

CREDICORP LTD  
Form 6-K  
February 08, 2008

**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

---

**FORM 6-K**

Report of Foreign Private Issuer  
Pursuant to Rule 13a-16 or 15d-16 of the  
Securities Exchange Act of 1934

**For the month of August 2007**

---

**CREDICORP LTD.**

(Exact name of registrant as specified in its charter)

**Clarendon House**  
**Church Street**  
**Hamilton HM 11 Bermuda**  
(Address of principal executive office)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F  Form 40-F

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes  No

---

## **CREDICORP Ltd. Reports Fourth Quarter and Year End 2007 Earnings**

**Lima, Peru, February 6, 2008** - Credicorp (NYSE:BAP) announced today its unaudited results for the fourth quarter of 2007. These results are reported on a consolidated basis in accordance with IFRS in nominal U.S. Dollars.

### **HIGHLIGHTS**

- Credicorp reported today a further 4.1% increase in 4Q07 earnings reaching US\$ 94 million, consolidating its outstanding performance with total earnings for the year 2007 of US\$ 350.7 million.
- Loan growth of its banking business exceeded expectations again this quarter with total net loans up 10.5% QoQ and consolidating an astounding annual growth of 40.7%.
- Interest income followed this trend with a robust 20.6% QoQ growth, contributing to annual growth of 36.3% despite the persistent competition and pressure on rates, revealing the success of our strategy to shift our portfolio mix increasing our share of the retail business.
- NII however, increased a more modest 27.2% during 2007 and reflects the change in our funding structure and the need to complement our solid deposit base with debt, which was evident in the 2H07.
- An also strong non financial income growth of 8.1% QoQ and annual growth of 21% reveals further increases in bank transactional activity and the fee expansion at the pension fund business.
- Despite the competitive pressures and increased funding costs, the impact on Net Interest Margin could be contained given the better earnings structure resulting from the continuing change in loan 5.21% improving from 2006's NIM at 5.06%.
- It is remarkable that Credicorp has reached such extraordinary loan growth while loan portfolio quality continued strengthening. PDL/Loans ratio dropped further closing the year with only 0.74%. Net provisioning of US\$ 9.9 million for 4Q07 reflects increased gross provisions in line with loan growth and a gradual normalization of income from recoveries since 2006's negative net provision line.
- BCP's consolidated numbers reflect a very healthy and dynamic banking environment with core revenues up 9.7% QoQ. Such improved income had to sustain an acceleration in operating costs due to BCP's business expansion and year end performance related compensation & provisions, which led to higher operating costs of 26.8% for 4Q07. The higher costs were partially offset by an important positive translation effect from the revaluation on the Peruvian Nuevo Sol against the weak USDollar, leading to a softened drop in QoQ net earnings of 5% to US\$ 86.2 million, and translates into a solid contribution to Credicorp of US\$ 83.9 million for this 4Q07.

Edgar Filing: CREDICORP LTD - Form 6-K

- BCP Bolivia, which is consolidated in BCP, continues its consistent growth and reports a contribution 51% higher QoQ and 95% higher YoY, reaching an astonishing US\$ 10 million contribution for 4Q07 and a total US\$ 27 million for the year 2007.
  - ASHC remains a stable and growing business in line with the increasing wealth in the country, though 4Q07 results reflect the market turmoil and dropped its contribution to US\$ 5 million (from \$6.2 million in 3Q07). Nevertheless, it reports a remarkable contribution improvement of 31% for the year at US\$ 20.5 million.
  - PPS recovered from the difficult 3Q07 hit by the devastating August 15<sup>th</sup> earthquake, but despite the strong growth and recovery of market share, total contribution to Credicorp is tainted by such event and resulted in a 35% lower contribution for the year of US\$ 9.4 million.
  - Finally, Prima AFP reflects its turn around through controlled operating costs reaching a positive contribution of US\$ 2.3 million for 4Q07 and US\$ 3 million for the year 2007.
  - Credicorp's annual performance indicators reveal these improvements with ROAE rising to 22.9% from 18.5% a year ago and the efficiency ratio recovering to 43% from 43.5% in 2006.
-

**I. Credicorp Ltd.**

With 4Q07 net earnings results 4.1% stronger QoQ at US\$ 94 million, Credicorp closed the year 2007 with US\$ 350.7 million total net income after minority deductions, a truly outstanding result which reflects a 52.3% annual growth in earnings generation. The significant improvement in earnings is evident in the better ROAE reported of 22.9% for the year 2007.

*Overview 4Q07*

Credicorp's core banking business reported a strong performance, with total loan growth this last quarter reaching 10.4% QoQ, fueled, as expected, by the consistent growth of the retail segment with 13% QoQ loan growth, and the unusually high growth in the corporate sector of around 15%.

Growth in interest income followed this robust loan growth and reached 20.6% QoQ despite the persistent competition and pressure on rates, revealing the success of our strategy to shift our portfolio mix increasing our share of the retail business.

NII however, increased this 4Q07 in significantly less proportion (+8.5%) and reflects the change in our funding structure and the need to complement our solid deposit base with debt in order to support our accelerating loan growth. Thus, the strong quarterly loan growth was funded by the expansion of deposits (+13.6%), additional international Bank debt (+37.6%), and bonds and subordinated debt (+40.2%). This is certainly a change in Credicorp's funding structure which raised the group's funding costs in 4Q07 and mainly during the 2H07, though deposits continue being the core funding source.

Net interest margin reflects therefore a quarterly small drop from 5.16% the previous quarter to 5.11%, which could be sustained above the 5% minimum target despite the competitive pressures given the better earnings structure resulting from the continuing change in loan mix.

<b>Credicorp Ltd.</b>	<b>Quarter</b>			<b>Change %</b>	
	<b>4Q07</b>	<b>3Q07</b>	<b>4Q06</b>	<b>4Q07/4Q06</b>	<b>4Q07/3Q07</b>
US\$ thousands					
Net Interest income	174,756	161,055	132,873	31.5%	8.5%
Total provisions, net of recoveries	(9,926)	(7,922)	(1,754)	465.9%	25.3%
Non financial income	122,043	112,942	100,749	21.1%	8.1%
Insurance premiums and claims	12,222	9,809	16,338	-25.2%	24.6%
Operating expenses	(193,327)	(163,125)	(161,976)	19.4%	18.5%
Translation results	17,442	13,811	5,715	205.2%	26.3%
Worker's profit sharing and income taxes	(24,606)	(33,418)	(22,882)	7.5%	-26.4%
<b>Net income</b>	<b>98,605</b>	<b>93,152</b>	<b>69,063</b>	<b>42.8%</b>	<b>5.9%</b>
Minority Interest	4,590	2,848	5,739	-20.0%	61.2%
<b>Net income attributed to Credicorp</b>	<b>94,016</b>	<b>90,304</b>	<b>63,324</b>	<b>48.5%</b>	<b>4.1%</b>
Net income/share (US\$)	1.18	1.13	0.79	48.5%	4.1%
<b>Total loans</b>	<b>8,287,667</b>	<b>7,509,085</b>	<b>5,927,101</b>	<b>39.8%</b>	<b>10.4%</b>
<b>Deposits and Obligations</b>	<b>11,722,242</b>	<b>10,322,832</b>	<b>8,838,991</b>	<b>32.6%</b>	<b>13.6%</b>
Net Shareholders' Equity	1,673,556	1,603,026	1,396,822	19.8%	4.4%

Edgar Filing: CREDICORP LTD - Form 6-K

Net interest margin	5.1%	5.2%	5.2%
Efficiency ratio	46.2%	40.8%	47.3%
Return on average shareholders' equity	23.0%	23.0%	18.8%
PDL/Total loans	0.7%	0.9%	1.3%
Coverage ratio of PDLs	346.6%	299.4%	247.9%
Employees	14,757	15,002	11,837

Non Financial income reported also solid growth of 8.1% QoQ growth. This growth was fueled this time by an important increase in income related to FX-transactions, which was up 51.7%, due to increased volumes of currency exchange activity resulting from the high volatility of the US currency and revaluation of the Sol.

The insurance business recovered from the extremely difficult 3Q, which was affected by the strong 7.8 (Richter scale) earthquake that stroke the southern area of our country on August 15<sup>th</sup> and showed a QoQ 24.6% higher insurance premiums and claims related income in Credicorp's income statement. In fact, net premiums earned increased a strong 8.9% for the 4Q. However, two additional severe claims in the fire insurance segment also affected 4Q earnings and resulted in a reduced 4Q contribution.

It is remarkable that Credicorp has reached such extraordinary loan growth while loan portfolio quality continued strengthening. PDL/Loans ratio dropped further closing the year with only 0.74%, from 0.9% the previous quarter and 1.3% a year ago. Coverage ratio has a similar performance reaching an all time high of 346.6%. Net provisioning of US\$ 9.9 million for 4Q07 reflects increased gross provisions in line with loan growth and a gradual normalization since recoveries consistently drop following a diminishing crisis-related charged-off assets portfolio and minimum additions given the improved financial market and stringent credit & risk management.

On the cost side, 4Q07 finally reflected the increase in operational costs expected from the banking business expansion underway, but were exacerbated by performance related year end compensation and retirement provisions. Salaries were up 18.4% QoQ and administrative expenses grew 36.3% reflecting as well some year end run-up in spending. A drop in other expenses mitigated the total operating costs expansion which reached a more moderate 18.5% QoQ. However, the efficiency ratio does reflect the business related increase in costs showing deterioration to 46.2% from 40.8% the previous quarter. For the year, however, Credicorp's efficiency improved in 2007 to 43% from 43.5% in 2006.

The aggressive expansion of its banking network is in line with Credicorp's strategy for its banking business and is a continuation of the growth achieved throughout the year. BCP went from 237 branches at the beginning of the year to 273 at the end of the year 2007, from 655 ATMs to 748, and from 551 Agentes BCP to 1,221. This represents an expansion of our network by 55% for the year. Furthermore, we have increased the number of bank accounts at BCP from ca. 4.4 million to ca. 5.1 million, and of clients from ca. 2.3 million to ca. 2.6 million in this same period of time, all of these reflecting an important achievement in our effort to increase bank penetration and capture growth.

#### *Results for the Year 2007*

The year 2007 has been with no doubt a year of growth for Credicorp in all its business segments. However, a 52.3% net income growth is by no means a sustainable growth, but rather an extraordinary growth result of some significant changes in the earnings generation structure of Credicorp. Having said this, income of US\$ 350 million is certainly at a sustainable level from which we can expect to continue growing in line with future growth expectations for the Peruvian markets.

The banking business did provide the principal base of growth for Credicorp, with loans expanding at high rates as a result of a business strategy aimed at taking maximum advantage of our franchise, of our brand and of our solid reputation, and at increasing bank penetration. The results of this strategy in 2007 have been a 40% loan portfolio growth accompanied by a 36.3% interest income growth. Such strong loan growth did put pressure on funding and led us to tap somewhat more expensive sources resulting in a 52% increase in interest expense and a consequent more moderate 27.2% growth in NII for the year 2007.

Credicorp Ltd. US\$ Thousand	Year		Change % 2007/2006
	2007	2006	
Net interest income	633,974	498,526	27.2%
Commissions	324,761	243,778	33.2%
Net gains on foreign exchange transaction	61,778	41,638	48.4%
Net Premiums earned	297,272	251,261	18.3%
<b>Total operating income</b>	1,317,785	1,035,202	27.3%
Net gains from sale of securities	41,357	27,534	50.2%
Other income	26,310	24,224	8.6%
<b>Total income</b>	1,385,451	1,086,960	27.5%
Net of recoveries	(28,356)	4,243	-768.3%
Operating expenses	(666,148)	(571,454)	16.6%
Total claims	(238,600)	(186,522)	27.9%
Translation Results	34,627	15,216	127.6%
Workers profit sharing	(12,956)	(11,051)	17.2%
Income taxes	(101,624)	(89,872)	13.1%
Minority interest	(21,658)	(17,252)	25.5%
<b>Net income attributed to Credicorp</b>	350,736	230,267	52.3%
Net income / share (US\$)	4.40	2.89	52.3%
Total loans	8,287,667	5,927,101	39.8%
Deposits and obligations	11,722,242	8,838,991	32.6%
Net shareholder's equity	1,673,556	1,396,822	19.8%
Net interest margin	5.2%	5.1%	
Efficiency ratio	43.0%	43.5%	
Return on average shareholder's equity	22.9%	18.5%	
PDL / Total loans	0.7%	1.3%	
Coverage ratio of PDLs	346.6%	247.9%	

Non-financial income has certainly two genuine high growth rates with 48% growth on gains on FX transactions (related to the increased activity due to the high volatility of the US dollar), and 50% growth in gains on sale of securities, again related to a very positive market environment which was leveled out at the end of the year by the international turmoil in the financial markets. Fee income growth of 33% is however overstated since it includes fees from the Pension Fund business, which jumped only in 2007 following the acquisition and subsequent merger of the 2<sup>nd</sup> largest pension fund company in the market.

The year 2007 was also a growth year for the insurance business with total premiums growing 25.4% for the year. Furthermore, PPS has recovered 4% of market share for the group reaching a strong 34% total market share as of November 2007. Nevertheless, the year was also strongly affected by increased casualties for the whole industry, including the strong earthquake of August last year. Thus, results consolidated into Credicorp of the insurance company PPS reveal a truly difficult year for that business. Despite net premiums earned growth of 18.3% reported in Credicorp's income statement, the combination of tough claims from the earthquake plus additional casualties led to total claims increasing by 27.9% for the year 2007, reducing its total contribution for the year.

It is however the improved management of costs which made possible such a significantly higher growth in net earnings vis-à-vis income generation. In fact, core operating expenses, though controlled and budgeted, did increase in line with business expansion reaching 29.5% annual growth of personnel costs and 26% of administrative costs. However, other expenses, which include the costs related to the Senior Incentive Compensation Program (known as SAR), drop significantly thanks to the hedging mechanism put in place by the end of 2006 and which reduced to a minimum a significant cost element in the past given the performance of our Stock. Furthermore, in 2007 the

weakness of the dollar and the fact that part of our business is also in Soles, resulted in accounting gains through the translation effect which can not be overlooked and provided an additional gain vis-à-vis 2006 which boosted our income by about US\$ 19 million.



The growth achieved at Credicorp in 2007 is even more remarkable considering the devastating earthquake in the middle of the year which was a hard test on Credicorp and its ability to respond quickly and efficiently to reinstate its operational capabilities and absorb the financial impact, especially in the insurance business. We are very pleased to have been able to withstand such a test, and be in a position to report the excellent results we can show as a financial group for the year.

For business reasons, cost management reasons or market reasons, 2007 has been an excellent year for Credicorp, with overall improved annual ratios, which are at 22.9% ROAE, 2.3% ROAA, 43% efficiency ratio, 0.74% PDL/Total loans, 346.5% coverage ratio, 5.21% NIM and US\$4.4 per share.

#### *Credicorp - the Sum of its Parts*

The contributions of the different companies that make up Credicorp are taking a different shape. No doubt BCP is and will continue being the main contributor to Credicorp, but it is also a fact that the subsidiaries are starting to become more important contributors to Credicorp's earnings, resulting in a real sum of its parts.

(US\$ Thousands)	4Q07	3Q07	4Q06	4Q07/ 4Q06	4Q07/ 3Q07	Dec-07	Dec-06	Dec-07/ Dec-06
Banco de Crédito BCP(1)	83,868	88,227	65,597	28%	-5%	322,539	238,852	35%
BCB	10,065	6,673	4,050	149%	51%	26,996	13,859	95%
Atlantic	4,988	6,214	3,968	26%	-20%	20,537	15,655	31%
PPS	645	(2,960)	4,534	-86%	-122%	9,435	14,538	-35%
Grupo Crédito (2)	3,241	3,803	(5,271)	-161%	-15%	7,661	(12,380)	-162%
Prima	2,307	1,811	(10,894)	-121%	27%	3,032	(20,738)	-115%
Others	934	1,992	5,623	-83%	-53%	4,629	8,358	-45%
Credicorp and Others (3)	1,273	(4,980)	(5,500)	-123%	-126%	(9,436)	(26,398)	-64%
Credicorp Ltd.	788	(5,226)	(5,855)	-113%	-115%	(10,881)	(27,552)	-61%
Others	485	246	355	0.37	97%	1,445	1,154	25%
<b>Net income attributable to Credicorp</b>	<b>94,015</b>	<b>90,304</b>	<b>63,328</b>	<b>48%</b>	<b>4%</b>	<b>350,736</b>	<b>230,267</b>	<b>52%</b>

(1) Includes Banco de Crédito de Bolivia.

(2) Includes Grupo Crédito, Servicorp

(3) Includes taxes on BCP's and PPS's dividends, and other expenses at the holding company level.

BCP's 4Q07 contribution to Credicorp reflected the lower earnings compared to the previous quarter with US\$ 83.9 million contribution for the quarter. On an annual basis, however, BCP had a 35% higher contribution to Credicorp in 2007 than in 2006, reaching a total of US\$ 322.5 million. This confirms BCP's aggressive growth track, fueled by the country's strong economic growth and reflects an impressive 31% ROAE for the year.

BCP Bolivia, which is consolidated within BCP, reported a contribution of US\$ 10 million for 4Q07, higher by a remarkable 51% QoQ and 95% YoY, and a total contribution for the year 2007 of US\$ 27 million. Thus, the performance of BCP Bolivia is not being negatively affected by the continuing uncertain political scenario of Bolivia, and in fact, continues growing and gaining market share and brand positioning.

ASHC remains a stable and growing business in line with the increasing wealth in the country, though 4Q07 results reflect the market turmoil and dropped its contribution to US\$ 5 million (from \$6.2 million in 3Q06). Nevertheless, it

reports an important contribution improvement of 31% for the year at US\$ 20.5 million.

PPS recovered from the difficult 3Q07 hit by the devastating August 15<sup>th</sup> earthquake, but some additional casualties and cost adjustments led to a rather low 4Q07 contribution of US\$ 0.6 million. Thus, total contribution to Credicorp is tainted by such event and reported a 35% lower contribution for the year of US\$ 9.4 million.

In the pension fund business, following the cost reduction plan by which Prima's sales force was reduced from 1,000 to 456 within the year, Prima closed the 4Q07 with a positive result of US\$ 2.3 million. Furthermore, Prima has established its dominant position in the market, capturing important market shares (31.4% of AuM, 33.7% of collections and 47.2% of voluntary contributions to the funds) and increased its fee income by incorporating a new administration fee for voluntary funds which used to have no management charges. Year end results met Prima's budget reaching US\$ 3 million contribution to Credicorp.

Finally, at Credicorp Ltd. which consolidates income from minorities and the withholding taxes on dividends received by Credicorp from its subsidiaries which are provisioned every quarter, a partial reversion of such provisions resulted in a positive total contribution for the quarter. The adjustment responded to the decision to retain some earnings at BCP this year 2007 to strengthen its capital base and support future growth. Thus, Credicorp Ltd. represented a charge of US\$ 9.4 million for 2007, significantly less than the charge of 2006 of US\$ 26.4 million, which included additionally the effect of a double WHTX due to an accounting change applied that year.

## II. Banco de Crédito - BCP Consolidated

### Overview 4Q07

*Net earnings* at BCP maintained its extraordinary high level, reaching again a high US\$ 86.2 million for 4Q07, though 5% below 3Q07 earnings. Nevertheless, YoY growth was still very strong at 27.3%. More importantly, income generation continued as strong as ever with loan portfolio expanding an impressive 10.4% QoQ, which led to interest income growth of 13.3% and core earnings growth of 9.7% QoQ reflecting the strength of income generation. With such strong income generation, the 5% quarterly drop in net income can only be explained by increased costs, mainly higher personnel and administrative costs which resulted from the announced aggressive business expansion, some accumulated spending towards the end of the year and a 20% higher provisioning.

### Core Earnings

Core Revenues US\$ 000	Quarter			Change	
	4Q07	3Q07	4Q06	4Q07/4Q06	4Q07/3Q07
Net interest and dividend income	155,565	142,755	117,723	32.1%	9.0%
Fee income, net	76,708	75,146	62,079	23.6%	2.1%
Net gain on foreign exchange transactions	21,497	13,526	10,853	98.1%	58.9%
<b>Core Revenues</b>	<b>253,770</b>	<b>231,427</b>	<b>190,655</b>	<b>33.1%</b>	<b>9.7%</b>

Core Revenues were up 9.7% QoQ and 33.1% YoY. Though supported by growth of fee income (+2.1%) and strong gains from FX transactions (+58.9%), it is still NII the main component of core earnings, which reported a strong 9% growth QoQ and 32.1% YoY..

As indicated, *total loans* reflected growth of 10.4% QoQ and 40.1% YoY. Once again the driver behind BCP's growth was the expanded lending activity both in the commercial and consumer sectors. In terms of daily average balances, loan balances were up 10.2% QoQ and 39.4% YoY

Nevertheless, the retail sector continues leading the way, with BCP's loan book in the *retail segment* growing 12.9% QoQ, being the strongest performers the consumer sector with +16.3% for the quarter, SME or PYMES with +16.8% quarterly growth and credit cards with 13.9% QoQ growth. This is no doubt the result of stronger domestic demand through the increase of purchasing power in the population, as well as the further incursion in new segments by BCP, in line with its strategy to increase bank penetration. Furthermore, mortgages grew 8.3% QoQ and offer the strongest future growth potential given the low penetration of this product in the market. On the other hand, the unusual strong growth again this quarter of corporate loans of 15% QoQ confirms the increased investment activity in this sector with companies expanding its production capacity, and reflects BCP's strong franchise which allowed it to gain another 2% market share.

*Funding* this growth has become an important challenge. To complement deposit growth, BCP successfully tapped the international markets this year and issued US\$ 500 million structured securitized bonds within the 3Q07, and another Sol denominated subordinated bonds equivalent to US\$ 160 million in the 4Q07. Nevertheless, deposit growth continues being the main source of funding with deposits growing a real 10.5% QoQ.

**Banco de Crédito and Subsidiaries**

US\$ 000	4Q07	Quarter 3Q07	4Q06	Change 4Q07/4Q06	4Q07/3Q07
Net Financial income	155,565	142,755	117,723	32.1%	9.0%
Total provisions, net of recoveries	(11,089)	(9,241)	(3,188)	247.8%	20.0%
Non financial income	103,458	91,987	82,074	26.1%	12.5%
Operating expenses	(151,867)	(119,814)	(111,463)	36.2%	26.8%
Tranlation results	15,253	12,028	4,903	211.1%	26.8%
Worker's profit sharing and income taxes	(25,123)	(26,981)	(22,358)	12.4%	-6.9%
<b>Net income</b>	<b>86,198</b>	<b>90,735</b>	<b>67,691</b>	<b>27.3%</b>	<b>-5.0%</b>
Net income/share (US\$)	0.067	0.071	0.053	27.4%	-5.0%
Total loans	8,224,613	7,450,674	5,871,021	40.1%	10.4%
Deposits and obligations	11,249,104	10,263,180	8,356,823	34.6%	9.6%
Shareholders equity	1,132,564	1,045,006	963,856	17.5%	8.4%
Net financial margin	5.2%	5.2%	5.3%		
Efficiency ratio	56.9%	48.3%	54.5%		
Return on average equity	31.7%	36.1%	29.2%		
PDL/Total loans	0.7%	0.9%	1.3%		
Coverage ratio of PDLs	351.8%	300.7%	249.5%		
Branches	273	254	237		
ATMs	748	724	655		
Employees	12,667	12,216	10,771		

*Interest income* on loans outperformed once again loan growth of 10%, increasing by 13.3% QoQ and reflecting the better lending mix. Interest income from investments was even stronger increasing 32.5% QoQ as a result of increased liquidity to invest and better returns on CB deposits. However *interest expense* reflected higher funding costs through both the increased and more expensive interest on borrowed funds (up by 35.5% QoQ) and increased interest paid on deposits (up 19.9% QoQ). The latter includes however interest on deposits related to the structured bonds and which in reality reflect borrowing costs and the effect on interest expense of a change in deposit mix with interest bearing deposits increasing their proportion of total deposits.

Thanks to the strong income generation, the net effect of these changes was an almost negligible QoQ reduction of *Net Interest Margin (NIM)* from 5.20% to 5.17%.

*Net Provisions* for 4Q07 reached US\$ 11.1 million, reflecting gross provisions of US\$ 19.1 million and US\$ 8.0 million of recoveries vs. US\$ 17.5 million of gross provisions and US\$ 8.2 million of recoveries in 3Q07. Recoveries continue diminishing as the crisis related charged-off portfolio is built-down and new additions are extremely low given the good credit standing in the system and improved credit & risk management. This level of provisions represents 0.2% of total loan portfolio for 4Q07. It is certainly the constant improvement of the economic performance and high liquidity in the market which allows such further improvements in portfolio quality. Thus, further drops in non-performing loans led to a PDL ratio of 0.7% for 4Q07 vs. 0.91% for 3Q07.



The unusually low *fee income* growth reported of 2.1% is however a reflection of a specific and unusual insurance income which boosted 3Q07 fee income increasing the base for comparison, and an equally unusual accounting adjustment in 4Q07 that deferred income of LC business in 4Q07. These distortions hide a healthy evolution of fee generating transactional business. Thus, average monthly transactions reached 33.3 million vs. 30.2 million the previous quarter, a proud 10.3% quarterly growth. This transactional activity is certainly also related to the growth of BCP's network: BCP closed the year with a 55% expansion of its Agentes BCP reaching 1,221 Agentes vs. 551 by year end 2006. ATM's went from 655 in 2006 to 748 by the end of the year, and branches totaled 273, up from 237 by year end 2006.

*Gains on foreign exchange transaction*, however, benefited from the volatility of the dollar and the revaluation of our local currency reaching 58.9% growth rate for the quarter.

On the cost side, *operating costs* is a result of BCP's business expansion, and was up by a strong 26.8% QoQ. This increase continues in line with the announced investments in expanding our branch & sales points' network and year end costs. In fact, this last quarter these costs experienced a "year end run-up" with programmed costs in *personnel and administrative* and *other expenses* growing in an accelerated way and reaching 25.9% and 39.4% respectively.

*Personnel Costs*, which account for 50% of total operating costs, were up 25.9% QoQ due to increased hiring to cover the growing needs of the expanding network, increase of the SME dedicated sales force and higher economic incentives based of performance for the retail sales force in general. Thus, total employees went from 10,771 in December 2006 to 12,667 by the end of 2007. In addition, a one time increase in provisions related to the retirement of senior officers also contributed to the increased costs for the quarter.

*Administrative expenses*, which account for 39% of *operating costs*, grew 39.4% QoQ because of higher Marketing and Systems expenses which were up 55% and 146% QoQ respectively. In both cases these were strongly related to the business expansion, more marketing support, systems growth, maintenance and back-up facilities, etc., but included as well the year end run-up of costs to meet approved budgets.

Finally, the *translation result* for 4Q07 was again significant due to the further weakening of the dollar in the international markets and revaluation of the Nuevo Sol from S/.3.086 in September to S/.2.996 by the end of December, and led to a strong gain of US\$ 15 million vs. US\$ 12 million in 3Q07 and US\$ 4.9 million 4Q06, given the net Soles position in BCP's balance sheet.

As a result of these developments, BCP's quarterly ratios reflect this evolution maintaining its strong performance: ROAE was 31.7%, the efficiency ratio at 56.9% (vs. 48.3%) and portfolio quality ratios reached 0.7% delinquencies ratio and 351.8% coverage ratio.

*Results for the Year 2007*

BCP closed the year 2007 with superb net earnings of US\$ 331.7 million, 33.9% above the previous year which totaled US\$ 247.8 million.

This outstanding performance is the direct result of an extraordinary growth in all business activities during 2007. Year end loan portfolio growth reached an unexpected 40.2% for the year, leading to net interest income growth of 26.8%, despite the tightening of spreads as a consequence of the continuing strong competition and increased funding costs. Such astounding total loan growth was fueled by the expected aggressive growth in year end loan balances in the retail segment of 47.7%, and the unusual and surprisingly high growth achieved in the wholesale credit business of 44.1% during 2007.

<b>Banco de Crédito and subsidiaries</b>	<b>Year</b>		<b>Change %</b>
	<b>2007</b>	<b>2006</b>	
US\$ million			<b>2007/2006</b>
Net interest income	562,756	443,728	26.8%
Banking services commissions	281,310	232,226	21.1%
Net gain on foreign exchange transaction	59,739	42,005	42.2%
<b>Total operating earnings</b>	<b>903,805</b>	<b>717,959</b>	<b>25.9%</b>
Net gain on sales of securities	20,993	8,692	141.5%
Other income	8,487	12,773	-33.6%
<b>Total income</b>	<b>933,285</b>	<b>739,424</b>	<b>26.2%</b>
Provisions net of recoveries	(33,074)	(1,948)	1597.8%
Operating expenses	(496,425)	(422,840)	17.4%
Translation Results	29,562	13,323	121.9%
Employee profit sharing	(11,904)	(10,815)	10.1%
Income taxes	(89,790)	(69,388)	29.4%
<b>Net income</b>	<b>331,654</b>	<b>247,756</b>	<b>33.9%</b>
Net income per share(US\$)	0.258	0.193	33.9%
Total loans	8,224,613	5,871,021	40.1%
Deposits and obligations	11,249,104	8,356,823	34.6%
Net Shareholder´s equity	1,132,564	963,856	17.5%
Net interest margin	5.24%	5.17%	
Efficiency Ratio	51.29%	50.51%	
Return on average equity	31.67%	27.69%	

This business growth also fueled the increasing fee income and FX-gains since it generates significant transactional activity. Thus, fee income also grew 21.1% this year and FX transactional income was up 42.2% favored by the high volatility of the USD markets, resulting in total core earnings growth of 25.9% for the year 2007.

Even though we also reported a change in BCP's funding structure and cost, income generation for the year was strong enough to compensate such increase in funding costs and resulted in an improvement of NIM from 5.17% for the year 2006 to 5.24% for 2007.

Operating costs on the other hand grew only 17.4% for the year, despite 4Q07's operating costs hike. In fact, personnel costs were up 32.2% and administrative costs increased 26.8% for the year 2007. Such cost increases were heavily weighted towards the year end and reflect the business and network expansion initiated in the latter half of the year, as well as year end compensation expenses & provisions. However, other expenses, which include the costs related to the Senior Incentive Compensation Program (known as SAR), drop significantly this year thanks to the hedging mechanism put in place by the end of 2006 and which reduced to a minimum a significant cost element in the past

given the performance of our Stock, reducing overall operating costs growth. Nevertheless, a real reflection on costs management is the efficiency ratio, which does deteriorate as expected and announced from 50.51% in 2006 to 51.29% for 2007.

9

---



Net earnings before translation results, profit sharing and taxes reflect the real business results and revealed an increase of 28.3% for the year. Nevertheless, BCP's US dollar results had a positive impact from the currency translation given the revaluation of the Soles, which led to additional extraordinary income of US\$29.6 million, higher than the effect in 2006 which resulted in additional income of US\$13.3 million. Therefore, after profit sharing, which was up 10.1%, and taxes, which increased also in line with increased earnings at 29.4%, net earnings growth was an astounding 33.9%.

Finally, BCP's ratios reflect its outstanding performance, with ROAE improving from 27.69% for 2006 to 31.67% for 2007.

## II.1 Interest Earning Assets

*Growth of IEA remained strong, in line with the business expansion, reaching 15.4% QoQ and 39.4% YoY.*

Interest Earning Assets US\$ 000	Quarter			Change	
	4Q07	3Q07	4Q06	4Q07/4Q06	4Q07/3Q07
BCRP and Other Banks	2,255,571	1,740,636	2,031,984	11.0%	29.6%
Interbank funds	5,001	1,000	25,031	-80.0%	400.1%
Trading Securities	102,316	49,465	37,475	173.0%	106.8%
Available For Sale Securities	2,364,084	1,998,309	1,359,805	73.9%	18.3%
Current Loans, net	8,164,334	7,383,196	5,795,790	40.9%	10.6%
<b>Total interest earning assets</b>	<b>12,891,306</b>	<b>11,172,606</b>	<b>9,250,085</b>	<b>39.4%</b>	<b>15.4%</b>

Growth of IEA this last quarter of 2007 results from the surprising dynamism of our economy, reaching 15.4% QoQ and 39.4% YoY. This growth follows the extraordinary expansion of BCP's total loan portfolio for 4Q07, which reached 10.6% QoQ and 40.9% YoY as a result of increased demand for credit across all banking segments. Such loan growth revealed the need to raise funding beyond our traditional organic deposit growth, and motivated the placement of different financial instruments to increase our liquidity and have the necessary platform to continue growing. Thus, *Investments available for sale*, which include Central Bank CD's, and cash deposits increased significantly reflecting the liquidity parked for future loan growth.

### *Loan Portfolio*

Loan portfolio continues its expanding trend reaching total net loans of US\$ 8,012.6 million as of the end of the year 2007, revealing a 10.6% QoQ and 41.0% YoY growth. Measured by average monthly balances for each quarter, which give a better reflection of reality, similar growth rates are reported of 10.2% QoQ and 39.4% YoY. This loan growth is in line with the evolution and dynamism of the Peruvian economy in the last year, and especially of internal demand and private investments. In fact, strong investments aimed at expanding production capacity across almost all business sectors of the economy are behind an extraordinary loan growth in the corporate sector which reached 15% QoQ, with the Middle Market and Retail banking segments performing also at very good rates, reaching 3.4% and 12.9% QoQ growth respectively.

The strong corporate banking sector's performance for 4Q07 is also evident when looking at monthly balances, with the corporate sector reaching a total average monthly balance of US\$ 2,839.9 million, revealing the strongest quarterly growth for this sector in the year, and an unprecedented YoY growth of 44.1%. This is certainly a reflection of the increased investment activity, the increasing volumes of these investments in this sector, and certainly also of the dominant market share BCP holds in this segment, which allows BCP to capture and/or participate in almost every important investment and has resulted in a further consolidation of its market dominance despite the presence of aggressive international players.

The Middle Market portfolio with a total of US\$ 1,727 million, though showing a significantly less flashy performance, still reached good quarterly growth numbers at 3.4% QoQ growth, but more importantly, an outstanding 41% YoY growth.

Though the corporate sector outperformed all other this 4Q07, the retail sector continues being the strong performer on a consistent way. Thus, its portfolio reached US\$ 2,796.7 million in average monthly balances, reporting consistently outstanding growth of 12.9% QoQ and 47.3% YoY. Star performers within the retail segment continue being Consumer loans and SME lending, which reported 16.3% and 16.8% QoQ growth respectively and 96.6% and 54.5% YoY growth respectively, while Credit Card loans increased by 13.9% QoQ and 45.3% YoY. Mortgages reported the lowest growth rates within the retail segment, but were still extremely good at 8.3% QoQ growth and 29.7% YoY.

*Market Share*

BCP's market share of the financial system continues at good levels despite the strong competition, increasing incursion of foreign players into the market and the already stronghold position it has. Thus, BCP's market share of loans placed reached 32.2% as of December 2007 which reassures its position as market leader. This is an improvement from September 2007 when a market share of 31.8% was reported.

Furthermore, market share for the corporate and middle market sectors continue revealing BCP's solid positioning, reaching 45% and 37% respectively, based on the most recent estimates from August; though again in both cases slightly below the previous quarter.

It is however in the more attractive retail market which is the focus of BCP's strategy, where market shares reveal some increase. Thus, market share in consumer loans were up by 30 bps reaching 17.3%. In mortgages, market share increases 70 bps to 39.7% and in the very competitive Credit Cards' business it increases 20 bps to 18.8%. SME loans (PYMES) however drop slightly to 18.8%.

*Dollarization*

The de-dollarization process of BCP's assets this 4Q07 continued with respect to the 3Q07. Thus, in the 4Q07 loans in Nuevos Soles conformed 32% of total loan portfolio, 3% more than in the previous quarter. Furthermore, the system continues experiencing further de-dollarization of its loans and deposits, reaching a high 38.2% of loans in Nuevos Soles and 61.8% in US Dollars as of December 2007. The de-dollarization process is more intense in deposits, which reported 40.6% (vs. 37.7% for Dec. 2006) of deposits in Nuevos Soles, evidencing an increased preference for local currency savings, fueled also by the appreciation of the local currency vis-à-vis the US Dollar.

## II.2 Deposits and Mutual Funds

*Deposits reported growth of 9.6% QoQ and 34.6% YoY, maintaining this way its role as main source of funding to support the strong loan growth*

Deposits and Obligations US\$ (000)	Quarter ended			Change	
	4Q07	3Q07	4Q06	4Q07/4Q06	4Q07/3Q07
Non-interest bearing deposits	2,729,860	2,345,124	1,946,718	40.2%	16.4%
Demand deposits	926,817	854,752	761,391	21.7%	8.4%
Saving deposits	2,381,012	2,167,592	1,952,087	22.0%	9.8%
Time deposits	4,268,233	4,067,677	2,885,144	47.9%	4.9%
Severance indemnity deposits (CTS)	896,283	785,398	775,027	15.6%	14.1%
Interest payable	46,899	42,637	36,456	28.6%	10.0%
<b>Total customer deposits</b>	<b>11,249,104</b>	<b>10,263,180</b>	<b>8,356,823</b>	<b>34.6%</b>	<b>9.6%</b>
Mutual funds in Perú	1,955,547	1,884,009	1,233,605	58.5%	3.8%
Mutual funds in Bolivia	70,919	65,437	57,550	23.2%	8.4%
<b>Total customer funds</b>	<b>11,249,104</b>	<b>10,263,180</b>	<b>8,356,823</b>	<b>34.6%</b>	<b>9.6%</b>

Deposit growth for the quarter reached a strong 9.6%. This is no doubt the reflection of the strong economic growth and wealth generation, but could certainly include the effect of an increased search for secure investments in light of the uncertainties of the markets, especially the US markets. Noticeable, and of great benefit for BCP is the proportionately higher growth in low cost demand deposits.

However, it should be noted that growth in “time deposits” is overstated since it includes deposits resulting from a fund raising structure using a Credicorp subsidiary as vehicle (CCR Inc) which totaled US\$500 million. The flows provided by this issue are booked as time deposits according to the transaction structure. Thus, excluding this effect, time deposits would have grown about 6.3% QoQ, while “real growth” for total deposits and obligations was approximately 10.5% QoQ

Saving deposits grew 9.8% QoQ and 22.6% YoY, while demand deposits and CTS deposits moved 14.3% and 14.1% QoQ (+35.0% and +15.6% YoY) respectively. Deposits continue being the strongest source of low cost funding since 63% of these bear none or very low interests. Furthermore, the importance of the retail segment is also evident in the funding side since approximately 48% of deposits are generated in this segment.

*Market Share*

Throughout the year, BCP's market share of deposits in the financial system was sustained at approximately 38%. In fact, BCP's deposits' market share even grows from 36.9% at the end of 2006 to today's 38.4%, reflecting again BCP's stronghold position in the market, despite the increasing competition. These deposits are 39% in Nuevos Soles and 61% in US Dollars, reflecting an accelerated de-dollarization of the deposit portfolio resulting from the revaluation of the Soles and higher returns for soles products vis-à-vis dollar denominated saving instruments.

BCP's leadership is evident in most of the deposit types and the slight movements in market share do not undermine this position. Thus, of "severance payment" deposits, known as CTS, we hold 53% market share while our next competitor holds 19.5%. BCP's demand deposits reached 43.6% and 38.0% market share in local and foreign currency and our savings deposits reached 35.5% and 42.8%, respectively. Finally, our time deposits represented 22.4% and 42.8% market share in local and foreign currency respectively.

In fact, our main competitor for our deposit business is the capital market, which offers attractive returns and has gained visibility in the system. However, we are also very well positioned to capture that business. Mutual Funds administered through our subsidiary Credifondo, continue being a stronghold for BCP with a volume of US\$ 1,956 million, up 3.8% QoQ and 58.5% YoY. This reflects a market share of 45.1% by the end of 2007. This growth is remarkable considering the growth of the industry with ever more personalized and tailored funds to the different need and objectives of the clients.

## II.3 Net Interest Income

Though NII increased a strong 10.0% QoQ, the funding requirements resulting from our strong loan portfolio growth led to a shift in funding structure resulting in a slight drop in NIM to 5.17% for 4Q07 vs. 5.20% in 3Q07.

Net interest income US\$ 000	Quarter			Change	
	4Q07	3Q07	4Q06	4Q07/4Q06	4Q07/3Q07
<b>Interest income</b>	<b>272,204</b>	<b>240,181</b>	<b>184,437</b>	<b>47.6%</b>	<b>13.3%</b>
Interest on loans	201,414	183,127	143,958	39.9%	10.0%
Interest and dividends on investments	139	-	32	334.4%	100
Interest on deposits with banks	17,901	18,985	16,941	5.7%	-5.7%
Interest on trading securities	47,069	35,521	22,136	112.6%	32.5%
Other interest income	5,681	2,549	1,371	314.4%	122.9%
<b>Interest expense</b>	<b>116,640</b>	<b>97,426</b>	<b>66,714</b>	<b>74.8%</b>	<b>19.7%</b>
Interest on deposits	83,039	69,241	50,139	65.6%	19.9%
Interest on borrowed funds	14,670	13,515	6,400	129.2%	8.5%
Interest on bonds and subordinated notes	11,782	8,698	7,436	58.4%	35.5%
Other interest expense	7,149	5,972	2,739	161.0%	19.7%
<b>Net interest income</b>	<b>155,565</b>	<b>142,755</b>	<b>117,723</b>	<b>32.1%</b>	<b>9.0%</b>
<b>Average interest earning assets</b>	<b>12,031,956</b>	<b>10,970,685</b>	<b>8,853,982</b>	<b>35.9%</b>	<b>9.7%</b>
<b>Net interest margin*</b>	<b>5.17%</b>	<b>5.20%</b>	<b>5.32%</b>		

Interest income grew a solid 13.3% in 4Q07 following a strong 10% increase in interest on loans resulting from not only volume growth but also a further shift in portfolio structure (+12.9% retail portfolio). Further, additional income growth was reported for interest on investment portfolio, which was up 32.5%, basically resulting from the good returns achieved on BCRP CD's.

Once again, 4Q07 reveals the need to tap on external funding sources given that organic deposit growth and excess liquidity are not enough to support the strong loan growth. Some of such increased external financing is reflected however in the deposits reported by BCP because of the structure used, and resulted in a 19.9% increase in interest on deposits, a cost which grows more than deposit volume (up 9.6%), reflecting the higher cost of such funding. Furthermore, interest on bonds and subordinated notes also increased by 35.5% given the issues placed in the market last October (USD 160 million). Thus, the general impact on interest expense was an increase of 19.7% for the quarter.

Therefore, the stronger increase in funding cost this 4Q07 was not fully offset by the re-composition of loan portfolio, but the latter could mitigate the drop in NIM. Thus, despite such solid interest income growth, net interest income growth reached a more modest 9% and resulted in a slight drop of NIM to 5.17% (vs. 5.2% for 3Q07).

## II.4 Loan provisions

*Provisions grow in line with accelerated loan growth, while recoveries remain at similar levels compared to 3Q07, leading to increased net provisions.*

Provisión for loan losses US\$ 000	Quarter ended			Change	
	4Q07	3Q07	4Q06	4Q07/4Q06	4Q07/3Q07
Provisions	(19,089)	(17,464)	(11,179)	70.8%	9.3%
Loan loss recoveries	8,000	8,223	7,991	0.1%	-2.7%
<b>Total provisions, net of recoveries</b>	<b>(11,089)</b>	<b>(9,241)</b>	<b>(3,188)</b>	<b>247.8%</b>	<b>20.0%</b>
<b>Total loans</b>	<b>8,224,613</b>	<b>7,450,674</b>	<b>5,871,021</b>	40.1%	10.4%
<b>Reserve for loan losses (RLL)</b>	<b>212,060</b>	<b>202,877</b>	<b>187,689</b>	<b>13.0%</b>	<b>4.5%</b>
<b>Bcp's Charge-Off amount</b>	<b>12,034</b>	<b>8,274</b>	<b>12,700</b>	0.95%	1.45%
<b>Past due loans (PDL)</b>	<b>60,279</b>	<b>67,478</b>	<b>75,231</b>	<b>-19.9%</b>	<b>-10.7%</b>
PDL/Total loans	0.73%	0.91%	1.28%		