,576	125,885	5,502
Receivables from reverse repurchase agreements and security borrowing	7,500	-	1,192,718	1,200,218	-	-	-	-
Trading securities	70,406	36,557	69,788	176,751	18,416	57,195	-	75,61
Available-for-sale investments	2,566,998	4,315,913	528,784	7,411,695	2,402,643	3,156,017	356,941	5,915
Held-to-maturity investments	150,097	109,566	-	259,663	-	-	-	-
Loans, net	11,338,280	8,731,467	702,875	20,772,622	9,734,175	6,773,628	414,430	16,92
Financial assets designated at fair value through profit or loss	78,218	28,920	-	107,138	90,103	-	-	90,10
Other assets	390,209	861,137	184,907	1,436,253	684,549	479,663	122,773	1,286
	19,466,649	16,894,662	2,852,134	39,213,445	16,778,287	11,995,079	1,020,029	29,79
Monetary liabilities - Deposits and obligations	(10,839,721)	(12,299,579)	(901,120)	(24,040,420)	(9,282,891)	(8,718,597)	(702,359)	(18,7
Payables from repurchase agreements and security lending	(651,664)	(117,647)	(1,109,030)	(1,878,341)	(250,000)	-	-	(250,
Due to bank and correspondents	(1,835,540)	(652,240)	(198,481)	(2,686,261)	(1,755,816)	(304,204)	-	(2,06
	-	-	(96,124)	(96,124)	-	-	-	-

Financial liabilities designated at fair value through profit or loss								
Insurance claims reserves and technical reserves	(1,032,693)	(582,306)	-	(1,614,999)	(994,522)	(383,776)	-	(1,37
Bonds and notes issued	(3,818,484)	(835,663)	(129,241)	(4,783,388)	(3,491,135)	(474,387)	-	(3,96
Other liabilities	(514,113)	(679,152)	(138,988)	(1,332,253)	(478,792)	(364,334)	(50,944)	(894,
	(18,692,215)	(15,166,587)	(2,572,984)	(36,431,786)	(16,253,156)	(10,245,298)	(753,303)	(27,2
	774,434	1,728,075	279,150	2,781,659	525,131	1,749,781	266,726	2,541
Forwards position, net	(575,212)	318,871	256,341	-	339,606	(346,262)	6,656	-
Currency swaps position, net	(37,466)	65,782	(28,316)	-	(167,263)	167,263	-	-
Cross currency swaps position, net	(60,322)	(28,872)	89,194	-	(197,659)	82,226	115,433	-
Options, net	18,279	(18,279)	-	-	3,269	(3,269)	-	-
Net monetary position	119,713	2,065,577	596,369	2,781,659	503,084	1,649,739	388,815	2,541

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Notes to the consolidated financial statements (continued)

The Group manages foreign exchange risk by monitoring and controlling the position values due to changes in exchange rates. The Group measures its performance in U.S. Dollar, so if the net foreign exchange position (e.g. Peruvian currency) is an asset, any depreciation of the U.S. Dollar with respect to this currency would affect positively the Group's consolidated statements of financial position. The current position in a foreign currency comprises exchange rate-linked assets and liabilities in that currency. An institution's open position in individual currencies comprises assets, liabilities and off-balance sheet items denominated in the respective foreign currency for which the institution itself bears the risk; any appreciation/depreciation of the foreign exchange would affect the consolidated statements of income.

The Group's net foreign exchange balance is the sum of its positive open non-U.S. Dollars positions (net long position) less the sum of its negative open non-U.S. Dollar positions (net short position); and any devaluation/revaluation of the foreign exchange position would affect the consolidated statements of income. A currency mismatch would leave the Group's consolidated statements of financial position vulnerable to a fluctuation of the foreign currency (exchange rate shock).

The table below shows the sensitivity analysis of the Peruvian Currency, the currency to which the Group had significant exposure as of December 31, 2012 and 2011 on its non-trading monetary assets and liabilities and its forecast cash flows. The analysis calculates the effect of a reasonably possible movement of the currency rate against the U.S. Dollar, with all other variables held constant on the consolidated statements of income, before income tax. A negative amount in the table reflects a potential net reduction in consolidated statements of income, while a positive amount reflects a net potential increase:

Sensitivity Analysis	Change in currency rates	2012	2011
	%	US$(000)	US$(000)
Devaluation -			
Peruvian Currency	5	(98,361)	(86,828)
Peruvian Currency	10	(187,780)	(183,304)
Revaluation -			
Peruvian Currency	5	108,715	78,559
Peruvian Currency	10	229,509	149,976

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Notes to the consolidated financial statements (continued)

30.3. Liquidity risk -

Liquidity risk is the risk that the Group is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors, fulfill commitments to lend or meet other operating cash needs.

The Group is exposed to daily calls on, among others, its available cash resources from overnight deposits, current accounts, maturing deposits, loans draw-downs, 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’s subsidiaries sets limits on the minimum proportion of funds available to meet such calls and on the minimum level of inter-bank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demands. Sources of liquidity are regularly reviewed by the Market Risk Management Department to maintain a wide diversification by currency, geography, provider, product and term.

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

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

Liquidity requirements to support calls under guarantees and standby letters of credit (indirect loans) 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, as many of these commitments will expire or terminate without being funded.

A maturity mismatch, long-term illiquid assets against short-term liabilities, exposes the consolidated statements of financial position to risks related both to rollover and to interest rates. If liquid assets do not cover maturing debts; a consolidated statements of financial position is vulnerable to a rollover risk. Furthermore, a sharp increase in interest rates can dramatically increase the cost of rolling over short-term liabilities, leading to a rapid increase in debt service.

The contractual-maturity gap report is useful in showing liquidity characteristics.

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Notes to the consolidated financial statements (continued)

The table below presents the cash flows payable by the Group by remaining contractual maturities (including future interest payments) at the date of the consolidated statements of financial position. The amounts disclosed in the table are the contractual undiscounted cash flows:

	As of December 31, 2012						As of December 31, 2011		
	Up to a month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years	Total	Up to a month	From 1 to 3 months	Fron 12 mon
	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)	US$
Deposits and obligations	7,909,590	1,337,516	12,894,069	1,907,363	155,544	24,204,082	5,411,905	1,052,528	10,7
Payables from repurchase agreements and security lending	1,224,514	101,272	84,784	282,156	209,184	1,901,910	-	-	250
Due to banks and correspondents	442,018	500,526	752,393	1,221,451	267,081	3,183,469	470,666	96,349	571
Accounts payable to reinsurer and coinsurers	11,980	34,229	18,998	3,329	-	68,536	18,899	33,650	22,8
Financial liabilities designated at fair value through profit or loss	96,124	-	-	-	-	96,124	-	-	-
Technical, insurance claims reserves and reserves for unearned premiums	70,287	194,062	256,621	387,062	706,966	1,614,998	36,818	83,432	139
Bonds and notes issued	10,050	75,857	209,579	2,154,331	2,802,397	5,252,214	26,354	242,985	690
Other liabilities	421,163	85,779	382,370	4,827	7,629	901,768	626,736	32,322	17,9
Total liabilities	10,185,726	2,329,241	14,598,814	5,960,519	4,148,801	37,223,101	6,591,378	1,541,266	12,4

The table below shows the contractual maturity of the Group's contingent credits at the date of the consolidated statements of financial position:

	As of December 31, 2012						As of December 31, 2011			
	Up to a month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years	Total	Up to a month	From 1 to 3 months	From 1 to 12 months	From 1 to 5 years
	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)	US$(00
Contingent credits (indirect loans)	461,974	1,327,976	1,727,667	734,937	267,553	4,520,107	375,937	1,332,821	1,490,899	451,49

The Group expects that not all of the contingent liabilities or commitments will be drawn before expiration of the commitments.

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Notes to the consolidated financial statements (continued)

30.4. Operational risk -

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Group cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Group is able to manage the risks. Controls include effective segregation of duties, access, authorization and reconciliation procedures, staff education and assessment processes, including the use of Internal Audit.

30.5 Risk of the insurance activity -

The principal risk the Group faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore the objective of the Group is to ensure that sufficient reserves are available to cover these liabilities.

The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements. The Group’s placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Group substantially dependent upon any single reinsurance contract.

Life insurance contracts

The main risks that the Group is exposed are mortality, morbidity, longevity, investment return, expense incurred of loss arising from expense experience being different than expected, and policyholder decision, all of which, do not vary significantly in relation to the location of the risk insured by the Group, type of risk insured or industry.

The Group’s underwriting strategy is designed to ensure that risks are well diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across insurable risks, the use of medical screening in order to ensure that pricing takes account of current health conditions and family medical history, regular review of actual claims experience and product pricing, as well as detailed claims handling procedures. Underwriting limits are in place to enforce appropriate risk selection criteria. For example, the Group has the right not to renew individual policies, it can impose deductibles and it has the right to reject the payment of fraudulent claims.

For contracts when death is the insured risk, the significant factors that could increase the overall frequency of claims are epidemics, widespread changes in lifestyle and natural disasters, resulting in earlier or more claims than expected.

For retirement, survival and disability annuities contracts, the most significant factor is continuing improvement in medical science and social conditions that would increase longevity.

Management has made a sensitivity analysis of the estimates of the technical reserves, Note 15(c).

Notes to the consolidated financial statements (continued)

Non-life insurance contracts (general insurance and healthcare)

The Group principally issues the following types of general insurance contracts: automobile, fire and allied and technical lines and healthcare. Healthcare contracts provide medical expense cover to policyholders. Risks under non-life insurance policies usually cover 12 months.

For general insurance contracts the most significant risks arise from climate changes, natural disasters and other type of damages. For healthcare contracts the most significant risks arise from lifestyle changes, epidemics and medical science and technology improvements.

These risks do not vary significantly in relation to the location of the risk insured by the Group, type of risk insured or industry.

The above risks exposures are mitigated by diversification across a large portfolio of insurance contracts. The variability of risk is improved by careful selection and implementation of underwriting strategies, which are designed to ensure that risks are diversified in terms of risks type and level of insured benefits. This is largely achieved through diversification across industry sectors and geography. Further, strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims are all policies and procedures put in place to reduce the Group’s risk exposure. Insurance contracts also entitle the Group to pursue third parties for payment of some or all costs. Also, the Group actively manages and promptly pursues claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Group.

The Group has also limited its exposure by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements in order to limit its exposure to catastrophic events.

In the following paragraphs the Group has segregated some risk information related to its insurance business, which has been already included in the Group’s consolidated risk information; in order to provide more specific insight about this particular business.

Notes to the consolidated financial statements (continued)

(a) Sensitivity to changes in interest rates -

The following tables demonstrate the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, in consolidated statements of income and consolidated statements of comprehensive income of the insurance activity, before income tax:

	As of December 31, 2012		
Currency	Changes in basis points	Sensitivity of net income US$(000)	Sensitivity of comprehensive income US$(000)
U.S. Dollar	+/-50	-/+ 129	-/+ 26,571
U.S. Dollar	+/-75	-/+ 194	-/+ 39,857
U.S. Dollar	+/-100	-/+ 259	-/+ 53,144
U.S. Dollar	+/-150	-/+ 388	-/+ 79,715
Peruvian Currency	+/-50	+/- 68	-/+ 9,734
Peruvian Currency	+/-75	+/- 102	-/+ 14,601
Peruvian Currency	+/-100	+/- 136	-/+ 19,468
Peruvian Currency	+/- 150	+/- 204	-/+ 29,202

	As of December 31, 2011		
Currency	Changes in basis points	Sensitivity of net income US$(000)	Sensitivity of comprehensive income US$(000)
U.S. Dollar	+/- 50	-/+ 108	-/+ 16,895
U.S. Dollar	+/-75	-/+ 163	-/+ 25,343
U.S. Dollar	+/-100	-/+ 217	-/+ 33,791
U.S. Dollar	+/-150	-/+ 325	-/+ 50,686
Peruvian Currency	+/-50	+/- 74	-/+ 6,444
Peruvian Currency	+/-75	+/- 111	-/+ 9,665
Peruvian Currency	+/-100	+/- 148	-/+ 12,887
Peruvian Currency	+/-150	+/- 222	-/+ 19,331

The interest rate sensitivities set out in the table above are illustrative only and employ simplified scenarios. It should be noted that the effects may not be linear and therefore the results cannot be extrapolated. The sensitivities do not incorporate actions that could be taken by Management to mitigate the effect of the interest rate movements, nor any changes in policyholders' behaviors.

Notes to the consolidated financial statements (continued)

(b) Liquidity risk of the insurance activity -

The Group's insurance companies are exposed to requirements of cash available, mainly for contracts of insurance claims of short term. The Group holds the available funds for covering its liabilities according to their maturity and estimated unexpected claims.

The Group's insurance companies control liquidity risk through the exposure of the maturity of their liabilities. Therefore, the investment plan has been structured considering the maturities in order to manage the risk of fund requirements to cover insurance claims and others, in addition to the Group support.

The undiscounted cash flows payable by the Group for insurance claims reserves and technical reserves by their remaining contractual maturities, including future interest payments, is presented in Note 30.3.

Other non-derivative financial liabilities are related to the balances presented in the consolidated statements of financial position and include mainly accounts payable to reinsurers and coinsurers and other liabilities with contractual maturities of less than one year, see also Note 30.3.

Unit linked liabilities are payable on demand and are included in the up to a year column.

(c) Credit risk of the insurance activity -

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation.

The following policies and procedures are in place to mitigate the Group's exposure to credit risk:

- The Group sets the maximum amounts and limits that may be advanced to corporate counterparties by reference to their long- term credit ratings.

- Credit risk from customer balances, will only persist during the grace period specified in the policy document or trust deed until the policy is paid up or terminated. Commissions paid to intermediaries are netted off against amounts

receivable from them in order to reduce the risk of doubtful accounts.

- Reinsurance is placed with counterparties that have a good credit rating and concentration of risk is avoided by following guidelines in respect of counterparties' limits which are set each year by the Board of Directors and are subject to regular reviews. At each reporting date, Management performs an assessment of creditworthiness of reinsurers and updates the reinsurance purchase strategy, ascertaining suitable allowance for impairment.

- A Group policy setting out the assessment and determination of what constitutes credit risk for the Group is in place, its compliance is monitored and exposures and breaches are reported to the Group risk committee. The policy is regularly reviewed for pertinence and for changes in the risk environment.

- The Group issues unit linked contracts whereby the policyholder bears the investment risk on the financial assets held in the Company's investment portfolio as the policy benefits are directly linked to the value of the assets in the portfolio. Therefore, the Group has no material credit risk on unit linked financial assets.

Notes to the consolidated financial statements (continued)

- The Group has not provided the credit risk analysis for the financial assets of the unit linked business. This is due to the fact that, in unit linked business, the liability to policyholders is linked to the performance and value of the assets that back those liabilities and the shareholders have no direct exposure to any credit risk in those assets.

30.6. Capital management -

The Group maintains an actively managed capital base to cover risks inherent in its business. The adequacy of the Group's capital is monitored using, among other measures, the rules and ratios established by the SBS, the supervising authority of its major subsidiaries and for consolidation purposes.

The Group's objectives when managing capital, which is a broader concept than the "Equity" on the face of the consolidated statements of financial position, are: (i) to comply with the capital requirements set by the regulators of the markets where the entities within the Group operate; (ii) to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and (iii) to maintain a strong capital base to support the development of its business.

Considering the Banking Law and Legislative Decree N° 1028, the regulatory capital must be equal to or more than 10 percent of total risk weighted assets and contingent operations, represented by the sum of: the regulatory capital requirement for market risk multiplied by 10, the regulatory capital requirement for operational risk multiplied by 10 and the weighted assets and contingent credits by credit risk. This calculation must include all balance sheet exposures or assets in local or foreign currency. As of December 31, 2012 and 2011, the minimum requirement is 10.0 percent.

The risk-weighted assets are measured by means of a hierarchy of five risk weights classified according to the nature and reflecting an estimate of credit, market and other risks associated with each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-balance sheet exposure, with some adjustments to reflect the more contingent nature of the potential losses.

According to the SBS regulations, the Junior Subordinated Notes issued by BCP are computable to determinate the Group's regulatory capital, see Note 16(a)(iii).

Notes to the consolidated financial statements (continued)

As of December 31, 2012 and 2011, the regulatory capital for the subsidiaries engaged in financial and insurance activities amounted to approximately US$3,975.6 and US$3,022.7 million, respectively. This regulatory capital has been determined in accordance with SBS regulations in force as of such dates. According to the SBS regulations, the Group's regulatory capital exceeds in approximately US$357.5 million the minimum regulatory capital required as of December 31, 2012 (approximately US$549.8 million as of December 31, 2011).

On July 20, 2011, SBS issued Resolution N° 8425 - 2011which states that an entity must determine an additional regulatory capital. In this sense, Peruvian financial institutions must develop a process to assess the adequacy of its regulatory capital in relation with their risk profile, which must follow the methodology described in said resolution. The additional regulatory capital will be equal to the amount of regulatory capital requirements calculated for each of the following components: economic cycle, concentration risk, market concentration risk, interest rates risk, among others. Peruvian financial institutions have a term of five years from July 2012 to adequate their regulatory capital to the new requirements.

Considering the excess of regulatory capital held by the Group as of December 31. 2012 and 2011 in the Management's opinion, the Group has complied with the requirements set forth in such resolution.

30.7. Fair value -

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

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

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

(i) Assets for which fair value approximates carrying value - For financial assets and financial liabilities that are liquid or having a short term maturity (less than three months) it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits, savings accounts without a specific maturity and variable rate financial instruments.

Notes to the consolidated financial statements (continued)

(ii) Fixed rate financial instruments - The fair value of fixed rate financial assets and liabilities carried at amortized cost are estimated by comparing market interest rates when they were first recognized with current market rates offered for similar financial instruments. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing market interest rates for financial instruments with similar credit risk and maturity. For quoted debt issued the fair values are calculated based on quoted market prices. When quoted market prices are not available, a discounted cash flow model is used based on a current interest rate yield curve appropriate for the remaining term to maturity.

(iii) Financial instrument recorded at fair value - The fair value for financial instruments traded in active markets at the dates of the consolidated statements of financial position is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques and comparison to similar instruments for which market observable prices exist, see (b).

Notes to the consolidated financial statements (continued)

Based in the aforementioned, set out below is a comparison of the carrying amounts and fair values of the Group's financial instruments that are carried in the consolidated statements of financial position. The table does not include the fair values of non-financial assets and non-financial liabilities:

	2012		2011	
	Book value US$(000)	Fair value US$(000)	Book value US$(000)	Fair value US$(000)
Assets				
Cash and due from banks	7,849,105	7,849,105	5,502,862	5,502,862
Receivables from reverse repurchase agreements and security borrowing	1,200,218	1,200,218	-	-
Trading securities	176,751	176,751	75,611	75,611
Investments available-for-sale	7,411,695	7,411,695	5,915,601	5,915,601
Held-to-maturity investments	259,663	262,565	-	-
Loans, net	20,772,622	20,777,432	16,922,233	16,933,934
Financial assets designated at fair value through profit or loss	107,138	107,138	90,103	90,103
Premiums and other policies receivable	183,983	183,983	174,367	174,367
Accounts receivable from reinsurers and coinsurers	167,460	167,460	151,080	151,080
Due from customers on acceptances	100,768	100,768	61,695	61,695
Other assets	861,392	861,392	632,628	632,628
Total	39,090,795	39,098,507	29,526,180	29,537,881
Liabilities				
Deposits and obligation	24,040,420	24,040,420	18,703,847	18,703,847
Payables from repurchase agreements and security borrowing	1,878,341	1,878,341	250,000	250,000
Due to banks and correspondents	2,686,261	2,613,368	2,060,020	2,054,358
Bankers' acceptances outstanding	100,768	100,768	61,695	61,695
Financial liabilities designated at fair value through profit or loss	96,124	96,124	-	-
Accounts payable to reinsurers and coinsurers	68,536	68,536	75,366	75,366
Bonds and notes issued	4,783,388	5,190,989	3,965,522	3,711,199
Other liabilities	952,222	952,222	617,380	617,380
Total	34,606,060	34,940,768	25,733,830	25,473,845

Notes to the consolidated financial statements (continued)

(b) Determination of fair value and fair values hierarchy –

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

December 31, 2012	Note	Level 1 US$(000)	Level 2 US$(000)	Level 3 US$(000)	Total US$(000)
Financial assets					
Derivative financial instruments:					
Forward exchange contracts		-	74,955	-	74,955
Interest rate swaps		-	30,028	-	30,028
Cross currency swaps		-	27,017	-	27,017
Currency swaps		-	26,931	-	26,931
Options		-	433	-	433
	12(b)	-	159,364	-	159,364
Trading securities		176,751	-	-	176,751
Financial assets designated at fair value through profit or loss	8(a)	90,126	17,012	-	107,138
Investments available-for-sale					
Debt securities					
BCRP Certificates of deposit		-	2,965,313	-	2,965,313
Corporate, leasing and subordinated bonds		811,088	1,267,480	12,760	2,091,328
Government's treasury bonds		650,533	90,244	-	740,777
Other instruments		76,586	838,622	24,278	939,486
Equity securities		610,594	5,884	7,584	624,062
	6(a)	2,148,801	5,167,543	44,622	7,360,966
Total financial assets		2,415,678	5,343,919	44,622	7,804,219
Financial liabilities					
Derivative financial instruments:					
Forward exchange contracts		-	59,379	-	59,379
Interest rate swaps		-	86,170	-	86,170
Currency swaps		-	16,975	-	16,975
Cross currency swaps		-	3,211	-	3,211
Options		-	423	-	423
	12(b)	-	166,158	-	166,158
Financial liabilities at fair value through profit or loss		16,040	80,084	-	96,124
Total financial liabilities		16,040	246,242	-	262,282

Notes to the consolidated financial statements (continued)

December 31, 2011	Note	Level 1 US$(000)	Level 2 US$(000)	Level 3 US$(000)	Total US$(000)
Financial assets					
Derivative financial instruments:					
Forward exchange contracts		-	21,135	-	21,135
Interest rate swaps		-	31,754	-	31,754
Cross currency swaps		-	11,331	-	11,331
Currency swaps		-	18,093	-	18,093
Options		-	206	-	206
	12(b)	-	82,519	-	82,519
Trading securities		75,611	-	-	75,611
Financial assets designated at fair value through profit or loss	8(a)	76,931	13,172	-	90,103
Investments available-for-sale					
Debt securities					
BCRP Certificates of deposit		-	2,059,780	-	2,059,780
Corporate, leasing and subordinated bonds		648,366	1,076,617	2,724	1,727,707
Government's treasury bonds		712,290	134,572	-	846,862
Other instruments		55,774	700,555	5,838	762,167
Equity securities		471,759	6,781	876	479,416
	6(a)	1,888,189	3,978,305	9,438	5,875,932
Total financial assets		2,040,731	4,073,996	9,438	6,124,165
Financial liabilities					
Derivative financial instruments:					
Interest rate swaps		-	106,201	-	106,201
Forward exchange contracts		-	28,672	-	28,672
Currency swaps		-	9,587	-	9,587
Options		-	801	-	801
Total financial liabilities	12(b)	-	145,261	-	145,261

Included in the Level 1 category are financial instruments that are measured in whole or in part by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The Level 2 category are financial instruments that are measured based in observed markets factors. This category includes instruments valued using: quoted prices for similar instruments, either in active or less active markets and other valuation techniques (models) where all significant inputs are directly or indirectly observable based on market

data.

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Notes to the consolidated financial statements (continued)

Following is a description of how fair value is determined for the main Group's financial instruments where valuation techniques were used:

- Derivatives financial instruments

The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs, including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves. Options are valued using well-known, widely accepted valuation models.

- Debt securities available for sale classified as level 2

Valuation of BCRP certificates of deposit, corporate, leasing, subordinated bonds and Government's treasury bonds are measured calculating their Net Present Value (NPV) through discounted cash flows, using appropriate zero coupon rate curves and considering observable current market transactions. Other debt instruments are measured using valuation techniques based on assumptions supported by prices from observable current market transactions, obtained via pricing services. Nevertheless, when prices have not been determined in an active market, fair values are based on broker quotes and assets that are valued using models whereby the majority of assumptions are market observable.

The Level 3 category are financial assets measured using a valuation technique based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data.

As of December 31, 2012 and 2011, the net unrealized gain of Level 3 financial instruments amounts to US$6.6 million and US$1.4 million, respectively. During 2012 and 2011, there were no transfer from Level 3 to Level 1 and Level 2 of financial instruments measured at fair value.

30.8. Fiduciary activities, management of funds and pension funds -

The Group provides custody, trustee, investment management and advisory services to third parties; therefore, the Group makes allocations and purchase and sale decisions in relation to a wide range of financial instruments. Assets that are held in a fiduciary capacity are not included in these consolidated financial statements. These services give rise to the risk that the Group will be accused of poor administration or under-performance.

As of December 31, 2012 and 2011, the assigned value of the financial assets under administration (in millions of U.S. Dollars) is as follows:

	2012	2011
Investments funds	5,340.3	2,818.8
Pension funds	11,846.8	9,395.8
Equity managed	4,959.0	3,850.5
Total	22,146.1	16,065.1

Notes to the consolidated financial statements (continued)

31. Commitments and contingencies

Legal claim contingencies –

(i) Madoff Trustee Litigation -

On September 22, 2011, the Trustee for the liquidations of Bermard L. Madoff Investment Securities LLC (BLMIS), and the substantively consolidated state of Bermard L. Madoff ("the Madoff Trustee") filed a complaint against Credicorp's subsidiary Atlantic Security Bank (ASB) in U.S. Bankruptcy Court Southern District of New York, for an amount of approximately US$120 million ("the Complaint"), which corresponds to the funds that ASB managed in Atlantic US Blue Chip Fund and that were redeemed between the end of 2004 and the beginning of 2005 from Fairfield Sentry Limited in Liquidation (hereafter "Fairfield"), a feeder fund that invested in BLMIS.

The Complaint further alleges that the Madoff Trustee filed an adversary proceeding against Fairfield, seeking to avoid and recover the initial transfers of monies from BLMIS to Fairfield; that on June 7 and 10, 2011, the Bankruptcy Court approved a settlement among the Madoff Trustee, Fairfield and others; and that the Madoff Trustee is entitled to recover the sums sought from ASB as "subsequent transfers" of "avoided transfers" from BLMIS to Fairfield that Fairfield subsequently transferred to ASB. The Madoff Trustee has filed similar actions against other alleged "subsequent transferees" that invested in Fairfield and its sister entities which, in turn, invested and redeemed funds from BLMIS.

ASB counsel and the Trustee agreed that ASB has until June 24, 2013 to move, answer or otherwise respond to the Complaint.

Management believes that ASB has substantial defenses against the Madoff Trustee's claims alleged in the Complaint and intends to contest these claims vigorously. Management considers, among other substantial defenses, that the Complaint considers only the amounts withdrawn, without taking into account the amounts invested in Fairfield. Furthermore, ASB after redeeming said funds from Fairfield re-invested them in BLMIS, through another vehicle, that resulted in a net loss in the funds that ASB managed on behalf of its clients for approximately US$78 million as of December, 2008.

Notes to the consolidated financial statements (continued)

(ii) Fairfield Liquidator Litigation -

On April 13, 2012, Fairfield Sentry Limited (In Liquidation) and its representative, Kenneth Krys (the "Fairfield Liquidator"), filed an adversary proceeding against ASB pursuant to Chapter 15 of the U.S. Bankruptcy Code, in the U.S. Bankruptcy Court for the Southern District of New York against (1) ASB and (2) beneficial owners of accounts in Fairfield Sentry funds held by ASB, styled as Fairfield Sentry Limited (In Liquidation) v. Atlantic Security Bank, Adv. Pro. No. 12-01550 (BRL) (Bankr. S.D.N.Y.) ("Fairfield Complaint" or "Fairfield v. ASB Adversary Proceeding"). The Fairfield Complaint is similar to others complaints the Fairfield Liquidators have filed in the Southern District Bankruptcy Court against other entities that invested in various Fairfield funds and redeemed their accounts prior to the Fairfield funds' insolvency in the wake of the collapse of BLMIS. The Fairfield Complaint sought to recover the amount of approximately US$115.2 million that was redeemed by ASB prior to June 15, 2005. The complaint alleged various common law claims grounded in British Virgin Island (BVI) law against both ASB and beneficial owners on behalf of whom ASB held and redeemed Fairfield Sentry Funds shares.

Thereafter, the Fairfield v. ASB Adversary Proceeding was procedurally consolidated by the Bankruptcy Court with other adversary actions filed by the Fairfield Liquidator against former investors in Fairfield Sentry. Pursuant to that consolidation, and by stipulation of the parties, the Bankruptcy Court's previously entered stay of all proceedings in the Fairfield Liquidator adversary actions (except for the filing of amended complaints) in light of the pending litigation in the BVI courts calling into question the Fairfield Liquidator's ability to seek recovery of funds invested with and redeemed from Fairfield Sentry, was applied in the Fairfield v. ASB Adversary Proceeding, thereby indefinitely extending ASB's time to answer or move until the stay is lifted. On January 14, 2013, the Fairfield Liquidator filed an Amended Complaint in the Fairfield v. ASB Adversary Proceeding seeking the same amount of recovery as in the original complaint but adding additional allegations and causes of action. The Bankruptcy Court stay remains in effect, and ASB's time to answer or move remains stayed indefinitely pending further order of the Bankruptcy Court.

Management believes that ASB has substantial defenses against the Fairfield Liquidator's claims alleged in the Amended Complaint and intends to contest these claims vigorously.