CREDICORP LTD
Form 20-F
April 29, 2016

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 20-F

¨ REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE

SECURITIES EXCHANGE ACT OF 1934

OR

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES

EXCHANGE ACT OF 1934

For the fiscal year ended December 31st, 2015

OR

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES

EXCHANGE ACT OF 1934

OR

¨ SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES

EXCHANGE ACT OF 1934

Date of event requiring this shell company report ______________

For the transition period from to

Commission file number 1-14014

CREDICORP LTD.
(Exact name of registrant as specified in its

charter)

BERMUDA
(Jurisdiction of incorporation or organization)

Of our subsidiary
Banco de Crédito del Perú:
Calle Centenario 156
La Molina
Lima 12, Perú
(Address of principal executive offices)

Fernando Dasso Montero
Chief Financial Officer
Credicorp Ltd
Banco de Crédito del Perú:
Calle Centenario 156
La Molina
Lima 12, Perú
Phone (+511) 313 2014
Facsimile (+511) 313 2121
(Name, Telephone, Email and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of each class	**Name of each exchange on which registered**
Common Shares, par value $5.00 per share	**New York Stock Exchange**

Securities registered or to be registered pursuant to Section 12(g) of the Act. None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act. None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report. Common Shares, par value $5.00 per share 94,382,317

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes x No ¨

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes ¨ No x

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes x No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. *See* definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large accelerated filer x Accelerated filer ¨ Non-accelerated filer ¨

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP ¨ International Financial Reporting Standards as issued Other ¨

by the International Accounting Standards Board x

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 ¨ Item 18 ¨

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ¨ No x

CONTENT

ABBREVIATIONS

Abbreviations	**Meaning**
AFM	Administradora de Fondos Mutuos or Mutual Fund Administrators
AFP	Administradora de Fondo de Pensiones or Pension funds private administrators - Peru
AGF	Administradora General de Fondos or General Funds Management
ALCO	Asset and Liabilities Committee
ALICO	American Life Insurance Company
ALM	Asset and Liabilities Management Service
AML	Anti-Money Laundering
AMV	Autorregulador del Mercado de Valores de Colombia or Colombia's Stock Market Self-regulator
ASB	Atlantic Security Bank
ASFI	Autoridad Supervisora del Sistema Financiero or Financial System Supervisory Authority - Bolivia
ASHC	Atlantic Security Holding Corporation
ATM	Automated Teller Machine (cash machine)
ATPDEA	Andean Trade Promotion and Drug Eradication Act
AuC	Assets under Custody
AuMs	Assets under Management
BCB	Banco Central de Bolivia
BCI	Banco de Crédito e Inversiones
BCM	Business Continuity Management
BCP Bolivia	Banco de Crédito de Bolivia
BCP Consolidated	Banco de Crédito del Perú, Mibanco and BCP Bolivia. It is also called BCP
BCP Stand-alone	Banco de Crédito del Perú without including Mibanco and BCP Bolivia
BCRP	Banco Central de Reserva del Perú or Peruvian Central Bank
BEX	Banca Exclusiva
Bladex	Banco Latinoamericano de Comercio Exterior
BLMIS	Bernard L. Madoff Investment Securities LLC
BOB	Peso Boliviano
BVL	Bolsa de Valores de Lima or Lima Stock Exchange
CAF	Corporación Andina de Fomento or Andean Development Corporation
CARE	Cooperative for Assistance and Relief Everywhere
CGU	Cash-Generating Unit
CID	Corporate and International Division
CIMA	Cayman Islands Monetary Authority
CMAC	Caja Municipal de Ahorro y Crédito or Municipal Savings Bank
COFIDE	Corporación Financiera de Desarrollo S.A. or Peruvian government-owned development bank
COO	Chief Operating Officer
COSO	Committee of Sponsoring Organizations of the Treadway Commission
CRAC	Caja Rural de Ahorro y Crédito or Rural Savings Bank
Credicorp Capital	Credicorp Capital Ltd., formerly Credicorp Investments Ltd.

Credicorp Capital Bolsa	Credicorp Capital Sociedad Agente de Bolsa S.A., formerly Credibolsa S.A.
Credicorp Capital Colombia	Credicorp Capital Colombia S.A., formerly Correval S.A.
Credicorp Capital Fondos	Credicorp Capital Sociedad Administradora de Fondos S.A., formerly Credifondos S.A.
Credicorp Capital Peru	Credicorp Capital Perú S.A.A., formerly BCP Capital S.A.A.
Credicorp Capital Servicios Financieros	Credicorp Capital Servicios Financieros S.A., formerly BCP Capital Financial Services S.A.
Credicorp Capital Titulizadora	Credicorp Capital Sociedad Titulizadora S.A., formerly Creditítulos S.A.
CRM	Customer Relationship Management
CSI	Credicorp Capital Securities Inc. formerly Credicorp Securities Inc.
CTS	Severance indemnity Deposits
D&S	Disability and Survivorship
Edyficar	Empresa Financiera Edyficar S.A.
Edpyme	Empresas de Desarrollo de Pequeña y Microempresa or Small and Micro firm Development Institutions
EPS	Entidad Prestadora de Salud or Health Care Facility
ERM	Enterprise Risk Management
FATCA	Foreign Account Tax Compliance Act
FATF	Financial Action Task Force
FC	Foreign Currency
FCG	Financial Consolidated Group
FCPA	Foreign Corrupt Practices Act
FED	Federal Reserve System - US
FINRA	Financial Industry Regulatory Authority -US
FTA	Free Trade Agreement
FuMs	Funds under management
FX	Foreign exchange
GDP	Gross Domestic Product
IASB	International Accounting Standards Board
IBD	Introducing Broker Dealer
IBNR	Incurred but not reported
ICBC	Industrial and Commercial Bank of China
IFC	International Finance Corporation
IFRS	International Financial Reporting Standards
IGBVL	Índice General de la Bolsa de Valores de Lima or General Index of the Lima Stock Exchange
IGV	Impuesto General a las Ventas or Value Added Tax
IMF	International Monetary Fund
IM Trust	Inversiones IMT S.A.
IPSA	Índice Selectivo de Acciones or Selective Prive Index Shares - Chile
IRB	Internal Ratings-Based
IRS	Interest Rate Swap

KRI	Key Risk Indicators
LC	Local Currency
LIBOR	London InterBank Offered Rate
LTV	Loan to Value
M&A	Mergers and Acquisitions
MALI	Museo de Arte de Lima or Lima's Fine Arts Museum
MILA	Mercado Integrado Latinoamericano or Integrated Latin American Market -among Chile, Colombia and Peru
MMD	Middle-Market Division
MODASA	Motores Diesel Andinos S.A.
MRTA	Movimiento Revolucionario Tupac Amaru
NEP	Net Earned Premiuns
NIM	Net Interest Margin
NYSE	New York Stock Exchange
OFAC	Office of Foreign Assets Control Regulation Compliance
ONP	Oficina de Normalización Previsional or Public Pension System
OPA	Oferta Pública de Adquisición or Public Tender Offer
OTC	Over-the-counter
P&C	Property and casualty (P&C)
PZBA	Paredes, Zaldívar, Burga & Asociados S.C.R.L
RAM	Remuneración Asegurable Mensual or Monthly Insurable Remuneration
RB&WM	Retail Banking & Wealth Management Group
RIA	Registered Investment Advisor
ROAE	Return on Average Equity
RWA	Risk-Weighted Assets
S&P	Standard and Poor's
SAM	Standardized Approach Method
SARs	Stock Appreciation Rights
SBS	Superintendencia de Banca, Seguros y AFP or Superintendency of Banks, Insurance and Pension Funds - Peru
SCTR	Seguro Complementario de Trabajo de Riesgo or Complementary Work Risk Insurance
SEC	U.S. Securities and Exchange Commission
SFC	Superintendencia Financiera de Colombia or Superintendency of Securities and Insurance
SIPC	Securities Investor Protection Corporation
SME	Small and medium enterprise
SME - Pyme	Small and medium enterprise – Pequeña y microempresa or Small and micro enterprise
SMV	Superintendencia del Mercado de Valores or Superintendence of the Securities Market - Peru
SOAT	Seguro obligatorio para accidentes de tránsito or Obligatory assurance for accidents of traffic
Solucion EAH	Solución Empresa Administradora Hipotecaria
SPP	Sistema Privado de Pensiones or Private Pension System
SUNAT	Superintendencia Nacional de Aduanas y de Administración Tributaria or Superintendence of Tributary Administration - Peru

SVS	Superintendencia de Valores y Seguros de Chile or Superintendence of Securities and Insurance from Chile
U.S. GAAP	United States Generally Accepted Accounting Principles
VaR	Value at Risk
VRAEM	Valley of Rivers, Apurimac, Ene and Mantaro
WBG	Wholesale Banking Group

PRESENTATION OF FINANCIAL INFORMATION

Credicorp Ltd. is a Bermuda limited liability company (and is referred to in this Annual Report as Credicorp, the Company, the Group, we, or us, and means either Credicorp as a separate entity or as an entity together with our consolidated subsidiaries, as the context may require). We maintain our financial books and records in Peruvian Soles and present our financial statements in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). IFRS differ in certain respects from United States Generally Accepted Accounting Principles (U.S. GAAP).

We operate primarily through our four operating segments: banking, investment banking, insurance, and pension funds. See information about operating segments in “Item 4.-Information on the Company: (A) History and Development of the Company, and (B) Business Overview”.

Our five principal operating subsidiaries are: (i) Banco de Credito del Peru (which, together with its consolidated subsidiaries, is referred to as BCP consolidated or just BCP); (ii) Atlantic Security Bank, which we hold through Atlantic Security Holding Corporation (which, are referred to as ASB and ASHC, respectively); (iii) El Pacifico-Peruano Suiza Compañia de Seguros y Reaseguros (which together with its consolidated subsidiaries, is referred to as Grupo Pacifico); (iv) Prima AFP; and (v) Credicorp Capital (which consolidates the companies of our investment banking platform). As of and for the year ended December 31, 2015, BCP Stand-alone accounted for 87.6% of our total assets, 90.2% of our net income and 75.1% of our net equity. Unless otherwise specified, the individual financial information for BCP Stand-alone, ASB, Grupo Pacifico, Prima AFP and Credicorp Capital included in this Annual Report is presented in accordance with IFRS and before eliminations for consolidation purposes. See “Item 3. Key Information – 3.A Selected Financial Data” and “Item 4. Information on the Company - 4.A History and Development of the Company.” We refer to BCP Stand-alone, ASB, Grupo Pacifico, Prima AFP and Credicorp Capital as our main operating subsidiaries, and we refer to Grupo Credito and ASHC as our two main holding subsidiaries.

“Item 3. Key Information - 3.A Selected Financial Data” contains key information related to our performance. This information was obtained mainly from our consolidated financial statements as of December 31, 2011, 2012, 2013, 2014 and 2015.

Unless otherwise specified or the context otherwise requires, references in this Form 20-F (also referred to as the Annual Report), to “S/”, “Sol”, “local currency” or “Soles” are to Peruvian Soles (each Sol is divided into 100 centimos (cents)), and to “$”, “US$,” “Dollars,” “foreign currency” or “U.S. Dollars” are to United States Dollars. It is important to note that in November 2015 the denomination of the local currency changed from Nuevo Sol to Sol.

8

In light of changes in the Peruvian economy and Credicorp's operations in Peru, the Board of Directors of Credicorp Ltd. determined, in its session held on January 22, 2014, that from and after January 1, 2014 the Peruvian Sol would be the functional currency and the currency in which Credicorp's financial statements would be presented. This decision was made in accordance with the International Financial Reporting Standards (IFRS), and specifically IAS 21, based on an analysis performed by Credicorp's management, which revealed that the Sol has become since 2014 the most relevant currency for Credicorp's subsidiaries in Peru, and specifically for Credicorp's main subsidiary, Banco de Credito del Peru. This decision does not change the currency (U.S. Dollar) in which Credicorp's the nominal value of its shares are denominated. In accordance with Credicorp's Bye-laws, these values remain in U.S. Dollars, the currency in which Credicorp's stock is listed on the New York Stock Exchange (NYSE) and on the Lima Stock Exchange (BVL by its Spanish initials). For this Annual Report, we have restated in Soles the financial information presented for years prior to 2014. The methodology used for the restatement is in accordance with the IFRS and specifically IAS 21 "The Effects of Changes in Foreign Exchange Rates". The methodology applied is explained in "Item 4. Information on the Company - 4.B Business overview - (13) Selected Statistical Information".

Some of our subsidiaries as Atlantic Security Bank and Subsidiaries; Credicorp Capital Securities; and Credicorp Capital Asset Management (subsidiaries of Credicorp Capital Limited), maintain their operations and balances in U.S. Dollar and other currencies. As a result, this Annual Report contains certain U.S. Dollars and other currencies amounts translated into Soles. You should not construe any of these translations as representations that the U.S. Dollar amounts actually represent such equivalent Sol amounts or could be converted into Soles at the rate indicated as of the dates mentioned herein, or at all. Unless otherwise indicated, these Sol amounts have been translated from U.S. Dollar amounts at an exchange rate of S/3.411 = US$1.00, which is the December 31, 2015 exchange rate set by the Peruvian Superintendency of Banks, Insurance and Pension Funds (SBS by its Spanish initials). Translating amounts expressed in U.S. Dollars on a specified date (at the prevailing exchange rate on that date) may result in the presentation of Sol amounts that are different from the Sol amounts that would have been obtained by translating U.S. Dollars on another specified date (at the prevailing exchange rate on that different specified date). See also "Item 3. Key Information – 3.A Selected Financial Data - Exchange Rates" for information regarding the average rates of exchange between the Sol and the U.S. Dollar for the periods specified therein. The Federal Reserve Bank of New York does not publish a noon buying rate for Soles. Our Bolivian subsidiary operates in Bolivianos, a currency whose value has been stable over recent years. Our Bolivian subsidiary's financial statements are also presented in Soles for consolidation purposes. Our Colombian and Chilean subsidiaries, Credicorp Capital Colombia S.A. and Inversiones IMT S.A. (IM Trust), operate in Colombian Pesos and Chilean Pesos, respectively, and their financial statements are converted into Soles for consolidation purposes.

Our management's criteria for translating foreign currency, for the purpose of preparing the Credicorp Consolidated Financial Statements, are described in "Item 5. Operating and Financial Review and Prospects- 5.A Operating Results—(1) Critical Accounting Policies – 1.2 Foreign Currency Translation."

CAUTIONARY STATEMENT WITH RESPECT TO FORWARD-LOOKING STATEMENTS

Certain statements contained in this Annual Report are not historical facts, including, without limitation, certain statements made in the sections entitled “Item 3. Key Information”, “Item 4. Information on the Company”, “Item 5. Operating and Financial Review and Prospects” and “Item 11. Quantitative and Qualitative Disclosures about Market Risk”, which are forward-looking statements within the meaning of Section 27A of the U.S. Securities Act of 1933 and Section 21E of the U.S. Securities Exchange Act of 1934 (or the Exchange Act). You can find many of these statements by looking for words such as “approximates”, “believes”, “expects”, “anticipates”, “estimates”, “intends”, “plans”, “ “may”, or other similar expressions. These forward-looking statements are based on our management’s current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in the forward-looking statements. Therefore, actual results, performance or events may be materially different from those in the forward-looking statements due to, without limitation:

- General economic conditions, including in particular economic conditions in Peru;
- Performance of financial markets, including emerging markets;
- The frequency and severity of insured loss events;
- Interest rate levels;
- Currency exchange rates, including the Sol/U.S. Dollar exchange rate;
- Increasing levels of competition in Peru and other emerging markets;
- Changes in laws and regulations;
- Changes in the policies of central banks and/or foreign governments;
- General competitive factors, in each case on a global, regional and/or national basis;
- Effectiveness of our risk management policies; and

- Losses associated with counterparty exposures.

See "Item 3. Key Information - 3.D Risk Factors" and "Item 5. Operating and Financial Review and Prospects".

We are not under any obligation to, and we expressly disclaim any obligation to, update or alter any forward-looking statements contained in this Annual Report whether as a result of new information, future events or otherwise.

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

3. A Selected financial data

The following table presents a summary of our consolidated financial information at the dates and for the periods indicated. This selected financial data is presented in Soles. You should read this information in conjunction with, and qualify this information in its entirety by reference to, the Consolidated Financial Statements, which are also presented in Soles.

The summary of our consolidated financial data as of, and for the years ended, December 31, 2011, 2012, 2013, and 2014 was derived from the Consolidated Financial Statements audited by Paredes, Zaldívar, Burga & Asociados S.C.R.L, member of EY Global, independent registered public accountants. The consolidated financial data as of, and for the year ended, December 31, 2015 was derived from the Consolidated Financial Statements audited by Gaveglio Aparicio & Asociados S.C.R.L, member of PricewaterhouseCoopers International Limited, independent registered public accountants.

The report of Gaveglio Aparicio & Asociados S.C.R.L on the Consolidated Financial Statements as of December 31, 2015 and for the year ended December 31, 2015, and the report of Paredes, Zaldívar, Burga & Asociados S.C.R.L on the Consolidated Financial Statements as of December 31, 2014 and for the years ended December 31, 2013 and 2014 appear elsewhere in this Annual Report.

11

SELECTED FINANCIAL DATA

	Year ended December 31,					
	2011	2012	2013	2014	2015	2015
	(Soles in thousands, except percentages, ratios, and per common share data)					*U.S. Dollars in thousands (1)*
INCOME STATEMENT DATA:						
IFRS:						
Interest income	5,052,020	6,091,575	7,086,470	8,600,866	10,022,944	3,130,292
Interest expense	-1,461,370	-1,828,827	-2,116,573	-2,191,062	-2,558,050	-798,911
Net Interest income	3,590,650	4,262,748	4,969,897	6,409,804	7,464,894	2,331,381
Provision for loan losses (2)	-590,755	-996,194	-1,230,371	-1,715,809	-1,880,898	-587,428
Net interest income after provision for loan losses	2,999,895	3,266,554	3,739,526	4,693,995	5,583,996	1,743,953
Banking services fees	1,670,963	1,944,242	2,259,927	2,521,829	2,866,823	895,345
Net gains from sales of securities	170,238	267,000	96,228	220,737	248,723	77,679
Net gains on foreign exchange transactions	380,715	467,912	534,442	453,405	773,798	241,667
Net earned premiums	1,579,091	1,856,666	2,142,777	2,189,666	1,733,978	541,543
Other income	83,498	276,763	441,193	639,572	330,074	103,086
Claims on insurance activities	-1,038,461	-1,227,204	-1,460,461	-1,426,733	-1,031,659	-322,200
Operating expenses	-3,381,685	-4,255,648	-5,111,490	-6,075,096	-6,191,704	-1,933,747
Income before exchange difference and income tax	2,464,254	2,596,285	2,642,142	3,217,375	4,314,029	1,347,326
Exchange difference	104,135	197,949	-309,422	172,095	46,563	14,542
Income tax	-578,687	-663,309	-775,177	-968,224	-1,197,207	-373,903
Net income	1,989,702	2,130,925	1,557,543	2,421,246	3,163,385	987,965
Attributable to:						
Credicorp's equity holders	1,949,792	2,079,647	1,538,307	2,387,852	3,092,303	965,765
Non-controlling interest	39,910	51,278	19,236	33,394	71,082	22,200
Number of shares as adjusted to reflect changes in capital						
Net income per common share attributable to Credicorp's equity holders (3)	24.55	26.18	19.35	30.04	38.91	12.15
Diluted net income per share	24.48	26.11	19.31	29.27	38.84	12.13
Cash dividends declared per common share(4)	6.2	6.63	5.31	5.29	8.19	2.32

BALANCE SHEET DATA:						
IFRS:						
Total assets	82,806,014	104,032,659	114,094,220	134,834,372	155,480,217	45,582,004
Total loans (5)	47,023,473	54,752,692	64,361,927	79,509,360	90,328,499	26,481,530
Allowance for loan losses (2)	-1,504,869	-1,898,496	-2,385,958	-3,102,096	-4,032,218	-1,182,122
Total deposits(6)	50,264,221	61,110,630	68,182,519	76,783,964	88,307,962	25,889,171
Equity attributable to Credicorp's equity holders	9,155,075	10,628,321	11,831,511	13,979,455	16,128,016	4,728,237
Non-controlling interest	180,203	503,283	511,594	646,570	599,554	175,771
Total equity	9,335,278	11,131,604	12,343,105	14,626,025	16,727,570	4,904,008

12

	Year ended December 31,									
	2011		2012		2013		2014		2015	
	(Soles in thousands, except percentages, ratios, and per common share data)									
SELECTED RATIOS										
IFRS:										
Net interest margin – NIM (7)	4.93	%	5.02	%	5.01	%	5.66	%	5.61	%
Return on average total assets - ROAA(8)	2.40	%	2.23	%	1.41	%	1.92	%	2.13	%
Return on average equity -ROAE (9)	22.64	%	21.03	%	13.70	%	18.50	%	20.50	%
Operating expenses as a percentage of net interest and non-interest income (10)	44.59	%	46.93	%	46.45	%	46.06	%	42.11	%
Operating expenses as a percentage of average assets (11)	3.97	%	4.30	%	4.25	%	4.32	%	3.77	%
Equity attributable to Credicorp's equity holders as a percentage of period end total assets	11.06	%	10.22	%	10.37	%	10.37	%	10.37	%
Regulatory capital as a percentage of risk weighted assets – BIS ratio (12)	14.92	%	15.16	%	15.05	%	14.99	%	15.95	%
Total internal overdue loan amounts as a percentage of total loans (13)	1.49	%	1.73	%	2.23	%	2.53	%	2.56	%
Allowance for direct loan losses as a percentage of total loans	2.98	%	3.26	%	3.52	%	3.76	%	4.25	%
Allowance for loan losses as a percentage of total loans and other off-balance-sheet items (14)	2.64	%	2.86	%	3.08	%	3.20	%	3.69	%
Allowance for direct loan losses as a percentage of total internal overdue loans (15)	200.62	%	187.69	%	157.50	%	148.65	%	166.16	%
Allowance for direct loan losses as a percentage of substandard loans (16)	110.93	%	110.45	%	102.44	%	99.22	%	105.35	%

(1) The exchange rate used was 3.411 for balance sheet and 3.20192 for Profit and Losses.

(2) Provision for loan losses and allowance for loan losses include provisions and reserves with respect to total loans and off-balance sheet items such as letters of credit and stand-by letters. The figure is net of write-off and recoveries.

(3) As of December 31, 2015, we had 94.4 million common shares issued and outstanding. Of this amount, 14.9 million were held by ASHC, BCP and Grupo Pacifico, and are therefore considered treasury shares. The per-common-share data given considers net outstanding shares (total outstanding common shares net of shares held by BCP, ASHC and Grupo Pacifico) of 79.5 million. See Notes 18 and 29 to the Consolidated Financial Statements.

(4) Dividends declared per share are in both the currency of the financial statements and the host country currency, the formula used is the Dividends declared by the number of shares outstanding between the exchange rate of SBS statement to date.

(5) Total loans refer to direct loans plus accrued interest minus unearned interest. In our Consolidated Financial Statements, "loans, net of unearned income" refers to direct loans minus unearned interest plus accrued interest. See Note 7 to the Consolidated Financial Statements. In addition to loans outstanding, we had off-balance-sheet items, including those mentioned in note (2), that amounted to S/10,050.7 million, S/11,526.3 million, S/13,036.7 million, S/17,319.5 million and S/19,004.7 million, as of December 31, 2011, 2012, 2013, 2014, and 2015, respectively. See Note 21 to the Consolidated Financial Statements.

(6) Accrued interests are not included in Total deposits.

(7) Net interest income as a percentage of average interest-earning assets, computed as the average of period-beginning and period-ending balances on a monthly basis.

(8) Net income as a percentage of average total assets, computed as the average of period-beginning and period-ending balances.

(9) Net income as a percentage of average equity attributable to our equity holders, computed as the average of period-beginning and period-ending balances, and calculated on a monthly basis.

(10) Sum of the salaries and employee´s benefits, administrative expenses, depreciation and amortization, acquisition cost, all as percentage of the sum of net interest income, fee income, net gain on foreign exchange transactions, net gain from associates, net earned premiums, gross margin from medical services. Acquisition cost includes net fees, underwriting expenses and underwriting income.

(11) Sum of the salaries and employee´s benefits, administrative expenses, depreciation and amortization, acquisition cost, all as percentage of average assets.

(12) Regulatory capital calculated in accordance with guidelines by the Basel Committee on Banking Regulations and Supervisory Practices of International Settlements (or the BIS II Accord) as adopted by the SBS. See "Item 5. Operating and Financial Review and Prospects – 5.B Liquidity and Capital Resources - (1) Capital Adequacy Requirements for Credicorp."

(13) Depending on the type of loan, BCP considers internal overdue loans for corporate, large business and medium business loans after 15 days; for overdrafts, small and micro business loans after 30 days; and for consumer, mortgage and leasing loans after 90 days. ASB considers internal overdue loans all overdue loans except for consumer loans, which are considered internal overdue loans when the scheduled principal and/or interest payments are overdue for more than 90 days.

(14) Other off-balance-sheet items primarily consist of stand-by letters and letters of credit. See Note 21 to the Consolidated Financial Statements.

(15) Allowance for direct loan losses, as a percentage of all internal overdue loans and under legal collection loans, with no reduction for collateral securing such loans.

(16) Allowance for direct loan losses as a percentage of loans classified in categories C, D and E. See "Item 4. Information on the Company - 4.B Business Overview - (13) Selected Statistical Information - 13.3 Loan Portfolio - 13.3.7 Classification of the Loan Portfolio."

Exchange Rates

The following table sets forth the high and low month-end rates and the average and end-of-period rates for the sale of Soles for U.S. Dollars for the periods indicated

Year ended December 31,	High (1)	Low (1)	Average (2)	Period-end (3)
	(Nominal Soles per U.S. Dollar)			
2011	2.827	2.696	2.753	2.696
2012	2.711	2.552	2.634	2.552
2013	2.809	2.576	2.723	2.797
2014	2.997	2.754	2.839	2.980
2015	3.483	2.971	3.185	3.414

Source: Bloomberg

(1) Highest and lowest of the 12 month-end exchange rates for each year based on the offered rate.
(2) Average of month-end exchange rates based on the offered rate.
(3) End-of-period exchange rates based on the offered rate.

The following table sets forth the high and low rates for the sale of Soles for U.S. Dollars for the indicated months.

	High (1)	Low (1)
	(Nominal Soles per U.S. Dollar)	
2015		
July	3.194	3.170
August	3.312	3.191
September	3.260	3.183
October	3.291	3.210
November	3.388	3.277
December	3.4825	3.414
2016		
January	3.473	3.413
February	3.545	3.470
March	3.518	3.302
April (through April 21)	3.414	3.240

Source: Bloomberg

(1) Highest and lowest of the daily closing exchange rates for each month based on the offered rate.

The average of the bid and offered free market exchange rates published by the SBS for April 21, 2016 was S/3.254 per US$1.00.

3. B Capitalization and Indebtedness

Not applicable.

3. C Reasons for the Offer and Use of Proceeds

Not applicable.

3. D Risk Factors

Our businesses are affected by many external and other factors in the markets in which we operate. Different risk factors can impact our businesses, our ability to effectively operate and our business strategies. You should consider the risk factors carefully and read them in conjunction with all the information in this document. You should note that the risk factors described below are not the only risks to consider. Rather, these are the risks that we currently consider material. There may be additional risks that we consider immaterial or of which we are unaware, and any of these risks could have similar effects to those set forth below.

(1) Our geographic location exposes us to risk related to Peruvian political, social and economic conditions

Most operations of BCP, Grupo Pacifico, Prima AFP, and a significant part of Credicorp Capital's operations are located in Peru. In addition, while ASB is based outside of Peru, most of its customers are located in Peru. Therefore, our results are affected by economic activity in Peru. Changes in economic conditions, both international and domestic, or government policies can alter the financial health and normal development of our business. The changes may include, but are not limited to, high inflation, currency depreciation, confiscation of private property and financial regulation. Similarly, terrorist activity, political and social unrest as well as possible natural disasters (i.e. earthquakes, flooding, etc.) can adversely impact our operations.

Peru has a long history of political instability that includes military coups and a succession of regimes that featured heavy government intervention in the economy. In 1990, Alberto Fujimori took office as president in the middle of hyperinflation (7,649.7% in 1990) and insecurity due to terrorist activities. Market-based reforms and the gradual success of the authorities in capturing terrorist leaders allowed the country to stabilize, and by 1995 Fujimori was re-elected. The administration was accused of authoritarian behavior, especially after closing Congress in 1992 and crafting a new constitution. The administration also faced several corruption charges. Shortly after starting a controversial third term, Fujimori resigned the presidency and a transitional government led by Valentin Paniagua called for elections to be held in April 2001. After spending several years in Japan, Fujimori was brought back to Peru and was sentenced in 2009 to 25 years in prison for human rights violations. The governments that have been elected since 2001 are those of Alejandro Toledo, from 2001 to 2006; Alan García, from 2006 to 2011; and Ollanta Humala, whose current term began in 2011 and ends in July 2016. These administrations, despite different policy priorities, have been characterized by political fractionalization (more than ten different political organizations have nominated candidates for president in each of the three elections since 2001), low popularity (usually around 20% - 30% approval ratings) and mostly cordial relationships with neighboring countries.

Humala's Presential period ends in July 28, 2016, hence the first round of Presidential Elections were held on April 10, 2016 and two candidates, Ms. Keiko Fujimori and Mr. Pablo Kuczynski, have passed to the second round that is expected to be held on June 5, 2016, because none of them obtained the more than 50% of the total valid votes.

15

During the last 15 years, Peru has experienced a period of relative economic and political stability, especially compared to the period between 1980 and 2000. This stability has been reflected in Peru's compounded annual growth rate of 5.7% (2001-2015); three consecutive democratic transitions; a relatively consistent free-market approach to economic policy; and growth in GDP per capita, which reached US$5,638 in 2015 (equivalent to S/ 19,231 at an exchange rate of S/ 3.411), according to the International Monetary Fund (IMF). Nevertheless, political risk is present in any presidential election because it is possible that a radical candidate with more interventionist economic policies could prevail. Current president Ollanta Humala was elected in 2011 on a far-left policy platform, which was cast aside after he assumed office, and there is a sizeable portion of the electorate still demanding an economy that is more reliant on public spending. Therefore, the risk of political and economic change should be carefully considered.

Peru also has a history of domestic terrorism. Between the late 1970s and the early 1990s, both Shining Path (Sendero Luminoso) and MRTA (by its Spanish initials, Movimiento Revolucionario Túpac Amaru) conducted a series of terrorist attacks that caused thousands of casualties and affected normal political, economic and social activities in many parts of the country, including Lima, the capital. In 1992, the leader of Shining Path, Abimael Guzmán, was captured and later sentenced to life in prison (a new trial affirmed the sentence in 2006). Most other members of Shining Path, as well as MRTA, were also captured and sentenced to prison terms by the end of the 1990s. However, in late 1996 a group of MRTA members stormed the residence of Japan's Ambassador to Peru and held a group of politicians, diplomats and public figures hostage for approximately four months. In April 1997, a military operation put an end to the hostage situation: all 14 terrorists died in the confrontation while all but one hostage survived. Since then, and for the following 19 years, terrorist activity in Peru has been mostly confined to small-scale operations in the Huallaga Valley and the VRAEM (Valleys of Rivers Apurimac, Ene and Mantaro) areas, both in the Eastern part of the country. In 2012, the Peruvian government captured Florindo Flores, one of the last remaining leaders of Shining Path and thus gravely weakened the organization's activities in the Huallaga Valley.

Despite these efforts, terrorist activity and the illegal drug trade continue to be key challenges for Peruvian authorities. The Huallaga Valley and VRAEM constitute the largest areas of coca cultivation in the country and thus serve as a hub for the illegal drug trade. Any violence derived from the drug trade or a resumption of large-scale terrorist activities could hurt our operations.

Another source of risk is related to political and social unrest in areas where mining, oil and gas operations take place. In recent years, Peru has experienced protests against mining projects in several regions around the country. Mining is an important part of the Peruvian economy, representing approximately 55% of the country's exports, while oil and gas represent 7% according to the Peruvian Central Bank (BCRP by its Spanish initials). On several occasions, local communities have opposed these operations and accused them of polluting the environment and hurting agricultural and other traditional economic activities. In late 2011 and throughout 2012, social and political tension peaked around Conga, a gold project in the northern region of Cajamarca. The launch of Conga, which involved investments of approximately US$4.5 billion, failed as a result of the protests. The government commissioned an Environmental Impact Study developed by international experts which introduced recommendations for the project.

The mining and oil and gas sectors represent approximately 10% and 2% of Peru's GDP, respectively and they attract significant foreign and local private investment. Therefore, further delays or cancellations of mining projects could reduce economic growth and business confidence, thereby hurting the financial system both directly (many mining projects are at least partially financed by local financial institutions) and indirectly (overall economic activity could decelerate).

(2) Foreign exchange fluctuations and exchange controls may adversely affect our financial condition and results of operations

Since January 1, 2014, the functional currency of our financial statements has been the Sol; however, Credicorp's subsidiaries generate revenues in Soles, U.S. Dollars, Bolivian Pesos, Colombian Pesos, and Chilean Pesos. BCP, BCP Bolivia, ASB, Credicorp Capital Colombia and IM Trust are particularly exposed to foreign exchange fluctuations. As a result, the fluctuation of our functional currency against other currencies could have an adverse impact on our results. In addition, any exchange controls implemented in the countries in which we operate may adversely affect our financial condition and results of operations.

The Peruvian government does not impose restrictions on a company's ability to transfer Soles, U.S. Dollars or other currencies from Peru to other countries, nor to convert Peruvian currency into other currencies. Nevertheless, Peru has implemented restrictive exchange controls in its history, and the Peruvian government might in the future consider it necessary to implement restrictions on such transfers, payments or conversions. See "Item 10. Additional Information-10.D Exchange Controls".

Peru's foreign reserves currently compare favorably with those of many other Latin American countries. However, a reduction in the level of foreign reserves would impact the country's ability to meet its foreign currency-denominated obligations. A decline in Peruvian foreign reserves to inadequate levels, among other economic circumstances, could lead to currency depreciation or a volatility of short-term capital inflows.

In our banking business, mainly the business we conduct through BCP, we also face foreign exchange risk on credit that we extend. To address this risk, BCP's Foreign Exchange Credit Risk Management identifies borrowers that may not meet their debt obligations due to currency mismatches by applying sensitivity analyses of the credit rating of companies and the debt-service capacity of individuals. Then, we classify borrowers according to their level of foreign exchange credit risk exposure. We closely monitor these clients and, on an ongoing basis, we revise our risk policies to underwrite loans as well as to manage our portfolio of foreign currency denominated loans; however, these policies may not sufficiently address our foreign exchange risk, resulting in adverse effects on our financial condition and results of operation.

17

We have taken steps to manage the gap between our foreign currency-denominated assets and liabilities in several ways, including closely matching their volumes and maturities. Nevertheless, a sudden and significant depreciation of the Sol could have a material adverse effect on our financial condition and results of operations. See "Item 11. Quantitative and Qualitative Disclosures about Market Risk - (9) Foreign Exchange Risk".

(3) It may be difficult to serve process on or enforce judgments against us or our principals residing outside of the United States

A significant majority of our directors and officers live outside the United States (principally in Peru). All or most of our assets and those of our principals are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon us or our principals to bring forth a civil suit under the United States securities laws in United States courts. We have been advised by our Peruvian counsel that liability under the United States federal securities laws may not be enforceable in original actions in Peruvian courts. Also, judgments of United States courts obtained in actions under the United States federal securities laws may not be enforceable. Similarly, our Bermuda counsel advised us that courts in Bermuda may not enforce judgments obtained in other jurisdictions, or entertain actions in Bermuda, against us or our directors or officers under the securities laws of those jurisdictions.

In addition, our Bye-laws contain a broad waiver by shareholders of any claim or right of action, both individually and on our behalf, against any of our officers or directors. This waiver limits the rights of shareholders to assert claims against our officers and directors for any action taken by an officer or director. It also limits the rights of shareholders to assert claims against officers for the failure of an officer or director to take any action in the performance of his or her duties, except with respect to any matter involving any willful negligence, willful default, fraud or dishonesty on the part of the officer or director.

(4) Our ability to pay dividends to shareholders and to pay corporate expenses may be adversely affected by the ability of our subsidiaries to pay dividends to us

As a holding company, our ability to make dividend payments, if any, and to pay corporate expenses will depend upon the receipt of dividends and other distributions from our operating subsidiaries. Our principal operating subsidiaries are BCP, Grupo Pacifico, ASB, Prima AFP and Credicorp Capital. If our subsidiaries do not have funds available, or are otherwise restricted from paying us dividends, we may be limited in our ability to pay dividends to shareholders. Currently, despite the minimun capital requirements, there are, there are no restrictions on the ability of BCP, Grupo Pacifico, ASB, Prima AFP or Credicorp Capital to pay dividends abroad. In addition, our right to participate in the distribution of assets of any subsidiary, upon any subsidiary's liquidation or reorganization (and thus the ability of holders of our securities to benefit indirectly from such distribution), is subject to the prior claims of creditors of that subsidiary, except where we are considered an unsubordinated creditor of the subsidiary. Accordingly, our securities will effectively be subordinated to all existing and future liabilities of our subsidiaries, and holders of our securities should look only to our assets for payments.

In addition, the value of any dividend paid by our operating subsidiaries that declare dividends in a currency different from Credicorp's dividends (e.g. ASB, BCP Bolivia, IM Trust, and Credicorp Capital Colombia) is exposed to the impact of the depreciation of the dividend's currency against Credicorp's functional currency. This would have a negative impact on our ability to pay dividends to shareholders.

(5) Regulatory changes to sectors in which we operate could impact our earnings and adversely affect our operating performance

Banking

Because we are subject to regulation and supervision in Peru, Bolivia, Colombia, Chile, the Cayman Islands, the United States of America, and Panama, changes to the regulatory framework in any of these countries or changes in tax laws could adversely affect our business.

We are mainly subject to extensive supervision and regulation through the SBS's Banking and Insurance System Law (Ley General del Sistema Financiero y del Sistema de Seguros) and the Regulation of the Consolidated Supervision of Financial and Mixed Conglomerates (Reglamento para la Supervisión Consolidada de los Conglomerados Financieros y Mixtos).

The SBS and the Peruvian Central Bank supervise and regulate BCP's operations. Peru's constitution and the SBS's statutory charter grant the SBS the authority to oversee and control banks and other financial institutions, including pension funds and insurance companies. The SBS and the Peruvian Central Bank have general administrative responsibilities over BCP, including defining capital and reserve requirements. In past years, the Peruvian Central Bank has, on numerous occasions, changed the deposit reserve requirements applicable to Peruvian commercial banks as well as the rate of interest paid on deposit reserves and the amount of deposit reserves on which no interest is payable by the Peruvian Central Bank. Such changes in the supervision and regulation of BCP may adversely affect our results of operations and financial condition. See "Item 4. Information on the Company — 4.B Business Overview — (12) Supervision and Regulation — 12.2 BCP". Furthermore, changes in regulation related to consumer protection may also affect our business.

The Superintendency of the Securities Market (Superintendencia del Mercado de Valores or SMV by its Spanish initials) also supervises some of our subsidiaries such as BCP, Credicorp Capital Sociedad Agente de Bolsa (Credicorp Capital Bolsa) and Credicorp Capital Sociedad Administradora de Fondos (Credicorp Capital Fondos).

19

In Colombia, we are subject to supervision and regulation through the Superintendency of Securities and Insurance (SFC - Superintendencia Financiera de Colombia) and the Colombia´s Stock Market Self-regulator (AMV - Autorregulador del Mercado de Valores de Colombia). In Chile, we are subject to supervision and regulation through the Superintendency of Securities and Insurance from Chile (SVS - Superintendencia de Valores y Seguros). See "Item 4. Information on the Company — 4.B Business Overview — (12) Supervision and Regulation — 12.5 Credicorp Capital".

Changes in U.S. laws or regulations applicable to our business, or the adoption of new regulations, such as under the Foreign Account Tax Compliance Act (FATCA) or the Dodd-Frank Wall Street Reform and Consumer Protection Act, may have an adverse effect on our financial performance and operations.

We are also regulated by the United States Federal Reserve System, which shares its regulatory responsibility with the State of Florida Department of Banking and Finance - Office of Financial Regulation, with respect to BCP's Miami agency, and by the Securities and Exchange Commission (SEC) and the Financial Industry Regulatory Authority, Inc. (FINRA), with respect to Credicorp Capital Securities, a U.S. broker dealer.

Similarly, we are regulated by other governmental entities in other jurisdictions. In the Cayman Islands, we are subject to the supervision and regulation of the Cayman Islands Monetary Authority (CIMA). In Bolivia, we are subject to the supervision of the Financial System Supervisory Authority (ASFI by its Spanish initials) that has assumed all regulatory functions held previously by the Superintendency of Banks and Financial Entities and the Superintendency of Pensions, Securities and Insurance.

Finally, in Panama, we are subject to the supervision of the Superintendency of Banks of Panama and the regulatory framework set forth in the Decree Law 9 of February 25, 1998. Changes in the supervision and regulation of our subsidiaries in other countries may adversely affect our results of operations and financial condition.

On February 15, 2011, the Peruvian government enacted Law No. 29663. On July 21, 2011, Law No. 29663 was amended by Law No. 29757. These laws partially modified the country's income tax regime by subjecting to taxation in Peru capital gains derived from certain types of indirect transfers of shares and by expanding the type of income that will qualify as Peruvian-source income. Under the 2011 laws, any transfer of shares of a non-resident entity will be subject to taxation in Peru (30% or 5%) if at any point during the 12 prior months to such transfer:

- 50% or more of the fair market value of the transferred foreign shares is derived from shares or participation rights representing the equity capital of one or more Peruvian entities. There is a rebuttable presumption that the threshold is met if the non-resident entity is a resident in a tax heaven; and/or
- The transferred shares represent at least 10% or more of the equity capital of the non-resident entity.

20

At the same time, the following two new obligations were imposed on Peruvian domiciled companies, which have certain "economic relationships" with non-Peruvian persons:

- Reporting to the Peruvian Tax Administration (SUNAT by its Spanish initials) transfers of its shares or transfers of the shares of the non-Peruvian domiciled company that is the owner of its shares; and
- Each Peruvian domiciled company is jointly liable for the income tax not paid by a non-Peruvian domiciled transferor that is directly or indirectly linked to the domiciled company (whether by means of control, management or equity participation) in connection with the transfer of the domiciled company's shares, except in the event that the purchaser or acquirer of the shares is a Peruvian individual or entity.

Supreme Decree N° 275-2013-EF enacted by the Peruvian Government on November 7, 2013, defined these certain "economic relationships". A Peruvian domiciled company is considered to be economically related to a non-Peruvian domiciled transferor, if, at any time during the 12-month period prior to the transfer, one of the following circumstances occurs:

- The non-Peruvian domiciled transferor owns more than 10% of the equity of the Peruvian domiciled company, directly or indirectly.
- More than 10% of the equity of the Peruvian domiciled company and the non-Peruvian domiciled transferor are owned by the same shareholders.
- The Peruvian domiciled company and the non-Peruvian domiciled transferor have one or more common directors, managers or administrators that have the power to decide financial, operational and commercial matters.
- The Peruvian domiciled company and the non-Peruvian domiciled transferor consolidate their financial statements.
- The non-Peruvian domiciled transferor has dominant influence over the decisions of the administrative bodies of the Peruvian domiciled company or vice versa.

The Chilean statutory Income Tax rate to resident legal persons is 21% for 2014. On the other hand, natural or legal persons do not domiciled in Chile are subject to additional tax, which is applied with an overall rate of 35%. It operates in general on the basis of withdrawals and distributions or income remittances abroad, other Chilean source. Affected taxpayers this tax is entitled to a credit of First Category Tax paid by companies on income withdrawn or distributed.

For 2015 and 2016 the tax rate will be 22.5% and 24%. In the last quarter of 2016, companies resident in Chile must choose between the "Income Tax attributed system" or "Income Tax partially attributed system" for determining the income tax from the financial year 2017. The Group decided to choose the "Income Tax attributed system". The additional tax rate has not been changed.

The Colombian statutory income Tax rate is 25%. As of January 1, 2013 is applicable income tax for equity-CREE with a rate of 9% in the first three years and 8% in the following years. In addition, the rate of income tax payable in Colombia amounted to 34%. Since 2015, the 9% CREE rate will be permanent; leaving aside the 8% reduction would be effective from fiscal 2016. In addition, a surcharge of CREE is created, equivalent to excess of 5% for any amount exceeding US$336,000, which shall be 6% in 2016, 8% in 2017 and 9% in 2018.

Insurance

Our insurance business is carried out by Pacifico Seguros Generales and Pacifico Vida which together are part of Grupo Pacifico. The insurance business is subject to regulation by the SBS. New legislation or regulations may adversely affect Grupo Pacifico's ability to underwrite and price risks accurately, which in turn would affect underwriting results and business profitability. Grupo Pacifico is unable to predict whether and to what extent new laws and regulations that would affect its business will be adopted in the future, although there is a real possibility that the pension and annuities businesses could be affected by regulatory changes during 2016.

On April 14, 2016 the Congress approved the law that modifies some aspects of the current Pension Fund system's framework and it was promulgated on April 21, 2016. This new law might have a negative effect on part of Pacifico's annuities business, which is composed of Retirement and Disability & survivorship business lines. The Retirement annuities is the only business line that may be affected by this change in regulation. This business represents approximately 0.8% of Pacifico's total gross premiums earned at the end of 2015. For further detail, see "Item 3.Key Information - 3. D Risk Factors - (5) Regulatory changes to sectors in which we operate could impact our earnings and adversely affect our operating performance - *Pension fund*".

Grupo Pacifico is also unable to predict the timing of any such adoption and the effects any new laws or regulations would have on its operations, profitability and financial condition. However, in years to come we still expect Peru to adopt new legislation, similar to the measure enacted by the European Union through Solvency II, which sought to further reduce the insolvency risk faced by insurance companies through improving the regulation regarding the amount of capital that insurance companies in the European Union must hold.

Our operating performance and financial condition depend on Grupo Pacifico's ability to underwrite and set premium rates accurately across a full spectrum of risks. Grupo Pacifico must generate sufficient premiums to offset losses, loss adjustment expenses and underwriting expenses in order to be profitable.

To price premium rates accurately, Grupo Pacifico must:

- collect and analyze a substantial volume of data;
- provide sufficient resources to its technical units;
- develop, test and apply appropriate rating formulae;
- closely monitor changes in trends in a timely fashion; and
- predict both severity and frequency with reasonable accuracy.

22

If Grupo Pacifico fails to assess accurately the risks that it assumes or does not accurately estimate its retention, it may fail to establish adequate premium rates. Failure to establish adequate premium rates could reduce income and have a material adverse effect on its operating results or financial condition. Moreover, there is inherent uncertainty in the process of establishing life insurance reserves and property and casualty (P&C) loss reserves. Reserves are estimates based on actuarial and statistical projections at a given point in time of what Grupo Pacifico ultimately expects to pay out on claims and the related costs of adjusting those claims, based on the facts and circumstances then known. Factors affecting these projections include, among others, in the case of life insurance reserves: changes in mortality/longevity rates, interest rates, persistency rates and regulation; and in the case of P&C loss reserves: changes in medical costs, repair costs and regulation. Any negative effect on Grupo Pacifico could have a material adverse effect on our results of operations and financial condition.

Pension fund

Even though private pension fund managers have always been closely regulated by the SBS, in 2012, the Peruvian Government adopted the Law to Reform the Private Pension System (SPP by its Spanish initials). The reform aimed to achieve increased competition and efficiency and to reduce administration costs in the SPP. The law sets forth a new process by which individuals, which are referred to as "affiliates", may become beneficiaries affiliated with the SPP. The Law to Reform the SPP will be implemented in phases. See "Item 4. Information on the Company – 4.B. Business Overview – (12) Supervision and Regulation – 12.7 Prima AFP".

The relevant changes that are contemplated in this law are:

- A tender for affiliates, which allows funds to bid for new affiliates, will be held every 24 months; bid awards will be made to the AFP that offers the lowest administration fees. In this context, new affiliates to the SPP will be required to affiliate with the AFP that obtains the bid award and must remain with this fund manager for 24 months.

- In the tender, new affiliates are able to obtain insurance for survivors, disability and burial costs in a single package from all funds in the SPP via a collective policy. Insurance rights are awarded to the insurance company that presents the best economic proposal.

- With respect to new affiliates, the funds in the SPP charge affiliates using a mixed commission method. This commission is calculated based on monthly remuneration plus a commission based on new contributions to the fund and the fund's returns. Affiliates that were already in the system can choose to pay fees based on this new system or based on the prior commission system established by SBS.

- A Zero Fund or a Capital Protection Fund was created and began operation in April 2016; this fund offers affiliates stable growth and very low volatility. Its objective is to ensure that affiliates over the age of 65 are in a fund that is able to maintain a relatively stable value.

For IFRS purposes, the funds in the SPP record a provision for fee income from new contributions according to IAS 18. This requires certain income be deferred to cover a future scenario in which some affiliates may stop paying commissions to the funds but will, nonetheless, continue to receive administrative services from the funds (this is the case of non-contributors and pensioners). The amount of this deferral is calculated by applying a discount (present value) to the figure forecasted for expenses related to the administrative services to be provided to the aforementioned individuals.

23

In December 2012, the first tender process was held to determine who would manage the accounts of new affiliates for a two year period. A new participant in the SPP won, and started operations on June 1, 2013. In December 2014, the second tender process was held. Given the requirements to participate in the process, Prima AFP decided not to bid, and instead decided to focus on maintaining customer service levels and the value proposition that the company offers its affiliates. The next tender process is expected to be held in December 2016 but it depends on the SBS definition.

In December 2015 Congress passed a draft law that modifies some aspects of the current Pension Fund system's framework. This law was observed by the President in January 2016. On April 14, 2016 the Congress approved the law and it was promulgated on April 21, 2016. Among the most material changes, the law allows affiliates to withdraw up to 95.5% of its pension funds when reaching the age of 65 (retirement age), to use up to 25% of its fund as a guarantee for the initial payment on the purchase of a first home and allows the early retirement of 50% of the fund for affiliates that have a terminal illness. Also, it extends the Special Regime of Early Retirement (REJA) until December 31st 2018, for affiliates who are unemployed for at least 12 months and apply for men and women, with at least 55 years old and 50 years old, respectively.

(6) A deterioration in the quality of our loan portfolio may adversely affect our results of operations

Given that a significant percentage of our income is related to lending activities, a significant deterioration of loan quality would have a material adverse effect on our business, financial condition and results of operations. We are subject to concentration default risks in our loan portfolio. Problems with one or more of our largest borrowers may adversely affect our financial condition and results of operations. While loan portfolio risk associated with lending to certain economic sectors or clients in certain market segments can be mitigated through adequate diversification, our pursuit of opportunities, in which we can charge higher interest rates, and thereby increase revenue, may reduce diversification of our loan portfolio and expose us to greater credit risk.

In addition, loan concentration in commercial sectors is particularly salient in Peru and significant deterioration in such sectors may have a material adverse effect on our business, financial condition and results of operations. Our current strategy includes increasing our exposure to market segments with heightened credit risk, including middle-market and consumer segments, such as unsecured small companies and consumer loans and consumer mortgages, which have higher risk profiles as compared to loans to large corporate customers. Given the changing composition of our loan portfolio and possible adverse changes in the environment in which we operate, our future results may differ significantly from our past results.

(7) Our banking and capital market operations in neighboring countries expose us to risk related to political and economic conditions

BCP Bolivia, Credicorp Capital Colombia and IM Trust expose us to risk related to Bolivian, Colombian and Chilean political and economic conditions, respectively. Most economies in Latin America and the Caribbean experienced low economic growth in 2015, due to: (i) weak global demand, (ii) a fall in export prices, and (iii) sluggish investment. Significant changes to Bolivian, Colombian and Chilean political and economic conditions could have an adverse effect on our business, financial condition and results of operations.

Bolivia

Most of the operations and customers of BCP Bolivia, BCP's commercial bank in Bolivia, are located in that country. Accordingly, our results of operations and financial condition depend on Bolivia's economic activity and political environment.

In October 2014, Evo Morales was reelected as president of Bolivia for a period of five years. During this third term, the government is expected to continue the economic policies and reforms of the first two presidential terms of Mr. Morales, which concentrated on redistribution programs through different bonus schemes, on deepening the industrialization of strategic economic sectors and on closing Bolivia's infrastructure gap. Given the government's high dependence on income from exports of natural gas to Brazil and Argentina, declines in the price of the gas exported (which is linked to the price of oil) could strain government finances and reduce its ability to continue the high levels of public spending of the last several years.

In February 2016 the government calls a referendum to ask if the people would agree with the nomination of President Evo Morales for a third term. The answer was that 51,27% of the population disagreed with the query; therefore the Movimiento al Socialismo, (which is the Mr. Morales political party) will seek a new presidential candidate for the next election.

During 2015, Bolivia's macroeconomic indicators continued the positive trend observed over the last several years. However, the fall in the prices of Bolivia´s main exports caused some of these indicators to deteriorate in 2015 versus 2014. In 2015: (i) GDP grew 4.8%, still one of the highest growth rates in South America but below the 5.5% recorded in 2014; (ii) inflation remained stable at 2.9%, below the Central Bank´s target of 5.5% and the 2014 inflation rate of 5.2%; and (iii) after continuous growth over the last several years, international reserves declined 13.7% in 2015 mainly due to lower exports. As of December 2015, international reserves represented 39% of GDP. Further declines in the prices of commodities, primarily oil and minerals, could put additional pressure on Bolivia´s fiscal balance, international reserves and GDP growth. Additionally, the financial services law (Ley de Servicios

Financieros N° 393), which was enacted in 2013, established lending quotas and caps on interest rates that could negatively impact interest margins on banks and reduce their ability to generate enough capital to maintain the growth rates in their lending portfolios experienced during the last several years.

25

Colombia

The adjustment of the Colombian economy to lower oil prices has continued to be orderly so far. The GDP expanded 3.1% in 2015 mainly as a result of a still strong labor market and a solid public spending due to regional elections (October 2015), available royalties, and housing programs. All this allowed consumption to continue showing a relatively healthy growth last year. Likewise, the strong execution of civil works by the government contributed to maintain investment in positive ground. Accordingly, while the Colombian economy decelerated against 2014 (4.4%), it posted the second highest growth rate among main Latam countries and so, outperformed the region in 2015 (-0.3%). Importantly, the Colombian Peso depreciated by 25.2% last year following the sharp fall in crude prices and its impact on the trade balance and fiscal accounts. Finally, it is worth to mention that the statutory income tax rate for corporates went from 34% to 39% in 2015 as a result of the 2014 tax reform (40% in 2016). Likewise, a maximum rate of corporate wealth tax (i.e. the rate charged to firms with equity over COP 5 bn) was set at 1.15% in 2015. A new tax reform is expected this year.

Chile

Influenced by both external and domestic factors, the Chilean economy has posted a strong slowdown during the last two years, growing 2.1% in 2015, similar to 2014 (1.9%). This cycle began with a sharp decline in investment while private consumption has also been negatively affected more recently by the worse economic outlook. The main surprise in 2015 was the fall observed in exports despite the sharp Chilean pesos depreciation. A slow reallocation process of productive resources, the low growth of trading partners, and the sharp depreciation of their currencies, are the main factors behind this unexpected decline in real exports. On the supply side, the services sector boosted activity in 2015, clearly influenced by higher fiscal spending. Importantly, the statutory income tax rate for corporates went from 21% to 22.5% in 2015 as a result of the 2014 tax reform (24% in 2016).

(8) Our trading activities expose us to volatility in market prices, declines in market liquidity or fluctuations in foreign currency exchange rates, which may result in losses that could have a material adverse effect on our business, financial condition and results of operations

The securities and derivative financial instruments in our trading portfolio may cause us to record gains or losses, when sold or marked to market, and may fluctuate considerably from period to period due to numerous factors that are beyond our control, including foreign currency exchange rates, interest rate levels, the credit risk of our counterparties and general market volatility. These losses from trading activities could have a material adverse effect on our business, financial condition and results of operations. In this sense, risk is inherent in the Group’s trading 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.

26

(9) Natural disasters in Peru could disrupt our businesses and affect our results of operations and financial condition

We are exposed to natural disasters in Peru, such as earthquakes, floods and mudslides. Earthquakes in Peru are common occurrences as the country is located in a seismic zone: the interface between the Nazca and South American tectonic plates. Peru has been adversely affected by earthquakes in the past, including a 7.9 magnitude earthquake that struck the central coast of Peru in 2007. The country is also vulnerable to El Nino Phenomenon, which provokes floods and mudslides in the north and central Andean regions. The 1997-1998 El Nino, due to its very strong intensity, destroyed crops and infrastructure equivalent to 2.2% of GDP. During 2015, the National Oceanic and Atmospheric Administration (NOAA) alerted a very strong El Nino would be registered in the Central Pacific. Yet, event developed with a moderate intensity in Peru and had a limited impact in infrastructure and economic activity.

A natural disaster of this nature or any other type of disaster could impair our operational capacity. Our business continuity plans include emergency response, disaster recovery, operations continuity, crisis management, data protection and recovery, and critical systems redundancy. Although we test our business continuity plans annually, these plans may prove to be ineffective which could have a material adverse effect on our ability to carry out our businesses, especially if an incidence or disaster affects computer-based data systems or damages customer or other data. In addition, if a significant number of our employees were affected by the natural disaster, our ability to conduct business could be impaired.

Our subsidiary Grupo Pacifico is further exposed to risks associated with natural disasters in Peru as an insurance business. To protect Grupo Pacifico's solvency and liquidity, our insurance business historically has obtained reinsurance for a substantial portion of its earthquake-related risks through automatic quota share and excess loss treaties; however, there can be no assurance that a major catastrophe would not have a material adverse impact on our results of operations or financial condition or that our reinsurance policies will be an effective hedge against our exposure to risks resulting from natural disasters. Our estimated current maximum catastrophic exposure, net of reinsurance, excluding reinstallments is S/7.0 million.

(10) We operate in a competitive banking environment that may limit our potential to grow, particularly in the medium term as more foreign banks establish or expand operations in Peru

BCP has experienced increased competition, including increased pressure on margins. This is primarily a result of the following:

· Highly liquid commercial banks in the market;

- Local and foreign investment banks with substantial capital, technology, and marketing resources; and

- Local pension funds that lend to BCP's corporate customers through participation in those customers' securities issuances.

27

Larger Peruvian companies have gained access to new sources of capital through the local and international capital markets, and BCP's existing and new competitors have increasingly made inroads into the higher margin, middle market and retail banking sectors. Such increased competition, with entrants who may have greater access to capital at lower costs, has affected BCP's loan growth as well as reduced the average interest rates that BCP can charge its customers.

Competitors may also dedicate greater resources to, and be more successful in, the development of technologically advanced products and services that may compete directly with BCP's products and services. Such competition would adversely affect the acceptance of BCP's products and/or lead to adverse changes in the spending and saving habits of BCP's customer base. If competing entities are successful in developing products and services that are more effective or less costly than the products and services developed by BCP, BCP's products and services may be unable to compete successfully. BCP may not be able to maintain its market share if it is not able to match its competitors' loan pricing or keep pace with their development of new products and services. Even if BCP's products and services prove to be more effective than those developed by other entities, such other entities may be more successful in marketing their products and services than BCP because of their greater financial resources, higher sales and marketing capacity or other similar factors.

As a result of Peru's strong economic growth, which has outpaced growth by nearby countries, several banks have sought and obtained authorization to open representative offices in Peru. Itaú Unibanco, Banco Latinoamericano de Comercio Exterior (Bladex), Morgan Stanley Bank and Bank of Tokyo Mitsubishi UFJ (BTMU) are among those banks receiving authorization. With the increased competition, more individuals will have access to credit, and the percentage of the population using banking services will likely climb. This will eventually put downward pressure on interest rates. Any negative impact on BCP as a result of increased competition could have a material adverse effect on our results of operations and financial condition.

(11) Economic and market conditions in other countries may affect the Peruvian economy and the market price of Peruvian securities.

Economic conditions in other countries and developments in international financial markets can affect Peru's economic growth. The country's exports are highly concentrated in the mining industry, with taxes levied on the sector representing approximately 2% of the Peruvian government's total revenues. In addition, gold and copper exports represent 43% of all shipments. Therefore, Peruvian trade responds significantly to fluctuations in metal prices, especially gold and copper. Gold and copper prices fell 36.6% and 41.7%, respectively between December 2012 and December 2015, turning a US$6.3 billion trade surplus in 2012 into a US$3.2 billion trade deficit in 2015.

In addition to changes in prices, Peru is also vulnerable to fluctuations in foreign demand, especially from the United States and China. A more pronounced economic slowdown in China over the next few years poses a risk to Peruvian growth as it may hurt exports and foreign direct investment. Lower growth in Latin America can also hurt the

Peruvian economy and our business, especially in the cases of Chile, Colombia and Panama, where we have operations, as well as Brazil and Mexico, which have a broad impact throughout the region because of their size.

Finally, financial conditions in global markets also affect the economy, affecting interest rates for local corporate bonds and influencing the exchange rate. Monetary tightening in developed economies, particularly on the part of the Federal Reserve System in the United States, could affect economic activity in Peru to the degree that it strengthens the dollar and increases interest rates, thereby reducing access to funding for some local businesses. Also, since the Peruvian economy has still some level of dollarization (30.5% of loans and 45.2% of deposits as of December 2015), potential balance-sheet effects should also be contemplated since a higher exchange rate could increase debt burdens for individuals and businesses that have taken loans in dollars but have earned their income in local currency.

However, the BCRP has taken steps to foster de-dollarization and thus reduce this vulnerability by:

- providing liquidity in local currency to financial institutions for an amount up to 10% of such institution's legal reserve requirements in foreign currency;
- providing foreign currency to financial institutions at spot prices in order to finance the re-denomination of their foreign currency loans;
- imposing additional foreign currency reserve requirements on financial institutions whose balance of total loans (excluding loans for foreign trade operations) at June 2015 were above 95% of the balance recorded in September 2013 or 90% of the same balance in December 2015; and
- imposing additional foreign currency reserve requirements on financial institutions whose balance of car loans and mortgage loans at June 2015 were above 90% of the balance in February 2013 and 85% of such balance in December 2015.

In November 2015 the Central Bank expanded its credit de-dollarization program, adjusting the present limits used to calculate the rate of the additional reserve requirements based on the reduction of a bank's foreign currency exposures, effective as of December 2016. The current minimum reduction is 20% of the banks' total exposure as of September 2013, while in the case of car and mortgage loans, the minimum reduction required by December 2016 is 30% of the February 2013 exposures. Thereafter, the reduction for car loans and mortgage loans will increase by 10 percentage points at the end of each year.

(12) A failure in, or breach of, our operational or security systems could temporarily interrupt our businesses, increasing our costs and causing losses.

We have defined and implemented governance with specific roles for risk and control assessment, monitoring and awareness programs, security initiatives, business objectives, corporate alignment and regulatory compliance with banking, credit card, insurance and pension fund industry requirements in Peru, Bolivia, Chile, Colombia, Panama, the Cayman Islands and the United States of America.

Although we have a strong IT infrastructure and high-skilled professionals managing IT operations, our risk exposure could be significant. We are still vulnerable to failure of our operational systems. This could temporarily interrupt our business, increasing our costs and causing losses. Temporary interruptions or failures in hardware and software that support our business and customers' transactions could result in regulatory fines, penalties, and reputational loss.

Credicorp has not experienced any material losses related to cyber-attacks or operational stability. Credicorp is continuously working and investing resources in maintaining and updating control processes in order to prepare and adapt to new technologies. However our use of the internet and telecommunications technologies to conduct financial transactions, as well as the increased sophistication and activities of organized criminals, hackers and other external parties can impact the confidentiality, integrity and availability of critical information.

(13) Acquisitions and strategic partnerships may not perform as expected, which could have an adverse effect on our business, financial condition and results of operation.

Acquisitions and strategic partnerships, including those made in our investment banking and insurance businesses may not perform as expected since our assessment could be based on assumptions with respect to operations, profitability and other matters that may subsequently prove to be incorrect. Future acquisitions, investments and alliances may not produce the anticipated synergies or perform in accordance with our expectations, which could have an adverse effect on our business, financial condition and results of operation.

(14) Reinsurance is an important tool in risk management of any primary insurance company and as such, it allows achieving a level of risk diversification that in turns helps to reduce losses. But, we face the possibility that the reinsurance company will be unable to honor its contractual obligations.

Credicorp assumes reinsurance risk in the normal course of business for our insurance contracts when applicable. Premiums and claims on assumed reinsurance are recognized as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business.

ITEM 4. INFORMATION ON THE COMPANY

4. A History and development of the company

We are a limited liability company that was formed with the legal name Credicorp Ltd. in Bermuda on October 20, 1995 to act as a holding company, coordinate the policy and administration of our subsidiaries, and engage in investing activities. Our principal activity is to coordinate and manage the business plans of our subsidiaries in an effort to implement an universal banking services and develop our insurance business, focusing mainly on Peru, Bolivia, Colombia and Chile along with limited investments in other countries in that region. Our registered address is Clarendon House, 2 Church Street, Bermuda. The management and administrative office (i.e., principal place of business) in Peru of our subsidiary, Banco de Credito del Peru, is located at Calle Centenario 156, La Molina, Lima 12, Peru, and the phone number is 51-1-313-2000.

As of December 31, 2015, our total assets were S/155.5 billion and our net equity was S/16.7 billion. Our net income attributable to our equity holders in 2013, 2014 and 2015 was S/1,538.3 million, S/2,387.9 million, and S/3,092.3 million, respectively. See "Item 3. Key Information — 3.A Selected Financial Data" and "Item 5. Operating and Financial Review and Prospects".

We were formed in 1995 for the purpose of acquiring, through an exchange offer, the common shares of BCP, ASHC and Grupo Pacifico. We currently hold, directly and indirectly, 97.7% of BCP, 98.5% of Grupo Pacifico and 100% of ASHC. See "Item 4. Information on the Company — 4.C Organizational Structure".

In February 2005, we were authorized by Peruvian regulatory authorities to establish Prima AFP, of which Grupo Credito is the main shareholder. Prima AFP started operations in August 2005.

In August 2006, Prima AFP acquired Union Vida AFP, which was a pension fund operating in the Peruvian market. Prima AFP's acquisition of Union Vida AFP, which was formerly held by Grupo Santander Peru S.A., was a strategic move toward consolidation as part of its efforts to gain a leading position in the pension fund market. As of the date of the acquisition, Prima AFP was the second largest pension fund company in terms of market share (defined as the amount of affiliates and assets under corporate management). The merger between Prima AFP and Union Vida AFP closed in December 2006.

In October 2009, BCP acquired from the Cooperative for Assistance and Relief Everywhere Inc. (CARE) – Perú, all the shares that this entity owned of Empresa Financiera Edyficar S.A. (Edyficar), representing 77.12% of Edyficar's capital stock. In accordance with Peruvian legal requirements in effect at the time, BCP made a public offering to Edyficar's non-controlling shareholders to acquire the remaining 22.88% of the company's stock. The total purchase price for the acquisition was US$96.1 million (equivalent to S/274 million), including related direct acquisition costs. In October 2010, Credicorp acquired American Life Insurance Company (ALICO)'s 20.1% and 38% stakes in Pacifico Seguros and Pacifico Vida, respectively. Pacifico Vida's shares were acquired through Credicorp Ltd. and its subsidiary, Grupo Credito, acquired Pacifico Seguros's shares. Consequently, at the conclusion of this transaction, Credicorp and its subsidiary Grupo Credito held 97.68% of Pacifico Seguros, and jointly controlled 100% of Pacifico Vida. The total investment amounted to approximately US$174 million, making it the largest transaction ever completed in the Peruvian insurance market. We expect the acquisition to permit Credicorp to realize synergies in its decision making process and through the integration of all its insurance business lines. The closer proximity between companies will also allow Grupo Pacifico to improve its value proposition to customers, who seek integral insurance solutions. On April 28, 2011, Credicorp transferred its 24% stake in Pacifico Vida to Pacifico Seguros. As a result of that transfer, Pacifico Seguros now directly owns 86% of the shares of Pacifico Vida, and Credicorp directly owns the remaining 14%. This transfer did not affect Credicorp's consolidated financial statements.

In November 2010, Credicorp's Board of Directors approved the transfer of 84.9% of BCP's total shares to Grupo Credito S.A. (Credicorp's Peruvian wholly owned subsidiary) through a capital contribution, in order to facilitate Credicorp's future investments in Peru without modifying the controlling structure of BCP. Under the new structure, Credicorp directly holds 12.7% of BCP's total shares and, in conjunction with its subsidiary Grupo Crédito, continues to control the same 97.7% of such shares without modifying the internal governance structure. Before this change in ownership structure, dividends to Credicorp from its Peruvian subsidiaries, such as BCP, were remitted abroad and had to be remitted back to Peru when capital for new investments in the country were required. With the new structure, Grupo Credito, which acts as the local holding company for some of Credicorp's investments in Peru (Prima AFP, Grupo Pacifico and others), will manage Credicorp's future Peruvian investments, and directly transfer the dividends to Credicorp when it is required to do so under Credicorp's dividend policy. This modified organizational structure did not affect the way Credicorp and BCP manage their day-to-day operations, and Credicorp's dividend policy has not changed as a result of this transaction.

In the second half of 2011, our subsidiary Pacifico Salud invested approximately S/225.1 million to create its own private medical services network in Peru by acquiring majority shares to directly manage: (i) the El Golf, San Borja and Oncocare clinics in Lima, (ii) the Galeno clinic in Arequipa, (iii) Laboratorios ML, a clinical laboratory, and (iv) Doctor+, which is a house call/ambulance service. In 2012, Pacifico Salud invested S/102.7 million to increase its integrated insurance and health providing services by acquiring: (i) Clinica Belen S.A., (ii) Centro Odontologico Americano, (iii) Prosemedic S.A., (iv) Clinica Sanchez Ferrer S.A. and Inversiones Marsfe S.R.L., and (v) Bio Pap Service S.A.C. We believe that these acquisitions enable Pacifico Salud to directly benefit from this sector's growth and to strategically defend against potential changes in the healthcare service supply chain, where vertical integration in the insurance business is becoming more frequent.

During 2012, Credicorp, as part of our strategic plan, initiated the creation of a regional investment banking platform. On April 27, 2012, Credicorp, through its subsidiary BCP, acquired a 51% stake in Credicorp Capital Colombia (formerly Correval S.A. Sociedad Comisionista de Bolsa), a brokerage entity established in Bogota, Colombia, for approximately US$72.3 million (approximately S/246.6 million). In June 2013, BCP transferred its shares to Credicorp Capital Ltd., without affecting Credicorp's consolidated financial statements and without recording any gain or loss. On July 31, 2012, Credicorp, through its subsidiary BCP, acquired 60.6% of IM Trust S.A. (IM Trust, Corredores de Bolsa), an investment banking entity established in Santiago, Chile, for approximately US$131.5 million (approximately S/447.1 million), of which US$110.9 million was paid in cash consideration at the acquisition date and US$20.6 million was paid in cash in July 2013. In November 2012, BCP transferred its shares to Credicorp Capital Ltd., without affecting Credicorp's consolidated financial statements and without recording any gain or loss. For our investment banking operations in Peru, we created Credicorp Capital Peru S.A.A. (formerly BCP Capital), a company incorporated in Peru that was established in April 2012 through the split of an equity block of BCP. This split resulted in a reduction of BCP's assets, liabilities and net equity in an amount of S/184.7 million, S/46.7 million and S/138.0 million, respectively. Assets transferred included Credicorp Capital Bolsa, Credicorp Capital Titulizadora, Credicorp Capital Fondos and BCP's investment banking activities. The equity block split had no effect on Credicorp's consolidated financial statements; no gains or losses arose from it.

In 2012, we established Credicorp Capital Ltd. in Bermuda to hold the Group's investment banking activities in Chile, Colombia and Peru. As of December 31, 2015, Credicorp Capital held directly and indirectly 60.6% of IM Trust and 51.0% of Credicorp Capital Colombia.

	As of and for the Year ended December 31 ,				
	2013	2014	2015	2014 - 2013	2015 - 2014
	(Soles in millions)			% change	
IM Trust					
Assets	463.4	788.8	563.8	70.2 %	-28.5 %
Liabilities	339.3	662.6	440.1	95.3 %	-33.6 %
Equity	124.1	126.2	134.2	1.7 %	6.3 %
Net income	13	23.3	21.3	79.2 %	-8.6 %
Credicorp Capital Colombia					
Assets	1,095.9	1,883.2	1,572.6	71.8 %	-16.5 %
Liabilities	957.8	1,750.7	1,446.2	82.8 %	-17.4 %
Equity	138.1	132.5	125.8	-4.1 %	-5.1 %
Net income	16.3	30.8	25.5	89.0 %	-17.2 %

At Credicorp Capital's shareholder meeting held on September 11, 2013, the Company agreed to increase Credicorp Capital Ltd.'s share capital in the Company by US$3.9 million (approximately S/13.3 million) in exchange for 100% of the share capital of Credicorp Capital Securities Inc., which Credicorp Ltd. controls. Credicorp Capital Securities Inc. is incorporated in the United States of America and provides securities brokerage services, mainly to retail customers in Latin America.

On September 25, 2014, Credicorp announced that its subsidiary El Pacifico Peruano Suiza Compañia de Seguros y Reaseguros ("Pacifico") had reached an initial agreement with Banmedica (Santiago Stock Exchange listed company with a market capitalization of US$ 1,317 million as of September 25th, 2014), to establish the preliminary terms and conditions to develop businesses in the healthcare industry in Peru and further providing medical services, health insurance and health plans. This transaction reflects Credicorp's strategy to capitalize on Pacifico's in-depth knowledge of Peruvian market and Banmedica's extensive know-how and successful experience in the health care business. On December 30, 2014, Pacifico signed the final agreement with Banmedica S.A. to enter into the healthcare market in Peru. Based on this agreement, Credicorp lost control of its subsidiary Pacifico Entidad Prestadora de Salud (Pacifico EPS), which became an associate. This agreement came into effect on January 1, 2015. The agreement has two major parts:

33

(i) for healthcare plans and medical services, both parties have agreed to develop them in Peru, the aforementioned producs and services only and exclusively through Pacífico EPS and its subsidiaries. Therefore Banmedica constributed to this transaction, through its subsidiary Empremedica, at fair values, their Peruvian subsidiaries Clinica San Felipe and Laboratorios ROE, plus US$32 million in cash to obtain 50% interest in the capital stock of Pacifico EPS. Although both parties have the same number of members on the Board, which governs the relevant activities of Pacífico EPS, in case of a tie vote, the Chairman of the Board (who is appointed by Banmédica) has the casting vote. Therefore, Credicorp transferred the control of Pacífico EPS to Banmédica, which directs the relevant activities of Pacífico EPS. As a result, since January 2015, Pacífico EPS became an associate of Credicorp

(ii) for the health insurance business, which is part of the business performed by Pacifico, Banmedica paid US$25 million in cash to Pacifico to obtain 50% of the results related to this business line (health insurance business in Peru). The distributable income is held in equal parts (50/50) and it is determined based on a formula agreed by both parties in the contract. Health insurance business, which is a line of business of Credicorp, via its subsidiary Pacifico, who assumes the risk insurance.

This transaction resulted in profits of S/99 million, which is recognized in "Net gain on sale of securities" in the consolidated statements of income (See Note 2b and 13 to the Consolidated Financial Statements).

At Grupo Credito's shareholder meeting held on February 11, 2015, shareholders approved the terms of split of equity block of Grupo Credito in favour of Credicorp Capital Holding Perú S.A., a company incorporated on September 3, 2014 and a subsidiary of Credicorp Capital Ltd., with the aim of implementing a reorganization of Credicorp's investments. The equity block was composed of the investment that Grupo Credito held in Credicorp Capital Peru, whose net equity was approximately S/511.3 million as of May 31, 2015. As a result, Grupo Credito reduced its share capital by approximately S/491.7 million. Credicorp Capital Holding Peru also increased its share capital by about S/491.7 million and issued 491,686,830 new shares with a nominal value of S/1.00 each in favour of Credicorp Ltd (shareholder of Grupo Credito). In October 2015, Credicorp´s Board of Directors approved the transfer of the shares to Credicorp Capital Limited, finishing the reorganization process to regroup, under Credicorp Capital Limited, all the investments in subsidiaries related to capital markets.

On March 20, 2014, Credicorp, through its subsidiary Empresa Financiera Edyficar S.A., acquired a 60.68% stake in Mibanco, Banco de la Microempresa S.A. (Mibanco), a local bank that specialized in the micro and small entities sector, for approximately S/504.8 million or US$179.5 million, in cash. On April 8, 2014, Grupo Credito S.A. and Empresa Financiera Edyficar S.A., subsidiaries of Credicorp Ltd., acquired from the International Finance Corporation (IFC) an additional 6.5% stake in Mibanco (5% through Grupo Credito S.A. and 1.5% through Empresa Financiera Edyficar S.A.) for approximately S/54.1 million. In addition, Credicorp's subsidiaries made a Public Tender Offer (Oferta Pública de Adquisición or OPA by its Spanish initials) to non-controlling shareholders of Mibanco pursuant to the Capital Markets Law. Credicorp acquired in July 2014 an additional 18.56% of Mibanco's capital stock for approximately S/153.6 million; and in September 2014, acquired an additional 1.19% for approximately S/10 million. As of December 31, 2014, Credicorp held 86.93% of Mibanco's capital stock and paid an aggregate of approximately S/722.5 million. A merger transaction between Edyficar and Mibanco, which involved a spin-off of the majority of the assets and liabilities of Edyficar, was made effective on March 2, 2015. No gains or losses were recognized in the income statement. As of the merger day, Credicorp held 95.36% of the new Mibanco's capital stock.

Also the new entity held S/5,595 million in assets and S/3,514 million in total loans.

4. B Business Overview

(1) Credicorp operating segments

We are the largest financial services holding company in Peru. For management purposes, Credicorp is organized into four operating segments based on our products and services. According to IFRS, an operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the entity's chief who makes decisions about resources allocated for the segment and assesses its performance, and for which discrete financial information is available. We conduct our financial services business through our operating segments as follows: banking, insurance, pension funds and investment banking.

The terms "Peruvian commercial bank," "Peruvian insurance company" and other similar terms used in this Annual Report do not include the assets, results or operations of any foreign parent company or foreign subsidiary of such Peruvian company.

1.1 Banking

Our banking business is principally focused on commercial and consumer loans, credit facilities, deposits, current accounts and credit cards. We conduct our banking business primarily through BCP Stand-alone, the largest (in terms of total assets, loans, deposits, net equity and net income) full-service Peruvian commercial bank, and our ASB private banking and asset management firm.

The majority of our banking business is carried out through BCP Stand-alone which, together with Mibanco, held 33.1% of the Peruvian market share in loans and 33.2% market share in deposits, as of December 31, 2015. A portion of our banking business is also carried out by ASB, which principally serves Peruvian private banking customers through offices in Panama. We conduct banking activities in Bolivia through BCP Bolivia, a full service commercial bank which maintained a 9% market share of current loans and a 8.9% market share of total deposits in Bolivia as of December 2015. BCP Bolivia is fourth with respect to loan market share and fifth with respect to deposit market share in the Bolivian banking system.

Our banking business, in terms of lending and investment, is organized into (i) wholesale banking activities, including our corporate and middle-market banking business segments, which are carried out by BCP's Wholesale Banking Group (WBG); (ii) retail banking activities, including our SME-Business, SME-Pyme, mortgage, consumer financing, credit card and wealth management segments, which are carried out by BCP's Retail Banking & Wealth Management Group (RB&WM); (iii) treasury activities, including money market trades, foreign exchange trading, derivatives and proprietary trading; (iv) microlending, which is conducted through Mibanco; (v) wholesale and retail banking activities in Bolivia; and (vi) private banking, asset management and proprietary investment activities, which we perform through Atlantic Security Bank (ASB), which is a Cayman Islands licensed bank.

We apply uniform credit policies and approval and review procedures, which are based on conservative criteria adopted by BCP, to all of BCP's subsidiaries. Our Chief Operating Officer (COO) is in charge of setting the general credit policies for our different business areas. These policies are set within the guidelines established by Peruvian financial sector laws and SBS regulations (see "Item 4. Information on the Company – 4.B Business Overview - (12) Supervision and Regulation — 12.2 BCP") and the guidelines set forth by our Board of Directors.

Our deposit-taking operations are principally managed by BCP's RB&WM group and ASB's private banking group. See "Item 4. Information on the Company – 4.B Business Overview - (13) Selected Statistical Information — 13.4 Deposits".

1.2 Insurance

We conduct our insurance business exclusively through Grupo Pacifico, which is the second largest Peruvian insurance company in terms of premiums, fees and net income. Grupo Pacifico provides a broad range of insurance products. Grupo Pacifico focuses on three business areas: property and casualty (P&C) insurance through Pacifico Seguros Generales, life and pension insurance through Pacifico Vida, and health insurance through Pacifico EPS, which also conducts private hospital operations. Grupo Pacifico, like other major Peruvian insurance companies, sells its products both directly and through independent brokers, agents, banking channels and sponsors.

In 2015, Grupo Pacifico signed an agreement with Banmedica to participate as equal partners in the health insurance business. This association includes the private health insurance business managed by Pacifico Seguros Generales, the corporate health insurance for employees sold by Pacifico EPS, and medical subsidiaries that provide medical services.

As a result, Grupo Pacifico transfered the majority control of Pacifico EPS to Banmedica. Therefore, Pacifico EPS and the medical subsidiaries no longer consolidate with Pacifico Seguros Generales and Pacifico Vida for accounting purposes, and are reported as an investment in associates.

36

1.3 Pension funds

Credicorp conducts all of its pension fund activities through its private pension fund administrator Prima AFP.

In 2014, new local and foreign investment regulations gave rise to increased flexibility in SPP’s registration process for new investment securities. Under the new regulations, AFPs can make non-complex investments through vehicles such as bonds, shares and mutual funds without authorization from the SBS. Additionally, AFPs can use financial derivatives without authorization from the SBS subject to certain restrictions, such as specific limits regarding each type of fund. These changes are expected to improve the management and risk-return profile of our portfolios while providing flexibility and additional opportunities to execute these kinds of transactions.

During 2015, Credicorp through its subsidiary Prima AFP was able to strengthen its position in the market by adjusting its processes and organization to provide high-quality service and timely and transparent information to its clients.The year 2015 continued to be marked by a series of events linked to the implementation of reforms to the SPP. The reform of the Private Pension System (SPP) in the areas of investments and risk continued, mainly related to changes to regulatory requirements concerning local and foreign investments in order to generate greater flexibility in both direct and indirect investments. In addition, SBS issued regulations for the new Fund Type Zero, which is mandatory for participants aged 65 and older who opt for a statutory retirement pension. The Fund Type Zero may only invest in short-term instruments and debt securities, and took effect in April 2016.

See “Item 4. Information on the Company - 4.B Business Overview - (12) Supervision and Regulation - 12.7 Prima AFP”.

1.4 Investment banking

The integration of Latin American markets is a strategic focus for Credicorp. The creation of the MILA (by its Spanish initials), a Latin American integrated market shared among Chile, Colombia and Peru, has opened up opportunities to further integrate asset management, brokerage and corporate finance cross-border operations. This can offer benefits for companies that have a significant presence in these markets. Since the formation of the MILA, Credicorp’s investment banking business units grouped under Credicorp Capital have been very active. Credicorp Capital carries out its operations in the region through Credicorp Capital Perú, Credicorp Capital Colombia (formerly, Correval) and IM Trust, holding a considerable market share in the Peruvian, Colombian and Chilean markets, respectively. Our main business lines are asset management, sales & trading and corporate finance.

37

Asset management

Through the regional platform provided by the MILA, we offer a wide array of products, including mutual, investment and alternative funds, as well as structured, cross-border and offshore products to a broad base of clients, including clients in our retail, private and high net worth, corporate and institutional segments.

Sales & trading

Our regional investment banking platform has an active role in secondary markets, particularly equity and fixed income products, as well as exchange rate products and derivatives. Participation in the placement of equity and debt instruments, vis-à-vis our corporate finance team, is becoming equally relevant.

Corporate finance

Corporate finance provides advisory services to structure mid- and long-term financing and structure and place equity and fixed income instruments in capital markets. It also offers a wide range of financial advisory services and advisory services for mergers and acquisitions.

(2) Strategy

Credicorp was established to create a financial group that would benefit from synergies among the Group’s companies and our companies’s boards.

Credicorp endeavors to become a leader within each business market in which the companies operate to maximize our shareholders’ return on equity. Our long-term strategy consists of four strategic pillars: efficient growth; adecuate risk management; focus on client satisfaction; and motivated employees. We seek to achieve an optimal balance of market share, profitability and operating efficiency.

Efficient growth

Credicorp through its subsidiary BCP initiated an efficiency initiative with two approaches, one tactical the Continuous Improvement Program, and the Efficiency Program.

The Continuous Improvement Program is designed to improve efficiency throughout Credicorp by promoting consciousness in our management of expenses and investments. This approach is based on: i) productivity management; ii) the establishment of new mechanisms for approving, managing and reporting budget execution; and iii) process improvement. The Continous Improvement Program will be based on the Jaw concept; this means it will be focused on managing the gap between income growth and expenses growth, in an effort to achieve higher growth in income than in expenses.

The Efficiency Program is designed to address five different strategic areas. The first is our product portfolio. Under the program, we will reduce the complexity of our product portfolio and manage each product based on productivity and client satisfaction. The second area is our service model. Under the program, we will evaluate our footprint and formats, channel efficiency and multichannel strategy. The third strategic area comprises our organization and support functions. With respect to this area, we will evaluate how we are organized, including the span of control, the decision network and the number of layers in our operating units. The fourth strategic area includes operations and IT. In this area we will define key processes and optimize our operational model. The fifth strategic area is culture. Through this strategic area, we will seek to instill the concept of efficient growth as a core value in our organization’s culture.

Adequate risk management

This strategic pillar of Credicorp’s strategy is based on the corporate principles approved by the Corporate Governance Committee: involvement of executive management; independence of the risk functions; corporate governance, including risk appetite, corporate risk policies, and risk-adjusted performance measures; and sufficiency and quality of resources dedicated to the risk management role.

Credicorp is committed to applying best practices to assess, quantify and manage the different risks to which we are exposed to, such as credit, market, compliance and operational, reputational, and insurance underwriting risks. We are constantly fine-tuning our models for risk management and our stress-testing methodologies. Our strategy is based on implementing an advanced and fully integrated risk management approach to achieve sustainable growth and enhanced profitability.

In the area of credit risk management, we have implemented enhanced risk-adjusted pricing models and in-house credit models (origination, scoring, behavioral and collection models) that maximize the use of our proprietary information and knowledge about the Peruvian system. These are essential sources of competitive advantage. We have also developed a risk monitoring process that provides a timely and comprehensive picture of risk exposures across risk types and from multiple business lines.

Client satisfaction

We are highly dedicated to providing products and services that offer strong value propositions for the clients we serve through each of our businesses. We will continue to educate our customers by helping them understand the different financial products and services they can access through our distribution channel network and sales force.

39

We have improved our communication with clients to keep them well informed of the products and services we launch and the product enhancements we implement. We continuously upgrade our platform in response to questions, complaints and requests from customers.

Motivated employees

In human resources management we continue to focus on maximizing the efficiency of our talent management, developing an adequate structure for incentives and benefits to motivate employees, and improving our selection and training processes.

Specific strategies

In the banking business, we will continue to implement our strategy to enter different segments of retail banking, with particular emphasis on the SME segment. We will use risk and collections models that are calibrated and aligned with pricing models designed to achieve the profitability we seek. In the microlending business we will continue to work on our microfinance business model to consolidate the integration of Edyficar and Mibanco, primarily to ensure that Edyficar's culture is well acclimated as we take advantage of the strengths of Mibanco, in addition to optimizing the branch network and the risk and collections model.

In terms of our insurance business we aim to recover profitability levels in the car line by implementing adequate pricing schemes and improving risk assessment. In property and casualty insurance, we are defining a long-term strategy to ensure that it adds value to the organization at acceptable risk retention levels. At the same time, we are strengthening the "bancassurance" business. We will also focus on the consolidation of the health care and health insurance businesses.

In the pension fund business, the medium and long term strategy is to maintain the attractiveness and profitability of the business by growing efficiently with a thorough risk management. The focus is on providing affiliates adequate profitability of their funds, advisory services and excellent levels of information and service channels according to our clients' needs. For the aforementioned, the management of pension funds will be strengthened with the incorporation of best international practices

In the investment banking platform, we will continue to consolidate Credicorp Capital's regional position to capture the growth potential of our three main business lines (asset management, sales and trading, and corporate finance) in the capital markets of Chile, Colombia and Peru and the Latin American region in general.

40

(3) Review of 2015

The following table provides certain financial information about our principal business segments as of and for the year ended December 31, 2015 (see Note 30 to the Consolidated Financial Statements):

	As of and for the Year ended December 31, 2015		
	Total Revenues	Operating Income(1)	Total Assets
	(Soles in millions)		
Banking	13,045	7,366	146,496
Insurance	2,268	702	9,326
Pension fund	402	-	881
Investment Banking	492	(1)	2,837
Eliminations and adjustments	(231)	100	(4,060)
Credicorp	15,976	8,167	155,480

(1) Operating income includes the net interest income from banking activities; and in the case of Insurance, the amount of the net earned premiums, less insurance claims plus net interest income

3.1 Consolidated contributions

The following table sets forth the contribution to the consolidated net income attributable to our equity holders by each of our principal subsidiaries:

	2013	2014	2015
	(Soles in millions, except percentages)		
BCP (1)	1,242	1,903	2,477
ASHC	142	160	133
Grupo Pacifico	93	199	345
Prima AFP	140	153	162
Credicorp Capital(2)	(8)	(14)	0.4
Others (3)	(52)	(14)	(24)
Total	1,538	2,388	3,092

(1) Includes BCP Bolivia, which contributed S/57.4 million in 2015, S/68.0 million in 2014, and S/47.6 million in 2013; Mibanco (the combined entity), which contibuted S/212.4 million in 2015, S/77.6 million in 2014; and Edyficar, which contributed S/96.1 million in 2013. Also includes Inversiones BCP Ltda, Inversiones Credicorp Bolivia, Solución EAH and others.

(2) Credicorp Capital Ltd (which includes Credicorp Capital holding Chile, Credicorp Holding Capital Colombia, Credicorp Capital Securities and Credicorp Capital Perú (which include Credicorp Capital SAF, Credicorp Capital SAB, Credicorp Capital Sociedad Titulizadora and Credicorp Capital Servicios Financieros).

(3) Includes Credicorp Ltd. which mainly includes expenses and the tax withheld in connection with the estimation of the dividends to be distributed to us by our Peruvian subsidiaries (BCP and Grupo Pacifico); eliminations for consolidation; and others.

The following table shows our main subsidiaries' percentage contribution to our total assets, total revenues, net income and net equity for the year ended December 31, 2015:

	As of and for the Year ended December 31, 2015 (1)							
	Total Assets		Total Revenue		Net Income / (Loss)		Net equity attributable to Credicorp´s equity holders	
BCP (2)	87.6	%	79.7	%	90.2	%	75.1	%
ASHC	4.5	%	2.1	%	4.2	%	5.4	%
Grupo Pacifico (3)	6.0	%	21.8	%	11.0	%	10.9	%
Prima AFP	0.6	%	2.5	%	5.1	%	3.6	%
Credicorp Capital (4)	1.8	%	2.9	%	(0.2	)%	3.5	%
Others (5)	(0.5	)%	(9.0	)%	(10.4	)%	1.5	%

(1) Percentages determined based on the Consolidated Financial Statements.

(2) Includes BCP Bolivia, Mibanco, Inversiones BCP Ltda, Inversiones Credicorp Bolivia, Solución EAH and others.

(3) Includes Pacifico Vida.

(4) Credicorp Capital Ltd (which includes Credicorp Capital Holding Chile, Credicorp Capital Holding Colombia, Credicorp Capital Securities and Credicorp Capital Perú (which include Credicorp Capital SAF, Credicorp Capital SAB, Credicorp Capital Sociedad Titulizadora and Credicorp Capital Servicios Financieros).

(5) Includes Grupo Crédito S.A., CCR Inc, eliminations for consolidation and others.

The following table shows the percentage contribution of BCP main subsidiaries to its total assets, total revenues, net income and net equity for the year ended December 31, 2015:

	As of and for the Year ended December 31, 2015 (1)							
	Total assets		Total revenue		Net Income/(Loss)		Net equity	
BCP Stand-alone	88.5	%	80.3	%	90.0	%	82.7	%
BCP Bolivia	4.9	%	3.7	%	2.0	%	4.8	%
Mibanco (2)	6.3	%	15.0	%	7.4	%	11.3	%
Solución Empresa Administradora Hipotecaria	0.3	%	0.2	%	0.4	%	0.9	%
Others (3)	0.0	%	0.8	%	0.2	%	0.3	%

(1) Percentages determined based on BCP's consolidated financial statements of and for the year ended December 31, 2015.

(2) Includes Edyficar. In 2015 Mibanco and Edyficar merged, as a result, from 2015 the combined entity operates under the name Mibanco.

(3) Includes BCP Emisiones Latam and Inversiones Credicorp Bolivia.

3.2 Financial performance

In 2015, we recorded net income after non-controlling interest of S/3,092.3 million (S/2,387.9 million in 2014 and S/1,538.3 in 2013). This represented a 29.5% increase with regard to 2014's figure, which led to a ROAE of 20.5% (18.5% in 2014 and 13.7% in 2013) and ROAA of 2.1% (1.9% in 2014 and 1.4% in 2013).

The results of 2015 include some non-recurring income and expenses, which after tax adjustments totaled approximately S/141.4 million. The recurring net income totaled S/2,950.9 million, which represented a 20.5% increase with regard to 2014's figure. As such, excluding the effect of non-recurring items, ROAE and ROAA at Credicorp were situated at 19.7% and 2.0% respectively (vs 18.6% and 2.0% in 2014, respectively).

The main non-recurring income and expenses are:

§ Income related to the agreement between Grupo Pacifico and Banmedica, which totaled S/99.4 million; and

§ Impairment of -S/61.5 million due to deterioration in goodwill at IM Trust in Chile. (See Note 11(b) to our Consolidated Financial Statements).

The main factors behind Credicorp's results were:

- § Loan expansion of 13.6% year-over-year that represented currency-adjusted growth of 7.9% year-over-year (excluding exchange rate depreciation of 14.2% in 2015). Wholesale Banking continued to drive this growth followed by Retail Banking. Furthermore, Mibanco started showing loan growth in the second half of 2015.
- § Growth of 16.5% in net interest income in comparison to the level posted in 2014. The increase was primarily attributable to expansion in interest income on loans in line with the increase of 16.5% above 2014's interest income), all of which offset the increase in interest expenses (16.7% above the level in 2014). The NIM for 2015 is situated at 5.61%, 5 basis points below 2014's figure. This reflected higher use of BCRP instruments, which require restricted deposits that artificially grow interest earning assets.

- The increase of 9.6% year-over-year in provisions for loan losses, which grew at a slower pace than internal overdue loans (15% year-over-year). The credit quality ratios are explained below in section “3.2.1 Assets Structure - (i) Portfolio quality”.
- The 10.0% year-over-year increase in non-financial income due to growth in fee income (+13.7%), and gains on foreign exchange transactions (+70.7%), which in turn was due to exchange rate volatility and higher volume of transactions.
- Net earned premiums contracted 20.8% as a result of the accounting effect of the lost control of Pacifico EPS, that is now consolidated by Banmedica. However, net earned premiums of Pacifico Seguros Generales and Pacifico Vida increase 11.0% and 28.7%, respectively.
- Operating expenses grew 1.9% due to the expansion of salaries and employee benefits as a result of the increase of the organization’s organic growth and due to additional employee profit sharing.

See Item 5.Operating and financial review and prospects – 5.A. Operating results – (2) Historical Discussion and Analysis - 2.1 Results of Operations for the Three Years Ended December 31, 2015.

(i) Main ratios

	2013	2014	2015	2014 - 2013	2015 - 2014
	%			basis points	
ROAE (1)	13.7 %	18.5 %	20.5 %	480	200
ROAA (2)	1.4 %	1.9 %	2.1 %	50	20
Net interest margin (3)	5.01 %	5.66 %	5.61 %	65	-5
Funding cost (4)	2.2 %	2.0 %	2.0 %	-20	0
Cost of risk (5)	1.91 %	2.16 %	2.08 %	26	-8
Loan to deposit (6)	94.1 %	103.2%	101.9%	910	-130
Internal overdue ratio (7)	2.23 %	2.53 %	2.56 %	30	3
Non-performing loan ratio (8)	2.81 %	3.34 %	3.41 %	53	7
Coverage of Internal overdue loans (9)	157.5%	148.6%	166.2%	-890	1,760
Coverage on NPL (10)	125.1%	112.4%	124.7%	-1,270	1,230
Operating efficiency (11)	46.5 %	46.1 %	42.1 %	-40	-400

(1) Net income attributable to Credicorp / Average* equity before non-controlling interest.

(2) Net income attributable to Credicorp / Average* assets.

(3) Net interest margin / Average* interest earning assets.

(4) Interest expense / Average* liabilities

(5) Provisions for loan losses, net of recoveries / Total loans.

(6) Total loans / Total deposits.

(7) Internal overdue loans / Total loans.

(8) Non-performing loans / Total loans.

(9) Allowance for loan losses / Internal overdue loans.

(10) Allowance for loan losses / Non-performing loans.

(11) (Operating expenses - Other expenses + Acquisition cost) / (Net interest income + Fee income + Net gain on foreign exchange transactions + Net gain from associates + Net earned premiums + Gross margin from medical services).

* Averages are determined as the average of period-beginning and period-ending balances.

3.2.1 Assets structure

Our total assets amounted to S/155.5 billion in 2015 (S/134.8 billion in 2014 and S/114.1 billion in 2013). The 15.3% increase in total assets in 2015 was a result of: (i) the continued growth of our loan portfolio, which grew by 13.6% in 2015 (23.5% in 2014 and 17.6% in 2013), (ii) the 22.7% increase of Cash and due from banks (which includes Cash collateral, reverse repurchase agreements and securities borrowings;18.6% in 2014 and -0.5% in 2013), mainly associated with an increase in available funds in operating cash for branches and in BCRP's ordinary account, mainly at BCP; and (iii) the 19.2% increase in Investments available-for-sale (-13.5% in 2014 and -3.6% in 2013) attributable primarily to more investment in BCRP Certificates of Deposit. See Item 5.Operating and financial review and prospects – 5.A. Operating results –(3) –Financial Position.

As of December 31, 2015, Credicorp's total loans increased 13.6% year-over-year (23.5% and 17.6% in 2014 and 2013, respectively), which represented an expansion of 7.9%, after excluding the impact of the U.S. Dollar appreciation on the loan book denominated in U.S. Dollar (currency-adjusted growth). In terms of average daily balances, Credicorp's loan book expanded 16.8% year-over-year that represents 11.6% currency-adjusted growth rate, which was due primarily to:

§ The increase of 19.7% year-over-year of Wholesale Banking's loans and 13.1% in currency-adjusted terms. Thus, Wholesale Banking was the major source of growth in average daily loan balances throughout 2015.
§ The expansion of 13% year-over-year of Retail Banking's loan book, which represented a currency-adjusted growth rate of 10.4% year-over-year.
§ BCP Bolivia and ASB expanded their loan books in 33.8% and 33.5%, respectively; which represented currency-adjusted growth rates of 19% and 18.7%, respectively.
§ Mibanco posted a lower growth rate of 4.3% as a result of the merger and clean-up processes in which it is engaged.

(i) Portfolio quality

In terms of portfolio quality, our internal overdue ratio (which includes loans under legal collection) was 2.56% at the end of 2015, 3 basis points higher than the ratio registered at the end of 2014 (2.53% and 2.23% at the end of 2014 and 2013, respectively). The relative stabilization in the evolution of our internal overdue ratio over the last year reflects better control over and improvement in segments such as SME and Mibanco, which were deteriorated in 2014.

An analysis of this ratio by business segment shows that:

- Wholesale Banking closed the year with an internal overdue ratio that was equal to that reported last year (0.32% in 2015, 0.32% in 2014, and 0.25% in 2013). Lower levels were reported throughout the year but isolated cases pressured the internal overdue ratio.
- Delinquency ratios at BCP Bolivia remained at very low levels year (1.57% in 2015, 1.37% in 2014, and 1.33% in 2013).
- Mibanco's internal overdue ratio, which includes only Edyficar in 2013, reduced to 4.76% at the end of 2015 (5.61% in 2014 and 3.86% in 2013). This level is quite close to Edyficar's historic level (approximately 4%). Good evolution in terms of the portfolio's quality control was attributable primarily to an improvement in the risk profile used in the origination process as well as to write-offs that were made to clean up the portfolio after the acquisition and during the process to merge Edyficar and Mibanco.
- Although the SME-Pyme segment reported an increase in its internal overdue ratio in year-over-year terms (11.10%, 10.61% and 9.19% in 2015, 2014 and 2013, respectively), in June 2015, it reached a peak of 12% that represented a turning point given that in the second half of the year, delinquency fell. This was due to a move to redefine the business model in terms of origination, risk and collections. The level of real estate guarantees in this segment is approximately 50%.
- In the SME-Business segment, the internal overdue ratio increased 83 basis points with regard to 2014's level (5.21%, 4.38% and 4.33% in 2015, 2014 and 2013, respectively). This was due to deterioration in the payment capacity of a small number of clients that was associated with the poor evolution of new ventures (due to the economic downturn) that were not part of the businesses' core activities. The clients in this segment have a high level of real estate coverage (real estate), which is currently situated at approximately 70%.
- The Credit card segment's internal overdue ratio in 2015 was 4.17%, a decrease from 4.26% in 2014 and 5.76% in 2013.
- The Consumer segment's internal overdue ratio in 2015 was 2.62%, an increase from 2.35% in 2014 and 2.17% in 2013.
- The Mortgage segment also reported growth in delinquency due to maturities in the Mivivienda portfolio and to deterioration in the payment capacity of some clients due to the appreciation of the U.S. Dollar (2.10%, 1.73% and 1.38% in 2015, 2014 and 2013, respectively).

In this context, provisions for loan losses increased by 9.6%, which was in line with the evolution of delinquency in the Mortgage, SME-Business, Consumer and Credit Card segments. Nevertheless, the improvement in the SME-Pyme and Mibanco segments helped reduce the cost of risk, which was 2.08% in 2015 (2.16% in 2014 and 1.91% in 2013). At the end of 2015, the coverage ratio was 166.2%, which topped the 148.6% registered at the end of 2014 (157.5% at the end of 2013).

3.2.2 Funding structure

At the end of 2015, Credicorp's total liabilities were S/138,753 million, which represents a 15.4% increase with regard to 2014's figure (S/120,208 million; S/101,751 million at the end of 2014 and 2013, respectively). See Item 5.Operating and financial review and prospecs – 5.A. Operating results –(3) –Financial Position.

Deposits continued to represent the main source of financing with a share of 63.9% (64.1% in 2014 and 67.2% in 2013). Growth in deposits was mainly associated with an increase in Savings deposits (+17.4%), Demand deposits (+13.3%), and Time deposits (+13.5%). The increase in Time deposits was as a result of business captures in the second half of the year through BCP Stand-alone and Mibanco, which launched a major campaign in the second half of 2015.

The account Payables related to repurchase agreements and security lending activities, which includes BCRP instruments, posted an ongoing growth and represented 10.5% of BAP's total funding at the end of 2015 (6.9% in 2014 and 3.5% in 2013). The aforementioned was due primarily to the fact that BCP and Mibanco acquired BCRP instruments as an alternative source of funding, which in turn is in line with the increase in BCRP supply and the improvement in its conditions, mainly in terms of duration (between one and four years).

3.2.3 Distribution channels

Credicorp's distribution network had 9,345 points of access for our clients at the end of 2015, which represented a 22.5% decrease with regard to 2014's level. This decrease was due primarily to our drive to locate synergies after the consolidation of Mibanco, which now has access to BCP's distribution channels. This has considerably reduced the number of Agentes Mibanco and Automated Teller Machine (cash machine, ATMs). Additionally, but to a lesser extent, the number of Agentes BCP was cut as we continuously evaluate points of access that fail to meet guidelines for efficiency and profitability.

The table below shows the evolution of the points of contact (branches, ATM, Agentes) of each of Credicorp's subsidiaries

	2013	2014	2015
BCP	8,312	7,820	8,487
Mibanco (1)	190	3,698	323
BCP Bolivia	342	355	354

Grupo Pacifico	150	150	150
Prima AFP	23	22	17
Credicorp Capital	13	14	14
Credicorp	9,030	12,059	9,345

(1) The information also includes the distribution channels for Edyficar. The information for Mibanco was only incorporated in 2014, after the acquisition by Edyficar. It is important to note that the drop in Mibanco's channels from 2014 to 2015 is attributable to the fact that contracts with agents ended in 2014 and Mibanco's ATMs were shut down to leverage the synergies created by the consolidation process. Now, Mibanco has access to BCP's distribution channels.

(4) BCP and Subsidiaries

4.1 General

BCP Consolidated's corporate structure consists of a group of local subsidiaries offering specialized financial services, which complement BCP's commercial banking activities. In addition to its local subsidiaries, BCP has an agency in Miami, a branch in Panama and a subsidiary in Bolivia. See Item 4. Information on the Company – 4.C Oganizational Structure – (2) BCP.

BCP's activities include wholesale banking, retail banking and wealth management and treasury. As of December 31, 2015, the consolidated operations of BCP ranked first among Peruvian banks in terms of total assets (S/135.8 billion), total loans (S/88.1 billion), deposits (S/84.2 billion) and net equity (S/12.3 billion).

At the end of 2015, BCP's loans, which included loans made by BCP stand-alone and Mibanco, represented approximately 33.1% of total loans in the Peruvian financial system. BCP's deposits, which included deposits with BCP stand-alone and Mibanco, represented approximately 33.2% of total deposits in the Peruvian financial system.

As of and for the year ended December 31, 2015, BCP accounted for 87.6% of our total assets, 90.2% of our net income and 73.4% of our net equity. BCP's operations are supervised and regulated by the SBS and the Peruvian Central Bank.

The following table shows the client segmentation of BCP, Mibanco and BCP Bolivia. This segmentation was a result of an analysis, which addressed multiple factors such as the size and volume of activity for each client, our clients' affiliation with other companies or groups, the degree of follow-up required, and their credit ratings.

Client Segmentation

Subsidiary	**Business**	**Group**	**Income/Sales/Total debt**
Banco de Credito del Peru	Wholesale Banking Group (WBG)(1)	Corporate	Annual sales higher than $100 million (equivalent to S/341 million)
		Middle-Market	Annual sales from $8 million to $100 million (equivalent to S/27 million to S/341 million)
	Retail Banking Wealth Management Group (RB&WM)	Private Banking	Over US$ 1 million in AuMs (Do not include CTS)
		Enalta	Individual monthly income at least S/20,000; or more than US$ 200,000 in AuMs (Do not include CTS).
		Affluent	Individual monthly income from S/5,000 to S/20,000
		Consumer	Focus on medium-low income individuals who receive their payroll through BCP
		SME - Business	Annual sales from S/4 million to S/32 million; or Total debt from S/1.2 million to S/10 million
		SME- Pyme	Total debt up to S/1.2 million
BCP Bolivia (1)	Wholesale Banking	Large companies (2)	Annual sales higher than approximately S/34 million
		Medium companies(3)	Annual sales from approximately S/7 million to S/34 million
	Retail Banking (4)	Small Business (5)	Annual sales from approximately S/1 million to S/7 million
		Micro Business (5)	Annual sales of at least approximately S/1 million
		Consumer (6)	Payroll workers and self-employed workers
		Mortgage Banking (7)	Payroll workers, independent professionals and business owners
Mibanco (8)	SME & Microlending	SME – medium (9)	Annual sales up to S/20 million. Total debt higher than S/0.3 million and not issued debt in the capital market.
		SME – small (10)	Total debt from S/0.02 million to S/0.3 million.
		Micro-Business (11)	Total debt up to S/0.02 million.
		Consumer (12)	Focus on debt unrelated to business.
		Mortgage (13)	Focus on individuals for acquisition, construction of homeownership and granted with mortgages.

(1) Converted into Soles at the exchange rate of S/3.411 per U.S. Dollar, December 31, 2015 - SBS.

(2) Loans to Large companies account for 27.6% of BCP Bolivia's total loans. This segment accounts for approximately 500 customers.

(3) Loans to Medium companies account for 9.2% of BCP Bolivia's total loans. This segment accounts for approximately 800 customers.

(4) At the end of 2015, retail banking loans accounted for 63.2% of total loans of BCP Bolivia, while retail banking deposits accounted for 29.6% of BCP Bolivia's total deposits.

(5) Small and Micro business banking accounts for 25.0% of total loans of BCP Bolivia, small business banking serves approximately 28,500 clients while Micro Business serves approximately 5,200 business clients.

(6) Consumer banking accounts for 11.7% of total loans of BCP. Its customer base consists of approximately 36,300 Payroll and self-employed workers. Our strategies are based on cross-selling and retention programs that expand benefits to non-banking products.

(7) This segment serves 6,300 customers, representing 26.0% of BCP's total loans. BCP Bolivia's mortgage segment has an average LTV of 80% and represents approximately 1% of Credicorp's total loans.

(8) As of December 31, 2015, Mibanco registered 877,712 clients.

(9) SME – Medium segment is focused on financing production, trade or service activities, granted to companies which (1) total debt in the last 6 months was higher than S/300,000, (2) annual sales up to S/20 million in the last 2 consecutive years and (3) that have not participated in the capital markets. This segment represents 3% of total loans in Mibanco and registered 2,142 clients.

(10) SME – Small segment is focused on financing production, trade or service activities, granted to companies which total debt is between S/20,000 and S/300,000 in the last 6 months (without including mortgage loans). This segment represents 54% of total loans in Mibanco and registered 125,333 clients.

(11) Micro-Business loans focus on financing production, trade or service activities, granted to companies which total debt is up to S/20,000 in the last 6 months (without including mortgage loans). Micro-Business loans represent 31% of total loans in Mibanco and registered 536,194 clients.

(12) Consumer loans focus on financing individuals to cover payments of goods and services or expenses no related to business. Consumer loans represent 7% of total loans in Mibanco and registered 209,498 clients.

(13) Mortgage loans focus on financing individuals for the acquisition, construction, renovation, remodeling, expansion, improvement and subdivision of homeownership. Mortgage loans represent 5% of total loans in Mibanco, and registered 4,545 clients. Mibanco's mortgage segment has an average LTV of 56%.

4.2 BCP Stand-alone - business segments

4.2.1 Wholesale banking group (WBG)

BCP's WBG competes with local and foreign banks. BCP's traditional long term relationships with medium-sized and large corporate companies provide its WBG with a competitive advantage.

BCP's WBG maintained a positive trend in loan placements. It also maintained its leadership in the wholesale banking market with a 39% market share in loans. BCP has established longstanding client relationships with virtually all of the major industrial and commercial groups in Peru. The WBG provides its customers with cash management solutions, short- and medium-term loans in local and foreign currencies, foreign trade-related financing and lease and project financing.

The WBG is divided into the Corporate and International Division (CID) and the Middle-Market Division (MMD):

(i) *Corporate and international division (CID)*

WGB's corporate banking subdivision, which provides loans and other credit and financial services, focuses on serving large-sized companies that have corporate governance, audited financial statements and dominant market positions in their particular brands or product areas. Even if clients do not meet any of these criteria, the CID may provide services to firms under this category if they belong to a large economic group of an industry that is important to Peru's economy. The CID's financing is provided to fund capital expenditures and investments, sales, international trade and inventories. To finance capital expenditures, the CID offers medium and long term financing, financial leasing and project finance.

BCP has a leading position in the Peruvian banking system with 45.5% market share for loans in the corporate segment.

International banking unit

The International Banking Unit focuses on obtaining and providing short-term funding for international trade. Medium-term lines of credit funded by international commercial banks and other countries' governmental institutions are also provided to clients. In addition, this unit earns fees by confirming letters of credit and guarantees issued by international banks and other fees as a result of the international payment and trade finance business. The International Banking Unit also promotes international trade activities with its local clients by structuring trade products and services, organizing and sponsoring conferences and advising customers through a wide range of trade products.

BCP maintains business relationships with correspondent banks, development banks, multilateral and export credit agencies in different countries around the world. At present, BCP manages credit lines for foreign trade transactions, working capital and medium and long-term investment projects.

Leasing is one of our most important and profitable products. In connection with our leasing activities, BCP specializes in providing financing to our clients in order to allow them to acquire assets and also supports their investment projects. In 2015, our leasing stock portfolio reached the considerable figure of S/9.5 billion (6.7% year-over-year increase). BCP has consolidated its leadership in the leasing business with a 2015 market share of 39.5%, an increase from 38.5% in 2014.

Cash management and transactional services unit

Our Cash Management and Transactional Services Unit is in charge of developing transactional services that handle the exchange of information and money transfers among corporations, midsize companies, institutions and micro-business companies. This unit is responsible for both the development and marketing of transactional (or "cash management") services for our corporate and institutional clients. We offer more than 30 products aimed at strengthening ties with clients and assuring their loyalty. Our electronic channels allow us to reduce costs and increase fee income. Services managed by this unit include collections (automated trade bill collection), automated payments (loans to personnel and suppliers' accounts, reverse factoring and money transfers), electronic office banking, electronic lending solutions and cash management through checking accounts with special features.

In 2015, our transactional services accounted for 23.7% of BCP's overall earnings. The monthly average number of checking accounts increased by 7% compared to 2014 resulting in revenue of S/75.4 million in 2015, due to an increase in fee income from our checking accounts (1.6% in 2014 and 2.4% in 2013). Other sources of income, such as bills of exchange and collection services have increased by 11% and 20.5%, respectively, compared to 2014, due to positive performance across all market segments. Additionally, the acquisition of new clients, together with the number of established clients in our office banking service (Telecredito), has generated a growth of 7% in the number of transactions (compared to 8% in 2014). We continue to introduce electronic products that will eventually replace conventional promissory notes. Likewise, the transaction volume generated by reverse factoring increased 23% in 2015 compared to 2014.

(ii) Middle-market division (MMD)

BCP's MMD provides banking services targeted to medium-sized companies from various economic sectors. The products offered to middle-market clients are similar to those offered to corporate banking clients. The major types of products are:

- Revolving credit lines to finance working capital needs and international trade financing;

50

- Stand-by letters of credit and bond guarantees;
- Structured long-term and medium-term financing, through loans or financial leasing; and
- Cash Management, Transactional products and electronic banking.

The MMD has a client portfolio of approximately 6,423 companies, including 1,170 economic groups. Generally, these clients are not listed on any stock exchange; however in certain cases they have accessed capital markets either for bonds or commercial papers. These companies are typically family-controlled but professionally managed, and their financial information is audited.

The MMD has continued to make progress toward implementing its strategic goals by:

- Creating dedicated points of contact to meet the needs of its customers more efficiently;
- Streamlining its lending processes to provide middle-market customers with prompt service;
- Introducing new electronic financial products to make its services more accessible to customers;
- Incorporating sophisticated technical tools in order to implement a risk-based pricing model;
- Focusing on fee income, and loan portfolio growth;
- Introducing a new commercial planning model that employs an efficient and standardized methodology; and
- Maintaining risk controls using sophisticated tools created by BCP's Risk Management Unit.

Institutional banking unit

BCP's Institutional Banking Unit serves 1,165 clients throughout Peru. In Lima, a specialized team in wholesale banking serves governmental entities, educational institutions, religious organizations, international bodies, non-governmental organizations, civil associations and regulated entities such as microfinance institutions, insurance companies, pension funds and private funds. In other provinces, a specialized remote team partners with BCP's retail banking area to serve clients.

The annual average deposit amount in BCP's Institutional Banking Unit (Lima and provinces) increased 2.7% reaching S/8,722 million in 2015. The Institutional Banking Unit is also important because its clients offer great potential for generating fee income and other cross-selling opportunities. BCP's strategy in this unit is focused on building customer loyalty by offering customized services at competitive rates and providing outstanding service. Our institutional banking clients typically require remote office banking, collections, automated payroll payment services and structured long-term and medium-term financing loans.

4.2.2 Retail banking and wealth management (RB&WM) group

At the end of 2015, RB&WM related loans represented 45.5% of BCP's total loans, while deposits accounted for 61.4% of BCP's total deposits. Net income from RB&WM constituted 46.2% of BCP's net income, while income from related fees constituted 71% of BCP's total fee income.

With the segmentation of its retail client base, BCP is able to focus on cross-selling its products and improving per-client profitability. The RB&WM Group has undertaken several projects to improve one-on-one marketing techniques and tools for the sale of its products to profitable market segments. BCP's management expects the RB&WM businesses to continue being one of the principal growth areas for BCP's activities.

(i) Wealth management

BCP is constantly improving the value proposition it offers to affluent customers to increase their loyalty and ultimately their profitability. In May 2012, BCP created a new super affluent segment called BCP Enalta. This segment and the Private Banking segment operate under the Wealth management group.

§ Customers in Private banking receive not only local but also global investment advice. Its value plan is composed of (i) high quality standards in client service by expert account managers, (ii) close and personalized service, (iii) special interest rates, and (iv) exclusive branches. Customers in this segment total approximately 2,294.

§ Customers in Enalta have access to ten exclusive branches in Lima, where they can perform financial transactions and obtain personalized advice from investment, insurance and loan experts based on their risk profiles and financial needs. Enalta also offers customers: (i) access to exclusive products, (ii) specialized account managers and/or expert phone banking, (iii) preferential service by tellers at branches, and (iv) preferential interest rates on loans. Enalta has approximately 26,696 customers. In 2015, the Wealth Management Group generated 12.6% of the RB&WM Group's net income, 11.7% of the RB&WM Group's loan volume and 19.2% of its deposit volume.

(ii) Banca exclusiva (BEX)

Customers in BCP's "mass affluent" segment receive a differentiated value proposition that includes: dedicated customer services channels, such as specialized account managers, preferential service by tellers at branches and call center phone banking, and preferential interest rates on loans. Approximately 50% of the mass affluent clients are serviced through specialized account managers responsible for improving per-client profitability and achieving long-term relationships through personalized service, cross-selling and share of wallet strategies. BCP has approximately 213,000 mass affluent customers. In 2015, the mass affluent banking segment generated 21.4% of the RB&WM Group's net profit while managing 3.7% of the RB&WM Group's total customer base, 26.3% of its loan volume and

18.9% of its deposit volume.

52

(iii) Consumer banking

Our Consumer Banking division is in charge of developing strategies for the retail customers who are not included in affluent banking or small business banking. Its customer base consists of approximately 5.1 million medium to low income individuals. Consumer Banking focuses on customers who receive their payroll through BCP (which represent slightly more than 1.01 million clients). Its strategies vary from basic acquisition of new accounts for wage-earners with special terms regarding fees and interest rates, to more sophisticated, aggressive cross-sell and retention programs that expand benefits to non-banking products (i.e., access to discounted products) and access to payroll advances.

(iv) SME-Business and SME-Pyme

BCP's SME-Business and SME-Pyme Banking Segments serve approximately 405,000 clients. Customers are divided into two groups with different business models, services levels, and product access. SME-Business serves approximately 13,000 clients and SME-Pyme serves approximately 392,000 small business clients.

(v) Mortgage

As of December 31, 2015, BCP was the largest mortgage lender in Peru with a market share of 31.7% of total mortgage loans in the Peruvian banking system. This was largely the result of BCP's extensive marketing campaigns and its improvements to procedures for extending credit and establishing guarantees.

BCP expects the mortgage lending business to continue to grow because of:

- low levels of penetration in the financial market;
- increasing demand for housing;
- availability of funds for the Peruvian government's MiVivienda low-income housing program; and
- current economic outlook for controlled inflation and economic growth in Peru.

All of our mortgage-financing programs are available to customers with a minimum monthly income of S/1,500. In the past, the Peruvian government sponsored a home ownership program known as the MiVivienda program, which provided assistance to purchasers of homes valued at up to S/269,500. Under the program, BCP financed up to 90% of the appraised value of a property (in local currency) where monthly mortgage payments did not exceed 40% of the client's stable net income. The maximum maturity of the mortgage loans BCP offered under the program was 20 years.

As of December 31, 2015, mortgage loans accounted for 15% of Credicorp's total loan portfolio, with an average LTV (loan-to-value) of 67% and internal overdue ratio of 2.09%. Through its subsidiary BCP, Credicorp has increased lending to lower socio-economic segments of the population in Peru through the MiVivienda program sponsored by the government. Mortgage loans to this sector represent approximately 13.4% of Credicorp's total mortgage loans and 2% of Credicorp's total loans.

Mortgage loans are associated with low losses because of their low LTV, and they have the added benefit of generating opportunities for cross selling other banking products, which has had a positive impact on Credicorp's results of operations.

(vi) Credit card and installment loans

Credit card and installment loans have grown significantly as improving economic conditions have led to increased consumer spending in Peru. BCP expects the strong demand for these products to continue. In addition to interest income, BCP derives income from maintenance, retailer transaction merchant, finance and credit card penalty fees.

In the credit card business, BCP continued to apply segmented strategies. BCP continues to offer value to its high-end customers through partnerships with the airline LATAM for example. These programs, coupled with BCP's own travel program, enabled BCP to reach record levels, both in points that clients gained for using their credit cards and in points that clients spent to obtain products or services available under loyalty plans. To attract customers in the lower income segment, BCP is streamlining its risk assessment and card delivery processes.

BCP has been improving its credit monitoring systems and optimizing its scoring models, which include, among others, behavior, payments and income forecasting. BCP achieved an increase of over S/677 million in outstanding balances from credit cards from 2013 to 2015 (monthly average). According to BCP's internal records, the number of active credit cards was 984,000 in 2013, 1,083,000 in 2014 and 947,611 in 2015. Last year the stock of credit cards decreased due to a proactive decision of closing out accounts without balances or transactions in prior months.

In addition, BCP has developed sales capacities in alternative channels, such as sales through telephone contact centers, which now represent 34% of total credit card sales.

4.2.3 Treasury

Treasury, foreign exchange, derivatives and proprietary trading

BCP's Treasury function is managed through three different units in order to have strong governance, the Assets and Liabilities Management (ALM) group, the trading unit (comprised of the Foreign Exchange, Derivatives and Proprietary Trading units) and the Foreign Exchange and Derivatives Distribution Unit.

The ALM group is responsible for managing BCP's balance sheet and for taking reasonable interest rate and liquidity risks under the oversight of our Asset and Liabilities Committee (ALCO). ALM is also responsible for maintaining our liquidity asset portfolio and compliance with LCR (Liquidity Coverage Ratio) and BIS ratio under Basel III standards. In addition, ALM group is an active participant in money markets and manages reserve requirements, BCP's liquidity and other assets and liabilities matters. The group has been active in certificates of deposit auctions by the Peruvian Central Bank as well as in financing its funding needs through certificates of deposit, interbank transactions and guaranteed negotiable notes, among other instruments.

BCP's Foreign Exchange Unit participates in foreign exchange trading in money market activities in Soles and in other currencies, and in the activity related to the different instruments designed by the Peruvian Central Bank.

BCP's Derivatives Unit offers forwards, exchange options, interest rate swaps, cross currency swaps, as well as tailor-made derivatives for distribution to clients in both in Peru and the Andean region. BCP's Derivatives Unit is closely supervised by BCP's treasury risk unit, which includes professionals trained in best practices related to risk in international markets. This allows BCP to minimize risk and provide competitive prices to its clients.

BCP's proprietary trading consists of short-term investments in securities (corporate and governmental), which includes instruments from various countries. BCP is one of the main liquidity providers in the government bond local market where it is part of the Market Maker Program of the Ministry of Economy of Peru.

BCP's Foreign exchange (FX) and Derivatives Distribution Unit helps both individuals and companies with their foreign exchange needs (spot and hedging) through all BCP's channels (distribution desk, branch network, agents and electronic channels). The broad portfolio of foreign exchange products provided to its ample client base has allowed the Unit to position itself as the most important in the FX business in the Peruvian market.

Additionally, as of December 31, 2015, trading securities, investments available-for-sale and investments held-to-maturity totaled S/11,075 million, which represented 9.21% of BCP's total assets. Approximately S/9,437 million were financial instruments rated in Peru, of which nearly 49.07% were instruments from the Peruvian Central Bank (the Peruvian Government's current rating is BBB+ in both domestic and foreign currency, according to S&P and Fitch; and A3 according to Moody's) and approximately 41.08% had local ratings equal to or above A-. Approximately S/1,639 million of BCP's trading securities, investments available-for-sale and investments held-to-maturity were financial instruments rated abroad, of which 72.3% held international ratings equal to or above BBB-. Approximately 85.2% of BCP's total trading securities, investments available-for-sale and investments held-to maturity were exposed to Peru country risk; and 1.6% are exposed to United States country risk.

4.3 Lending policies and procedures

The Bank has adopted a risk appetite framework and established objective metrics and thresholds to periodically monitor the Bank's evolving risk profile. The framework was approved by the Board of Directors, and will be managed and monitored by the Risk Management Unit within the Bank's Central Risk Management Group. The adoption of a risk appetite framework reflects the Bank's commitment to aligning its forward-looking business strategy with its corporate risk vision.

BCP's uniform credit policies and approval and review procedures are based upon conservative criteria and are uniformly applied to all of its subsidiaries. These policies are administered in accordance with guidelines established by the Peruvian financial sector laws and SBS regulations. See "Item 4. Information on the Company – 4.B Business Overview - (12) Supervision and Regulation – 12.2 BCP".

BCP's credit approval process is based primarily on an evaluation of each borrower's repayment capacity and commercial and banking references. BCP determines a corporate borrower's repayment capacity by analyzing the historical and projected financial condition of the company and of the industry in which it operates. Other important factors that BCP analyzes include the company's current management, banking references, past experiences in similar transactions, and the quality of any collateral to be provided. In addition, BCP's credit officers analyze the corporate client's ability to repay obligations, determine the probability of default of the client using an internal risk rating model, and define the maximum credit exposure that BCP wants to hold with the client.

BCP's individual and small business borrowers are evaluated by considering the client's repayment capacity, a documented set of policies (including, among other issues, the client's financial track record and the degree of knowledge of the client), and credit scores, which assign loan-loss probabilities relative to the expected return of each market segment. In BCP, about 80% of credit card and consumer loan application decisions, and about 50% of SME loan application decisions, are made through automatic means. Mortgage and the remaining portions of small business and consumer loan application decisions are made by credit officers who use credit scores and profitability models as inputs for their evaluations and report to a centralized unit.

Our success in small business and personal lending areas depends largely on BCP's ability to obtain reliable credit and client information about prospective borrowers. The SBS has an extensive credit bureau which has expanded its credit exposure database service to cover businesses and individuals that have borrowed any amounts from Peruvian financial institutions. This database includes risk classifications for each borrower: "Normal," "Potential Problem," "Substandard," "Doubtful" and "Loss."

BCP has a strictly enforced policy that limits the lending authority of its loan officers. It also has procedures to ensure that these limits are adhered to before a loan is disbursed. Under BCP's credit approval process, the lending authority for middle market, small business, and personal loans is centralized into a specialized credit risk analysis area, which is operated by officers that have specific lending limits. In addition to the controls built into the loan approval workflow systems, the credit department and BCP's internal auditors regularly examine credit approvals to ensure that loan officers and credit analysis officers are complying with lending policies.

In accordance with international standards, BCP has established the limit of the lending authority based on risk rating (probability of default) and particular guarantees of the borrower. Requests for credit facilities in excess of the limits set for Credit Officers are reviewed by the Chief Operating Officer, Executive Committee or, if the amount requested is sufficiently large, by the Board of Directors.

In addition, BCP has approved concentration limits by industry, based on its target market share and loan portfolio participation.

BCP believes that an important factor in maintaining the quality of its loan portfolio is the selection and training of its loan and risk officers. BCP requires loan officers to have degrees in economics, accounting, business administration or related fields from competitive local or foreign universities. In addition, training is based on a three-month "Bank Specialization Program". Trainees in this program are taught all aspects of banking and finance. After the training program finishes, trainees are hired as loans officers and receive specialized training in credit risk. Loan officers also receive training in specific matters throughout their careers at BCP and also through a comprehensive training program called "Triple A". Laterally-hired officers generally are required to have prior experience as loan officers.

BCP operates in substantial part as a secured lender. As of December 31, 2015, approximately S/43.3 billion of our loan portfolio and off-balance-sheet exposure were secured by collateral, which represents 54.0% of the total loan portfolio based upon our unconsolidated figures, as compared to 53.1% in 2014 and 51.4% in 2013.

Liquid collateral is a small portion of BCP's total collateral. In general, when BCP requires collateral for the extension of credit, it requires collateral valued at between 110% and 150% of the principal amount of the credit facility granted. The appraisal of illiquid collateral, in particular real estate assets, machinery and equipment, is performed by independent experts.

Pursuant to a Peruvian regulation (Article 222° under Law No. 26702) that became effective in December 1998, the existence of collateral does not affect the loan classification process. For Peruvian accounting purposes, secured loans (or the portion of any loans covered by collateral) that are classified in Class "B," "C," or "D" risk categories or that are otherwise classified as substandard loans (see "Item 4. Information on the Company - 4.B Business Overview - (13)

Selected Statistical Information – 13.3 Loan Portfolio – 13.3.7 Classification of the Loan Portfolio") have a lower loan loss provision requirement than similar unsecured loans. If a borrower is classified as substandard or below, then BCP's entire credit exposure to that borrower is so classified.

57

BCP's internal audit division conducts selected revisions and analyses on borrower's financial statements, consistent with the local banking regulations of the jurisdictions in which it operates.

4.4 Deposits

Deposits are principally managed by BCP's Retail Banking Group. The main objective of BCP's Retail Banking Group operations has historically been to develop a diversified and stable deposit base in order to provide a low-cost source of funding. This deposit base has traditionally been one of BCP's strengths. BCP has historically relied on the more traditional, stable, low cost deposit sources such as demand deposits, savings and Severance Indemnity Deposits or CTS deposits. The nature of CTS deposits is similar to unemployment insurance. Twice a year (in the months of May and November) employers pay 50% of each employee's monthly remuneration into the employee's deposit account, but the employee (who is the beneficial owner of the account) may only access the account when the employment relationship ends, or under certain limited exceptions. Exceptions that have been allowed in the past include the free withdrawal of 40% of the CTS deposit made in May 2010 and 30% of CTS deposit made in November 2010. Since the year 2011, employees have been able to withdraw 70% of the excess of six gross monthly remunerations. In August 2014, extraordinary measures were established to stimulate the Peruvian economy, and employees were authorized to freely withdraw up to 100% of the excess of four gross monthly remunerations.

BCP's extensive branch network facilitates access to this source of stable and low-cost funding. BCP's corporate clients are also an important source of funding for BCP. As of December 31, 2015, deposits represented 68.1% of BCP's total funding sources (including Mibanco and BCP Bolivia; 68.1% and 72.0% as of December 31, 2014 and 2013, respectively) and 63.9% of Credicorp's total funding sources (64.1% and 67.2% as of December 31, 2014 and 2013, respectively).

4.5 Support areas

BCP's commercial banking operations are supported by its Risk Unit, which evaluates and helps administer credit relationships, establishes credit policies and monitors credit risk. See "Item 4. Information on the Company – 4.B Business Overview — (4) BCP and Subsidiaries — 4.3 Lending Policies and Procedures."

BCP's Planning and Finance Unit is in charge of planning, accounting and investor relations functions and is also responsible for analyzing economic, business and competitive environments in order to provide the information necessary to support senior management's decision-making.

In addition to the above, BCP's Administration Group is generally responsible for information technology, quality control, institutional and public relations, human resources, the legal department, security, maintenance and supplies.

4.5.1 Information technology (IT)

BCP considers its technology platform as one of its main competitive strengths and continues to invest in this area to maintain a competitive position in the banking sector. During 2012, IT changed its operating model, outsourcing the administration and operation of the IT infrastructure, application development and maintenance of some of the applications to three companies, which are leaders in their field: IBM, Tata Consulting Services and Everis. During 2013 and 2014, IT has continued to expand the scope of its services. As a result in 2015, IT delivered more projects/requirements (56% more than 2011), met our time-to-market objectives (since 2011) and strengthened our contingency and business continuity plan.

BCP's investments in IT reached S/199.3 million in 2013, S/126.3 million in 2014, and S/185.2 million in 2015. BCP's expenses on IT totaled S/544.2 million in 2013, S/588.1 million in 2014, and S/648.1 million in 2015. The 9% increase in expenses in 2015 is primarily due to economies of scale in consumption of outsourced infrastructure and outsourced application development. Finally, as a result of the new operating model, our ratio of IT expenses as a percent of revenues improved from 9.4% in 2011 to 8.1% in 2015.

4.5.2 Marketing

BCP continually works to protect and strengthen the BCP brand. We are associated with key attributes such as security and trust. We are recognized as a bank with extensive experience and accessibility thanks to our 126 years in the Peruvian market and extensive channel coverage nationwide. Our experience in the market motivates us to constantly innovate and improve for our clients. In this manner, BCP aims to grow and be a leader in every retail financial market by offering the highest possible value for its clients and shareholders. During 2015, BCP focused its strategy on generating actions to become the bank with greater focus on its customers.

BCP also continues to develop strategies to approach different retail customer groups through our customized outreach strategy known as Customer Relationship Management (CRM). This has enabled BCP to reach customers proactively and provide them with personalized offers and terms, in a timely manner while using cost effective channels and maximizing efficiency.

Another key element for BCP in creating value is innovation. BCP has launched several innovative products, including new service products for wealthy customers and new benefits for customers whose wages are paid directly into their BCP accounts. BCP is also constantly evaluating and improving its internal systems, operations and organizational structure in order to achieve leaner and more efficient processes which enhance the banking experience for our customers. Since 2009, BCP has streamlined processes by making adjustments to branch layouts, tellers, ATM cash management and mortgage lending practices. We have also implemented more standardized and sustainable commercial practices.

Quality service is a permanent goal for BCP and the company aims to proactively meet or exceed regulations promulgated under Peru's Consumer Protection Law. BCP has made significant investments in improving service and keeping customers informed about its products and services, with a special focus on reducing claims.

4.6 Corporate compliance

Our Corporate Compliance programs cover all companies within the Group and have been developed under a comprehensive approach based on international best practices and ethical principles and values of the corporation.

Compliance is responsible for managing the following corporate programs:

- Anti-Money Laundering
- International Control Lists
- Fiscal Transparency
- Regulatory Compliance
- Ethics and Conduct
- Anti-Corruption
- Market Abuse Prevention
- Protection of Personal Information
- Occupational Safety and Health
- Consumer Protection

During 2015, we focused on the following aspects of our programs:

4.6.1 Anti-money laundering

We have implemented additional controls for our high risk customers and products.

4.6.2 Fiscal transparency

In 2015, we issued the first report of US persons with accounts with us to the IRS and to the local tax authorities in each of the jurisdictions in which Credicorp operates.

We have begun making the necessary changes to comply with requirements of the common reporting standard.

4.6.3 Ethics and conduct

We created an Ethics Committee led by the Chief Compliance Officer with representation from various units of the bank. This Committee is responsible for reviewing cases related to breaches of conduct and for overall oversight of the Ethics Program.

4.6.4 Market abuse prevention

Policies and procedures related to the management of conflicts of interest in investment banking operations were revisited and strengthened to ensure controls were adequate.

4.6.5 Protection of personal information

New controls were implemented in relation to data bases, individual consents, contracts with suppliers, and confidentiality agreements. In addition, we reinforced our training to staff on this issue.

4.6.6 Occupational safety and health

In the Occupational Safety and Health program, we reinforced training of safe and healthy environments, and deployed controls on ergonomics, hazards, protection against solar radiation and protection of pregnant women and the disabled. We also have the active participation of the members of the OSH Committee who supervise the annual program and the investigation of accidents and incidents as well as proposals for improvements for the benefit of all.

4.6.7 Consumer protection

In relation to the Dodd-Frank Act, we completed our Volcker Rule Policy that regulates the trading carried out by all our companies.

(5) Atlantic Security Bank (ASB)

ASB is a Cayman Islands licensed bank that engages in private banking, asset management and proprietary investment. It was incorporated in September 1984 in the Cayman Islands and principally serves Peruvian-based customers. ASB has an international licensee branch in Panama, through which it conducts all commercial business.

As of December 31, 2015, ASB had total assets of S/6,984.8 million and shareholders' equity of S/713.4 million. As of December 31, 2014, ASB total assets and shareholders' equity reached S/5,670.7 million and S/633.1 million, respectively (compared with S/4,987.1 million and S/559.9 million, respectively, as of December 31, 2013). ASB reported a net income of S/150 million in 2015, lower than the S/159.4 million earned in 2014 but higher than the S/137.5 million earned in 2013.

ASB's customers have traditionally provided a stable funding source, as many are long-time customers who roll-over deposits on a permanent basis. As of December 31, 2015, ASB had approximately 3,216 customers, 94% of whom were Peruvian. ASB deposits reached S/5,346 million in 2015, up from S/4,815.6 million in 2014 and S/4,037.8 million in 2013.

ASB trades on its own account primarily by making medium-term investments in investment grade fixed-income securities and sovereign debt. Non-investment grade fixed-income securities represent a distant second in terms of portfolio allocation, while equity and hedge-fund positions, though present, are less relevant. As of December 31, 2015, ASB's investment portfolio was S/2,891.0 million, compared to S/2,650.2 million as of December 31, 2014 and S/2,398.7 million as of December 31,2013.

Third-party asset management is an important activity for ASB. Total assets under management (AuM) reached S/12,539.8 million as of December 31, 2015, compared to S/13,457.7 million as of December 31, 2014 and S/10,542.1 million as of December 31, 2013. These assets comprise a range of unsolicited securities directly to ASB, in which case ASB acts as an intermediary in the management and custody of these investments in fixed income and variable income securities.

ASB also maintains a sizable loan portfolio. Total loans were S/2,808.9 million, S/2,520.4 million and S/2,197.8 million at year-end 2015, 2014 and 2013, respectively. At the end of 2015 approximately 99.9% of these loans were guaranteed by customers' deposits or investments. At year-end 2015, ASB had no unsecured loans. This level of collateralization is reflected in ASB's level of non-performing loans, which is consistently less than 1% of its total loan portfolio. The majority of ASB's loans are granted to Peruvian individuals and companies, while those that are not are directed exclusively to Latin American borrowers.

ASB's overall investment strategy, the general profile of its investment portfolio and its specific investment decisions are reviewed on a monthly basis by an investment committee. Its credit risk by counterparty, including direct and indirect risk, is evaluated on a consolidated basis and covers all activities that generate credit exposure such as interbank placements, commercial loans and securities investment. Market, liquidity and operational risks are monitored by ASB's Risk Management Unit, which in turn reports to and is supervised by a Corporate Risk Committee, an Asset-Liability Committee and the Board of Directors.

(6) Grupo Pacifico

Grupo Pacifico is the second largest Peruvian insurance company, with a market share of 23.03% based on written premiums in 2015. This market share calculation includes premiums from Pacifico Seguros Generales, Pacifico Vida and Pacifico EPS and represents our total market share in the insurance market and the healthcare sector.

Grupo Pacifico achieved net income of S/349.5 million in 2015, 69.8% higher than the S/205.9 million reported in 2014 (S/106.9 million in 2013). The aforementioned is a result of: (i) a non-recurring income of S/99.1 million which came from the agreement between Grupo Pacifico and Banmedica from Chile; and (ii) higher net income registered in both, the P&C and Life insurance businesses.

62

The evolution of the P&C business was due to: (i) an increase in net earned premiums in all lines of business, (ii) a drop in the loss ratio mainly in the automobile business line associated with the adjustment of the product's pricing model and efficiencies in the underwriting process, and (iii) a higher underwriting income because of the reinsurance profit sharing registered in the P&C business.

The life insurance business registered similar net earnings due to higher written premiums, lower operating and acquisition expenses, higher financial income and a favorable exchange rate. Nevertheless, this effect was offset by an increase in the loss ratio. The higher written premiums were registered in all lines of business, particularly in the Disability and Survivor business line due to the tender process where Pacifico Vida was selected to manage disability, survival and burial expenses. This effect not only generated an increase in written premiums, but also an increase in the loss ratio. In addition, we achieved a higher financial income due to an increase in portfolio and interest rate and a decrease in the operating expenses ratio as a result of controlling expenses which is part of the company's effort to achieve operating efficiency

Finally, as a result of the agreement with Banmedica, Grupo Pacifico registers the net income of health businesses as a "net gain from associates", which is composed of the following elements:

(i) The contribution of 50% of the net income generated by the healthcare plans and medical services businesses, which are managed by Banmedica, as a "net gain from associate" (approximately S/23.1 million in 2015);

(ii) A deduction of 50% of the net income generated in the private health insurance business, which Grupo Pacifico manages, register as "financial expenses" (approximately S/10.1 million in 2015); and

(iii) Income of approximately S/99.1 million in net terms, as a result of the positive impact on the company's net worth due to the agreement between Grupo Pacifico and Banmedica.

Grupo Pacifico's main reinsurers in 2015 were Swiss Re, Munich Re, Hannover Re, Gen Re, Scor Global Life, Everest Re, Arch Re and the AIG group. Grupo Pacifico's total premiums ceded to reinsurers represented 16.6% of gross group written premiums in 2015.

6.1 Written premiums

S/ in thousands	2013	2014	2015
TOTAL WRITTEN PREMIUMS (1)	3,082,126	3,156,365	2,719,809
Health Insurance (2)	978,986	1,082,323	360,481
Individual Annuity Line	288,147	343,294	378,763
Automobile	325,777	331,850	336,667

Credit Life	227,120	259,636	300,363
Individual Life	224,936	254,960	300,117
Fire and Allied Lines	207,754	244,978	241,487
Group Life	163,542	177,875	193,952
Others	665,864	461,450	607,980

(1) Without eliminations.

(2) In 2015, Grupo Pacifico does not consolidate the corporate health insurance business and medical services (network of clinics, medical centers and laboratories) and those results are not included here. In 2015, Health insurance only includes Medical Assistance.

Grupo Pacifico reported written premiums of S/2,719.8 million in 2015, which represent a 13.8% decline compared to 2014's figure. This declination was basically as result of the control loss of Pacifico EPS, related to the agreement with Banmedica (See Item 4. Information on the Company - 4.B. Business Overview – (1) Credicorp Operating segments – 1.2 Insurance).

6.2 Claims and Reserves

In 2015, Grupo Pacifico's net loss ratio reached 58.9%, which decreased compared to the 63.3% and 66.7% recorded in 2014 and 2013, respectively.

Net Loss Ratio(1)	2013	2014	2015
Pacifico Seguros Generales	62.0%	56.8%	52.4%
Pacifico Vida	39.3%	29.5%	38.2%
Pacifico EPS	82.6%	83.9%	-
Grupo Pacifico(2)(3)	66.7%	63.3%	58.9%

(1) Net claims / Net earned premiums
(2) 2015 figure does not include Pacifico EPS results due to the agreement with Banmedica.
(3) Figures do not include eliminations for Credicorp's consolidation purposes.

Pacifico Seguros Generales's net loss ratio decrease is attributable to a better risk selection in the Automobile line and good use of facultative reinsurance. Also, the increase in net loss ratio of Pacifico Vida is explained by the result of the tender where Pacifico Vida was selected to manage disability, survival and burial expenses in the private pension system under a collective insurance policy (called SISCO).

Grupo Pacifico is required to establish (i) claims reserves related to pending claims in its P&C business, (ii) reserves for future benefit obligations under its in-force life and accident insurance policies, (iii) unearned premium reserves related to that portion of premiums written that is allocated to the unexpired portion of the related policy periods, and (iv) unallocated loss adjustment expenses (collectively, "Technical Reserves"). Grupo Pacifico establishes claims reserves with regard to claims when reported, as well as for incurred but not reported (IBNR) claims.

Grupo Pacifico records as liabilities in its financial statements actuarially determined reserves calculated to meet its obligations under its life and accident policies and its pension fund underwriting business. These reserves are determined using mortality tables, morbidity assumptions, interest rates and methods of calculation in accordance with international practices.

Pursuant to SBS regulations, Grupo Pacifico establishes pre-event reserves for catastrophic risks with respect to earthquake coverage. In accordance with IFRS principles, the pre-event reserves and income charges for these catastrophic reserves are not considered in Credicorp's consolidated financial statements.

Grupo Pacifico evaluates its reserves estimates on a periodic basis, by third party experts and by means of sensitivity analysis, IBNR's sufficiency analysis (backtesting) and explanation of variations. As a Management control, reserves are evaluated by Towers Watson every two years to evaluate whether there have been any deviations from our estimates up to the date of the evaluation.

6.3 Underwriting, clients and reinsurance

Underwriting guidelines for substantially all P&C and health insurance risks are developed by profit centers in conjunction with the actuarial staff. Pacifico Seguros Generales has engineering staff, which inspects most medium and medium-to-large commercial property insured risks prior to underwriting, whereas third party surveyors are employed to inspect smaller risks and/or lower risk property. Underwriting guidelines, rates and approval thresholds for these types of insurance are periodically reviewed by the profit centers with the actuarial staff, and informed to the risk committee.

Pacifico Seguros Generales transfers risks to reinsurers in order to limit its maximum aggregate potential losses and minimize exposures on large individual risks. Reinsurance is placed with reinsurance companies based on the evaluation of the credit quality of the reinsurer, terms of coverage and price. The P&C business acts as a reinsurer on a very limited basis, providing excess facultative reinsurance capacity to other Peruvian insurers that are unable to satisfy their reinsurance requirements, and/or to interests of Peruvian clients in the Latin American region.

Historically, Pacifico Seguros Generales has obtained reinsurance for a substantial portion of its earthquake-related insurance portfolio through excess loss reinsurance treaties. In addition, in 2012 Pacifico Seguros Generales negotiated proportional reinsurance support for this portfolio, which it maintains as of December 31, 2015. Pacifico Seguros Generales has property catastrophe reinsurance coverage in place that covers its probable maximum loss under local regulatory requirements. However, there can be no assurance that a major catastrophe would not have a material adverse impact on Grupo Pacifico’s financial condition and/or its operations.

In Pacifico Vida holds excess of loss reinsurance contracts for Individual Life, Personal Accident, Group Life and Credit Life products; and in the case of Work Compensation Risk Insurance, it holds a quota share contract. Catastrophic reinsurance contracts cover all the company’s lines (Individual Life, Personal Accident, Group Life, Credit Life, SCTR and D&S), except for the Individual Annuity line. Premiums ceded to reinsurers represented less than 2.7% of written premiums in 2015.

6.3 Investment portfolio

Grupo Pacifico’s investments are made primarily to meet its solvency equity ratio and to provide reserves for its claims. Grupo Pacifico manages its investments under three distinct portfolios, designed to contain sufficient assets to match the liabilities of the group’s property and casualty, life and annuities lines, and health care lines. Each portfolio is managed under the authority of its own committee, which reviews portfolio strategy on a monthly basis. Grupo Pacifico invests in local and international markets, emphasizing investments in Peru, the U.S. and Latin America. Grupo Pacifico has adopted strict policies related to investment decisions. Its investment strategies and policies are reviewed and approved by Grupo Pacifico's Board of Directors. Senior management also takes a leading role in devising investment strategies.

As of December 31, 2015, the market value of Grupo Pacifico's investment portfolio was S/7,716 million, which included mainly S/403.5 million in equity securities, S/1,056.2 million in investment properties, and S/6,256 million in fixed income instruments. The portfolio is well diversified and it follows an asset-liability management strategy which is based on matching assets (portfolio) and liabilities (reserves) cash flow and duration matching, currency matching and improving the capital structure of the company. Grupo Pacifico's financial income increased 0.1% in 2015 (S/337.6 million in 2015, S/337.2 million in 2014, and S/332.3 million in 2013).

(7) Prima AFP

In 2012, the Peruvian Government published the Law to Reform the Private Pension System (SPP). The law sets forth a new process by which individuals, which are called affiliates, may become beneficiaries affiliated with the SPP. Under the new law, tenders are held every 24 months to determine which company will have the exclusive right to manage the accounts of new SPP affiliates for a two year period. A competitive bidding process took place in September 2012 to determine which company would manage the accounts during a transitional period from September 2012 through the end of January 2013 (subsequently extended to May 2013). Prima AFP won the September tender and managed the accounts of new affiliates during the transitional period.

In December 2012, the first tender was held to determine who would manage the accounts for the first full two year period. A new participant in the system won the tender, but that participant did not have the operational capacity to manage new affiliate accounts as of February 1, 2013. As a result, Prima AFP continued managing the new accounts until May 31, 2013. The new participant started operations on June 1, 2013.

Between October 2012 and May 2013, Prima AFP had the exclusive right to capture new affiliates. Over this eight-month period, the company's commercial efforts increased its client base by 200,000 new affiliates. As a result, Prima AFP strengthened its position in the market and gained competitiveness. This has reinforced the company's commitment to providing premium customer service while obtaining good results with its prudent approach to pension fund management.

In May 2013, the process requiring affiliates to choose a fee scheme ended. A new fee scheme was established for the system. Prima AFP's fee scheme in 2015 is as follows, each of which is a mutually exclusive options:

- Fee based on flow: 1.60% of the affiliate's monthly remuneration.

- Mixed Fee: composed of a flow fee of 1.19%, of the affiliate's monthly remuneration, plus an annual fee of 1.25% of new contributions (generated as of February 2013 for new affiliates to the system and beginning in June 2013 for old affiliates who have chosen this commission scheme).

In 2015, Prima AFPs commercial efforts focused on its relationship with affiliates by providing them with simple, timely and personalized communications. Additionally, Prima AFP prioritized SPP education and disseminated information more actively about SPP features both to our affiliates and to the general public. The monthly insurable remuneration (RAM by its Spanish initials) indicator decreased from 33.1% in 2014 to 31.6% in 2015. In terms of collections, Prima AFP experienced a decrease in its market share from 32.6% in 2014 to 31.9% in 2015. The reductions in both were primarily a result of the entrance of a new competitor in 2013, who won the last 2 tenders for new affiliates.

Prima AFP managed 1.5 million affiliate accounts in 2015, similar to the number of affiliate accounts managed in the previous year. This represented a 24.4% market share.

Funds under management (FuMs) at Prima AFP increased from S/36.7 billion as of December 31, 2014 to S/39.3 billion as of December 31, 2015 (7.1%). In 2013, this indicator reached S/32.4 billion. By year-end 2015, Prima AFP's market share of total FuMs was 31.7%. The profitability of our funds in the 12 months ended December 31, 2015 was 4.3%, 4.9% and 1.3% for Funds 1, 2 and 3, respectively.

Given that pension funds are long-term investments, it is best to observe their returns over a long period. For the 9 years ended December 31, 2015, covering the life of Prima AFP's three funds to date, nominal annual profitability has been 6.25%, 7.15% and 6.4% for Funds 1, 2 and 3 respectively. These figures place the company first, second and third, respectively, for profitability in the SPP system.

In 2015, Prima AFP registered total revenues of S/402.2 million (S/391.9 million in 2014 and S/368.8 million in 2013) and net income of S/162.1 million (S/153.4 million in 2014 and S/137.8 million in 2013). This was accomplished by expanding Prima AFP's revenue base and controlling its operating expenses. Net income incorporates a tax change decreed by the Peruvian government, which cut corporate income taxes as of 2015. The statutory tax rate for 2013 and 2014 was 30%, and for 2015 it was 28%.

(8) Credicorp Capital

In 2015, Credicorp Capital continued establishing itself in the MILA markets, through:

- Its position as first in trading volume on the bond markets of the three countries, and first, second and third in trading on the equity markets in Peru, Colombia and Chile, respectively;

- Participating in actively advising major companies in the region in their funding, issuances and transactions

67

The largest transaction was Issuance of Corporate Bonds – YURA. Also we strengthened our regional presence by participating in key deals for the MILA region: Structured Finance – Telefonica, Structured Finance - The Carlyle Group, Financial Advisory – Enersis, and the sale of BredenMaster company to TeamFoods Company.

With regard to the asset management business, as of December 31, 2015 Credicorp Capital Peru posted AuMs of S/17,414 million, of which S/8,774 million corresponded to mutual funds (that represent a market share in Peru of 42.6%), and S/8,640 million in investment funds managed. Credicorp Capital Colombia posted AuMs of S/5,423 million, including S/3,026 million in mutual funds and S/2,397 million in investment funds managed. Finally, IM Trust posted AuMs of S/7,505 million, including S/816 million in mutual funds and S/6,689 million in investment funds managed. In regards to assets under custody, Credicorp Capital posted a total of S/38,885 million, of which Credicorp Capital Perú represented 78%, Credicorp Capital Colombia 12% and IM Trust 10%.

	2013	2014	2015
	Soles in millions		
AuM - Credicorp Capital Peru(1)	11,600	14,778	17,414
AuM - Credicorp Capital Colombia	5,089	5,335	5,423
AuM - IM Trust	3,878	5,453	7,505
Total AuM - Credicorp Capital	20,567	25,566	30,342
Total AuC - Credicorp Capital	34,012	36,789	38,885

(1) Includes AuMs for which there is a service agreement between ASB and Credicorp Capital for the latter to perform functions as Portfolio Manager (ASB funds in million of Soles are: S/4,223, S/5,683 and S/5,302 in 2013, 2014 and 2015, respectively).

(2) Asset under custody.

The Sales and Trading business had mixed results because the environment was not the best for transactions and market-making of fixed-income securities. However, we made significant revenue in FX and derivatives by taking advantage of the volatility of the exchange rate.

Additionally, in 2015, our broker in Peru reaffirmed its market share leadership in trading activity, with 28.3% and 37.9% shares in equities and fixed income, respectively. Likewise, the brokerage firm in Colombia reached first place in fixed income and second place in equities. In Chile, the broker remained first in fixed income, and reached third place in equities.

	2013	2014	2015
	Soles in millions		
Equity securities - Credicorp Capital Peru	3,712	9,430	3,683
Fixed income - Credicorp Capital Peru	2,183	2,455	2,303

Equity securities - Credicorp Capital Colombia	26,794	20,436	15,582
Fixed income - Credicorp Capital Colombia	250,787	185,860	147,111
Equity securities - IM Trust	12,383	15,588	14,434
Fixed income - IM Trust	13,039	13,436	16,872

68

8.1 Put and call options over non-controlling interest

In prior years, we acquired a controlling interest in Credicorp Capital Colombia and IM Trust. The purchase agreements through which we acquired a controlling interest in these entities include put and call options to acquire the remaining non-controlling interests.

As of December 31, 2015, financial liabilities related to put options granted to non-controlling interests of Credicorp Capital Colombia and IM Trust amounted to S/242.2 million and S/243.9 million, respectively. As of December 31, 2014, financial liabilities related to put options granted to non-controlling interests of Credicorp Capital Colombia and IM Trust amounted to S/204.8 million and S/211.4 million, respectively. As of December 31, 2013, the financial liabilities amounted to S/159.6 million and S/181.1 million for Credicorp Capital Colombia and IM Trust, respectively and as of December 31, 2012 the liabilities were S/151 million and S/159.6 million, respectively.

The formula used to calculate the amount of these put option commitments was fixed contractually and is based on the application of multiples on the average consolidated net income over the last eight quarters and the average net equity over the last four quarters before the exercise date of each option. The amount resulting from such formula is discounted using a market rate, which reflects the remaining periods and the credit risks related to each flow. Likewise, the call options are valued using the same formula.

In 2014, the purchase agreements were amended to make the exercise dates, multiples and financial information used to compute multiples the same for both Credicorp Capital Colombia and IM Trust.

The exercise dates of the put options by holders of non-controlling interests in Credicorp Capital Colombia and IM Trust are:

(i) between July 15 and 23, 2016;
(ii) between October 15 and 23, 2016; and
(iii) between January 15 and 23, 2017.

Credicorp can exercise its call options between January 24 and 31, 2017.

(9) Competition

9.1 Banking

9.1.1 Overview

In recent years, several foreign companies have showed interest in entering the Peruvian market while financial companies already in Peru have taken steps to expand operations and develop new businesses. In 2006, the Canadian bank with the largest international presence formed Scotiabank Peru pursuant to a merger between Banco Wiese Sudameris and Banco Sudamericano. In addition, in 2006, one of the largest financial organizations worldwide entered the Peruvian market for the first time by forming HSBC Bank Peru.

In 2007, Banco Santander re-joined the Peruvian banking segment and started operations in October. In 2008, two foreign-owned banks initiated operations in Peru: Banco Azteca and Deutsche Bank (Peru), a subsidiary of the German bank of the same name. In 2009, BCP acquired Financiera Edyficar; however, Edyficar continued to operate independently and maintained its own brand until March 2, 2015. In the same year, Banco del Trabajo, a subsidiary of Scotiabank, started operations as a finance corporation (Crediscotia Financiera).

In 2010 and 2011 no major commercial banks entered the Peruvian financial system. In 2012, Banco Cencosud from the Chilean group of the same name, in a joint enterprise with the Peruvian group Wong, started operations in the first half 2012. Later that year, GNB Sudameris Group, a Colombia-based entity, acquired HSBC Peru and renamed it Banco GNB Peru. In 2013, there was a merger between the rural savings bank (CRAC by its Spanish initials), Nuestra Gente and the financial firm Confianza. The entity resulting from the merger operates as a financial firm by the name of Financiera Confianza.

In 2014, ICBC Group established its first subsidiary in Peru, ICBC Bank Peru, and became the first Chinese-owned bank entering the Peruvian financial system. In February 2014, Financiera Edyficar reached an agreement with Grupo ACP Corp to buy the shares that they held in Mibanco (60.68% of total shares). In May 2014, the SBS started an intervention to the municipal savings bank Pisco (CMAC by its Spanish initials), due to its financial instability and the failure of the Financial Recovery Plan. This CMAC was acquired by Financiera TFC.

Finally, the integration of Mibanco and Edyficar took place on March 2, 2015. Also, in 2015, the SBS intervened in the CRAC Caja Señor de Luren due to losses of more than 50% of its capital stock. This CRAC was acquired by CMAC Arequipa Financiera. In July 2015, CRAC Credinka merged with Financiera Nueva Vision, the new entity operates as a financial firm by the name of Financiera Credinka. In October 2015 the financial firm Financiera TFC merged with CRAC Libertadores de Ayacucho.

While new entries into the Peruvian banking system over the last two years have not been as pronounced as in previous years, there is evidence that foreign-owned banks are taking steps to begin operations in the Peruvian market. For example, Itaú Unibanco, Bladex, Morgan Stanley Bank, Bank of Tokyo Mitsubishi and Sumitomo Mitsui Banking opened representative offices in Peru.

9.1.2 Peruvian financial system

According to the SBS, as of December 31, 2015, the Peruvian financial system is composed of 61 financial institutions and three state-owned banks (not including the Peruvian Central Bank): Banco de la Nacion, COFIDE and Banco Agropecuario.

	As of December 31, 2015			
	Number of entities	Assets	Deposits	Loans
		(Soles in million)		
Mutiple Banking	17	358,820	210,767	226,589
Financial firms	11	11,126	4,989	9,245
Municipal savings banks	12	18,993	14,606	14,695
Rural savings banks	7	639	489	463
Edpymes	12	2,117	-	1,825
Leasing companies	2	542	-	462
Total	61	392,238	230,848	253,279

(i) Multiple banking

Major Peruvian Banks	As % of Peruvian Financial System (1)			As % of Multiple Banking		
as of December 31, 2015	Assets	Deposits	Loans	Assets	Deposits	Loans
BCP Stand-alone	30.7 %	30.6 %	30.0 %	33.6 %	33.5 %	33.6 %
BBVA Banco Continental	20.7 %	20.5 %	19.6 %	22.6 %	22.4 %	22.0 %
Scotiabank Perú	14.6 %	13.6 %	14.6 %	15.9 %	14.9 %	16.3 %
Interbank	10.6 %	11.0 %	9.9 %	11.6 %	12.1 %	11.1 %
Banco Interamericano de Finanzas	2.9 %	3.2 %	3.2 %	3.1 %	3.5 %	3.6 %
Mibanco	2.8 %	2.6 %	3.1 %	3.1 %	3.5 %	3.6 %

(1) Excludes stated-owned banks.

Source: SBS

As of December 31, 2015, BCP stand-alone ranked first among all Peruvian banks in terms of assets, deposits and loans.

In 2015, the Peruvian banking system reported a balance of loans of S/152,066 million in local currency and US$21,848 million in foreign currency. These figures represented an annual expansion of loan balances of 37.8% and a decrease of loan balances of 21.2%, respectively (20.3% and -0.4%, respectively, from December 31, 2013 to December 31, 2014). As a result, the dollarization of loans reached 32.9% at the end of 2015 (compared to 42.9% in 2014 and 45.9% in 2013). Nevertheless, as of December 31, 2015, the total amount of multiple banking deposits was S/210,767 million, which represented a dollarization rate of 52.9% (compared to 47% in 2014 and 47.4% in 2013).

BCRP, as part of its loan de-dollarization plan, has defined de-dollarization targets to be reached by the end of June 2015 and the end of December 2015 in two books: (i) the total FC portfolio with certain exceptions (excludes loans for foreign trade and loans issued for more than 3 years for amounts that exceed US$10 million); and (ii) the mortgage and car portfolios as a whole. In the case of FC total loans, with the exceptions, the reduction target is calculated based on period-end balances (in Peru GAAP) as of September 2013. The reduction target for the joint portfolio of mortgage and car loans is calculated with period-end balances (in Peru GAAP) as of February 2013. However, compliance levels for both targets are calculated using average daily balances.

To help decrease loans' dollarization, BCRP has created expansion and substitution repos, which allow banks to increase the amount of local currency (LC) loans, and to replace foreign currency (FC) loans for Soles loans, respectively. BCRP increased the supply of these instruments during the second quarter of 2015 to maintain liquidity in LC. BCRP not only increased the volume of these instruments but also improved their conditions, mainly in terms of duration. Initially, repos were short-term transactions (less than a year), now they are mid-term (between one and four years).

Peru's capital ratio (regulatory capital/risk-weighted assets) reached 14.17% as of December 31, 2015, which was above the 10% legal minimum that became effective in July 2011. This represented an increase of 4 basis points from the capital ratio reported at the end of December 2014 (14.13%). In 2014, the ratio increased 44 basis points from the ratio of 13.69% as of December 31, 2013.

Peru's loan portfolio quality indicators deteriorated in 2015. As of December 31, 2015, internal overdue ratio reached 2.54%, 7 basis points more than the ratio reported as of December 31, 2014 (2.47%). At the end of 2014, the ratio increased 33 basis points compared to December 31, 2013 (2.14%). Also, the internal overdue, refinanced and re-structured loans over total loans ratio was 3.6% as of December 31, 2015, 10 basis points higher than the figure reported aat year end 2014, 3.5% (3.1% in 2013). Similarly, the coverage ratio of Peru's internal overdue loan portfolio was 166.6% as of December 31, 2015 (compared to 165.0% as of December 31, 2014 and 188.1% as of December 31, 2013).

Finally, the liquidity of the banking system remained at high and comfortable levels. The local currency liquidity ratio and foreign currency liquidity ratio closed 2015 at 26.5% and 46.6%, respectively (24.4% and 54.7% in 2014; and 30.8% and 56.1% in 2013, respectively). These ratio levels were well above the minimums required by SBS regulations (8% in local currency and 20% in foreign currency).

(ii) Other financial institutions

BCP faced strong competition from these credit providers, primarily with respect to consumer loans and small and micro-business loans.

Small and micro-business loan providers lent S/11.4 billion in 2015, compared to the S/17.2 billion in 2014 and S/15.7 billion in 2013. In 2015, overall small and micro-business loans to customers of other financial institutions represented 17.3% of the total in the financial system (compared to 55.0% in 2014 and 50.9% in 2013).

Consumer loan providers lent S/7.6 billion in 2015, compared to the S/6.9 billion and S/6.2 billion in 2014 and 2013, respectively. In 2015, overall loans to consumers of other financial institutions represented 16.3% of total loans in the financial system (compared to 17.1% in 2014 and 17.3% in 2013).

9.2 Capital markets

In BCP's Wholesale Banking Group, its corporate banking area has experienced increased competition and pressure on margins over the last few years. This is primarily the result of new entrants into the market, including foreign and privatized commercial banks, as well as local and foreign investment banks and non-bank credit providers, such as pension fund administrators (or AFPs) and mutual fund companies.

In addition, Peruvian companies have gained access to new sources of capital through local and international capital markets. In recent years, AFPs' funds under management and mutual fund assets have increased at rates over those experienced by the banking system. The private pension fund system in Peru reached S/124.1 billion as of December 31, 2015 (representing 8.4% year-over-year increase) from S/114.5 billion in 2014 and S/102.1 billion in 2013. Total mutual funds assets reached S/21.1 billion as of year end 2015, S/18.7 billion as of year end 2014, and S/16.5 billion as of year end 2013.

9.3 Investment banking

In 2015, Credicorp Capital consolidated its structure around its business units. Currently Credicorp Capital is organized around three main business units: Asset Management, Sales & Trading and Corporate Finance. In addition, we have organized a regional platform support team, structured and integrated regional sales force and have a centrally managed Treasury.

In the Asset Management business, Credicorp Capital continued its development of alternative funds, strengthening its position in the following funds: Fondo Infraestructura en Credicorp Capital Colombia, Fondo Inmobiliario en Credicorp Capital Perú, Fondo Raices en Credicorp Capital Chile and Fondo Kimco en Credicorp Capital Chile. As of December 31, 2015, in the Mutual Funds business, Credicorp Capital Peru maintains it leadership with a market share of 41.4% of total market AuMs.

The Sales and Trading business had mixed results because the economic environment was not the best for securities transactions and market-making of fixed-income securities. However, we made revenues in FX and derivatives by taking advantage of the volatility of the exchange rate. Additionally, in 2015, our broker in Peru reaffirmed its market share leadership, with 28.3% and 37.9% shares in equities and fixed income, respectively. Likewise, the brokerage firm in Colombia reached first place in market share in fixed income and the second in equities. In Chile, the broker remained first in market share in fixed income, and reached third place in market share in equities.

In the Corporate Finance business, our position was consolidated through the structuring of significant financing operations in Peru and Colombia. The year was also positive for M&A activity in Chile.

9.4 Insurance

The Peruvian insurance market is highly concentrated. As of November 30, 2015, four companies commanded 82.3% of the market share by premiums, and the leading two had a combined market share of 58.7%. Together, Pacifico Seguros Generales and Pacifico Vida constituted the second largest insurance company in Peru with a 22.8% market share. Peruvian insurance companies compete principally on the basis of price, as well as on the basis of brand recognition, customer service and product features. Grupo Pacifico's insurance businesses believe that their competitive pricing, strong and positive image, and quality of customer service are significant aspects of their overall competitiveness. While increased foreign entry into the Peruvian insurance market may put additional pressure on premium rates, particularly for commercial coverage, Grupo Pacifico believes that in the long-term foreign competition will increase the quality and strength of the industry. Grupo Pacifico believes that its size and its extensive experience in the Peruvian insurance market provide it with a competitive advantage over foreign competitors.

However, competition in the Peruvian insurance industry has increased substantially since the industry was deregulated in 1991, with particularly strong competition in the area of large commercial policies, for which rates and coverage typically are negotiated individually. A loss by Grupo Pacifico to competitors of even a small number of major customers or brokers could have a material impact on Grupo Pacifico's premium levels and market share.

(10) Peruvian government and economy

While we are incorporated in Bermuda, most of BCP's and Grupo Pacifico's operations and customers are located in Peru. Although ASHC is based outside of Peru, a substantial number of its customers are also located in Peru. Therefore, the results of our operations and our financial health could be affected by changes in economic or other policies of the Peruvian government. We are also exposed to other types of changes in Peruvian economic conditions, such as the depreciation of the Sol relative to the U.S. Dollar or social unrest related to extractive industries such as mining. The level of economic activity in Peru is also very important for our financial results and the normal conduct of our business.

10.1 Peruvian government

During the past several decades, Peru has had a history of political instability that has included several military coups and multiple government changes. On many occasions, government changes have taken place in order to alter the nation's economy, financial system, agricultural sector, etc. See "Item 3. Key Information - 3.D Risk Factors". In 1987, President Alan García attempted to nationalize the banking system, including BCP. At that time, the majority shareholders of BCP sold a controlling interest in BCP to its employees, which prevented the government from assuming control of BCP.

Starting in 1990, President Alberto Fujimori implemented a series of market-oriented reforms; since that time, they have for the most part remained in place. See "Item 3. Key Information — 3.D Risk Factors". After President Fujimori resigned in November 2000 following a series of corruption scandals, a transitory government was arranged and elections were called in April 2001. Alejandro Toledo won elections and took office that year, maintaining most of the economic policies of the prior decade. In 2006, former president Alan García was elected again and, unlike his first term in the 1980s, maintained the same market-oriented economic policies of prior governments.

In 2011, Ollanta Humala was elected president. While his initial proposals as a candidate were designed to radically change the existing market-oriented policies and move toward a more state-run economy, his first cabinet upon taking office reflected a change in approach, especially after he chose Luis Castilla, who had worked in the previous administration as Deputy Finance Minister, to serve as Minister of Finance. President Humala also decided to ratify the Central Bank's president, Julio Velarde, which was perceived as an attempt to gain confidence from business leaders and financial markets. Both appointments contributed to a recovery in Peru's investment climate, which had deteriorated during the presidential campaign. Economic growth in 2011 and 2012 reached 6.5% and 6.0%, respectively, and both rates were seen as being in line with the country's potential output. In 2013, however, the economy's growth rate decelerated to 5.8% amid concerns about metal prices (especially gold, which fell 28.3% that year), monetary policy in the United States and Chinese growth, which also affected the performance of other emerging markets. In 2014, supply-side shocks in the mining and fishing industries led to a 2.1% contraction in the primary sector, its worst performance since 1992. This added to the pressures of a difficult international environment and as a result the economy grew 2.4%. In 2015, the GDP grew close to 3.3%, as economic activity was boosted by primary sector growth (6.6%). The partial reversal of the supply-side shocks experienced during 2014 and the increase of production capacity in the copper industry due to the result of operations of the mines in Toromocho and Constancia, and the ramp-up of Cerro Verde's expansion, contributed to the GDP growth in 2015.

New presidential elections will take place his year. On April 10th, in the first round election, Keiko Fujimori and Pedro Pablo Kuczynski received first and second place, respectively. A second (and final) round election between these two candidates is scheduled to be held on June 5th. In general, each candidate has proposed to maintain the current economic model. This model includes: (i) maintaining the Constitution and respect already signed trade agreements, (ii) bolstering private investment, (iii) decreasing the extent of the informal economy, and (iv) estimulating productive diversification. However, uncertainty persists regarding the capacity of the new Government to implement proposals once elected.

75

10.2 Peruvian economy

The adoption of market-oriented macroeconomic policies since the early 1990s and a positive outlook for Peru's economy among international investors has allowed Peru to grow at an average rate of 5.8% over the last decade (2006-2015). Peru's economy even experienced a positive albeit small growth rate during the global financial crisis in 2009 (0.9%). In subsequent years, and as international financial conditions improved and growth resumed in most economies, Peru continued to outperform the global economy, growing 6.0% in 2012 and 5.8% in 2013. In 2014, the economy decelerated and grew 2.4% as a result of lower international prices for metals, supply-side shocks in the mining, fishing and coffee industries and a contraction of public investment at the subnational level. In 2015, the economy grew 3.3%, at a faster pace compared to 2014 due to the growth in the primary sector.

Peruvian economic policy is based on three pillars: trade policy, fiscal policy and monetary policy.

Peru's has maintained an open trade policy for more than two decades. In 2007, Peru signed a Free Trade Agreement (FTA) with the United States and made permanent the special access to the U.S. market previously enjoyed under the Andean Trade Promotion and Drug Eradication Act (ATPDEA). The FTA entered into effect in 2009. Trade between Peru and the United States was US$5.0 billion in 2015 (14.5% of total exports from Peru). Another trade agreement was signed with China in 2009 and entered into effect in 2011. Trade between China and Peru reached US$7.3 billion in 2015 (21.5% of total exports). In addition, Peru has also signed trade agreements with the European Union, Japan, South Korea, Singapore and Thailand, among others. Within Latin America, Peru has trade agreements with Chile, Colombia and Mexico and is a founding member of the Alliance of the Pacific together with these other three countries. Furthermore, the country is part of the Trans-Pacific Partnership, a trade agreement involving twelve Pacific Rim countries.

In 2015, exports declined 13.6% when compared to 2014, to US$34.2 billion. Imports amounted to US$37.4 billion, falling 8.7% year-over-year. In this context, the 2015 trade deficit was US$3.2 billion. The trade balance fell 6.3% when compared to the previous year. The weak trade balance continued to affect the current account's results, which closed the year with a deficit equivalent to 4.4% of GDP.

Peruvian policymakers have also maintained an orthodox approach with regards to fiscal policy and government spending. The debt-to-GDP ratio has fallen from 51.1% in 1999 to 23.3% in 2015 as the government cut its spending and privatized some state-run enterprises. The fiscal position has also benefited from the accumulation of surpluses over the major part of the last decade. In 1999, Congress approved the Law of Fiscal Responsibility and Transparency, which includes the following rules: (i) the fiscal deficit cannot exceed 1% of GDP; (ii) spending corresponding to government consumption cannot grow above 4% in real terms; and (iii) in years in which general elections take place, government spending in the first seven months of the year shall not exceed 60% of the budget for such year. In 2013, these measures were further refined, following the best international practices, with the approval of the Law Strengthening Fiscal Responsibility and Transparency, which introduced a structural-guidance approach based on the evolution of structural commodity prices and potential GDP and established that the structural fiscal deficit cannot exceed 1% of GDP. While the 1999 framework helped the country to reduce its debt levels, the changes introduced in 2013 allow for the implementation of counter-cyclical policy (when a negative output gap of more than 2% of potential GDP exists, the spending limit can be adjusted by, at most, 0.5% of GDP, and corrective measures should be employed once the output gap falls below 2%) and delineates the responsibilities of national, regional and local governments (the latter two can only borrow for capital projects and debt cannot exceed the four-year moving average of annual revenues). In March 2016, Congress approved the bill that establishes the gradual convergence of the structural deficit for 2017 (1.5%, previously 2.5%) and 2018 (1.0%, previously 2.0%). These rules, together with low debt levels and savings of about 15% of GDP have allowed Peru to not only retain its investment grade status but also to improve its credit rating, standing at BBB+ for Standard & Poor’s as well as Fitch Ratings and A3 for Moody’s.

In 2015, the non-financial public sector reported a deficit equivalent to 2.1% of GDP, compared to a 0.3% of GDP dficit in 2014, and after registering a surplus of 0.9% of GDP in 2013. This is the second deficit registered since 2010 and is the result of a decrease of 7.7% in real terms of fiscal revenues due to the 20.7% fall of corporate income tax revenues. Public expenditure grew 1.2% in real terms, however general government public investment fell 12.5%. The deficit was also explained by the fiscal stimulus package announced by the government in late 2014 in order to boost expectations and private investment. This package of measures included: (i) reducing taxes, (ii) increases in expenditure that were not contemplated in the Budget Bill, and (iii) continuity and maintenance of investments. The main tax measures included modifications to corporate income tax to encourage earnings reinvestment and investment: corporate income tax rate will be gradually reduced from 30% to 26% by 2019 (in 2015, it fell to 28%) while the dividend rate will increase from 4.1% to 9.3% in 2019 (in 2015 it increased to 6.8%). Personal income tax rates also fell in the low income segment from 15% to 8%. Additionally, steps have been taken to simplify the system for Value Added Tax (IGV by its Spanish initials) withholding to free up resources in the private sector for the equivalent of 0.4% of GDP.

Monetary policy is the responsibility of the BCRP. The BCRP is officially autonomous and presides over a system of fractional reserve banking. In 2002, BCRP set an inflation target of 2.5% (+/-1 %), which it later reduced to 2.0% (+/-1%) in 2007. The 2.0% target is the lowest in Latin America and reflects the Central Bank’s commitment to price stability. BCRP also has considerable foreign reserves, equivalent to approximately 32% of GDP as of year end 2015 and other mechanisms to provide liquidity to Peru’s domestic financial system. The Central Bank also sets regulations for the financial system, including pension funds, in coordination with the SBS. Finally, the currency regime in Peru does not have currency controls or barriers to capital inflows but has the Central Bank as an important player in the market, selling or buying foreign currency in order to soften volatility.

77

During 2015, and in response to growing inflation and inflation expectations for 2016-2017, BCRP made two hikes to its reference rate, from 3.25% to 3.50% in September, and from 3.50% to 3.75% in December; in January and February 2016 the BCRP made additional increases to 4.25%. It also lowered reserve requirements in local currency from 9.5% at the close of 2014 to 6.5% at the end of the second quarter of 2015. Inflation in 2015 was 4.4%, which is higher than BCRP's target (2.0% +/- 1pp); nevertheless, the variation in prices was lower than that observed in other countries in the region such as Colombia (6.8%), and Brazil (10.7%). Also, at the end of 2015, the exchange rate was at S/3.414 (Sol / U.S. Dollar), which represents an annual depreciation of 14.6%. However, currency depreciation in 2015 was lower than that seen in Peru's regional peers: Brazil (49.0%), Colombia (33.6%), Chile (16.8%) and Mexico (16.6%). The factors that drove these depreciatory pressures at the regional level include: (i) the fact that the dollar rallied worldwide against all currencies, including G10 and emerging currencies, due to the expectation that the FED would increase its interest rate; (ii) the decline in international prices for raw materials such as oil and copper; and (iii) weakness and in some cases deceleration in local economies.

(11) The Peruvian financial system

As our activities are conducted primarily through banking and insurance subsidiaries operating in Peru, a summary of the Peruvian financial system is set forth below.

11.1 General

On December 31, 2015, the Peruvian financial system consisted of the following principal participants: the Peruvian Central Bank, the SBS, 17 banking institutions (not including Banco de la Nación, a Peruvian state-owned bank), 11 financial firms, 2 leasing companies, 12 municipal savings banks, 7 rural savings banks, and 12 Edpymes, which totaled 61 entities.

Peruvian Law No. 26702 ("Peruvian Banking Law" or "Law No. 26702") regulates Peruvian financial and insurance companies. In general, it provides for loan loss reserve standards, brings asset risk weighting in line with Basel Committee on Banking Regulations and Supervisory Practices of International Settlements (or the Basel Accord) guidelines, broadens supervision of financial institutions by the SBS to include holding companies, and includes specific treatment of a series of recently developed products in the capital markets and derivatives areas.

11.2 The Peruvian central bank

The Peruvian Central Bank was established in 1922. Pursuant to the Peruvian Constitution, its primary role is to ensure the stability of the Peruvian monetary system. The Peruvian Central Bank regulates Peru's money supply, administers international reserves, issues currency, determines Peru's balance of payments and other monetary accounts, and furnishes information regarding the country's financial situation. It also represents the government of Peru at the IMF and the Latin American Reserve Fund (a financial institution whose purpose is to provide balance of payments assistance to its member countries by granting credits or guaranteeing loans to third parties).

The highest decision-making authority within the Peruvian Central Bank is its seven-member board of directors. Each director serves a five-year term. Of the seven directors, four are selected by the executive branch and three are selected by the Congress. The Chairman of the Peruvian Central Bank is one of the executive branch nominees but must be approved by Peru's Congress.

The Peruvian Central Bank's board of directors develops and oversees monetary policy, establishes reserve requirements for entities within the financial system, and approves guidelines for the management of international reserves. All entities within the financial system are required to comply with the decisions of the Peruvian Central Bank.

11.3 The Superintendency of banks, insurance and pension funds (SBS)

The SBS, whose authority and activities are discussed in "—(12) Supervision and Regulation" is the regulatory authority in charge of implementing and enforcing Law No. 26702 and, more generally, supervising and regulating all financial, insurance and pension fund institutions in Peru.

In June 2008, Legislative Decree 1028 and 1052 were approved modifying Law No. 26702 with the following objectives: (i) to strengthen and to increase competitiveness, (ii) to implement Basel II and (iii) to adapt Peru's existing regulatory framework to the FTA signed between Peru and the United States.

The main amendments defined in Law No. 1028 were designed to promote the development of Peruvian capital markets by extending the range of financial services that could be offered by microfinance institutions (i.e., non-banks) without requiring SBS authorization. Law No. 1028 also modified the framework in which the Peruvian financial system is to be harmonized with the international standards established by the Basel II Accord (which aims to minimize the issues regarding regulatory arbitrage). Since July 2009, Peruvian financial institutions generally have applied a standardized method to calculate their capital requirement related to credit, market and operational risk. As an alternative to the standardized method, financial institutions may request authorization from the SBS to use different models for calculating the reserve amount associated with any of these three risks. In July 2009, the SBS started receiving applications to use alternative models, referred to as Internal Models Methods. If the amount of an institution's reserve requirements would be higher using the standard model than it would be using the approved Internal Models Method, then the institution will have to maintain between 80% and 95% of the standard amount during a phase in period. Even after the phase in period, institutions using an Internal Models Method will be subject to regulatory capital floors.

Law No. 1052 aims to include and synchronize Law No. 26702 and the FTA's framework, particularly regarding insurance services. The amendments allow companies to offer cross-border services and have simplified the process for international institutions to enter into the Peruvian market by establishing subsidiaries.

11.4 Financial system institutions

Under Peruvian law, financial institutions are classified as banks, financing companies, other non-banking institutions, specialized companies and investment banks. BCP is classified as a bank.

11.4.1 Banks

A bank is defined by Law No. 26702 as an enterprise whose principal business consists of (i) receiving money from the public, whether by deposits or by any other form of contract, and (ii) using such money (together with the bank's own capital and funds obtained from other sources) to grant loans or discount documents, or in operations that are subject to market risks.

Banks are permitted to carry out various types of financial operations, including the following: (i) receiving demand deposits, time deposits, savings deposits and deposits in trust; (ii) granting direct loans; (iii) discounting or advancing funds against bills of exchange, promissory notes and other credit instruments; (iv) granting mortgage loans and accepting bills of exchange in connection with the mortgage loans; (v) granting conditional and unconditional guaranties; (vi) issuing, confirming, receiving and discounting letters of credit; (vii) acquiring and discounting certificates of deposit, warehouse receipts, bills of exchange and invoices of commercial transactions; (viii) performing credit operations with local and foreign banks, as well as making deposits in those institutions; (ix) issuing and placing local currency and foreign currency bonds, as well as promissory notes and negotiable certificates of deposits; (x) issuing certificates in foreign currency and entering into foreign exchange transactions; (xi) purchasing banks and non-Peruvian institutions which conduct financial intermediation or securities exchange transactions in order to maintain an international presence; (xii) purchasing, holding and selling gold and silver as well as stocks and bonds listed on one of the Peruvian stock exchanges and issued by companies incorporated in Peru; (xiii) acting as financial agent for investments in Peru for external parties; (xiv) purchasing, holding and selling instruments evidencing public debt, whether internal or external, as well as obligations of the Peruvian Central Bank; (xv) making collections, payments and transfers of funds; (xvi) receiving securities and other assets in trust and leasing safety deposit boxes; and (xvii) issuing and administering credit cards and accepting and performing trust functions.

In addition, banks may carry out financial leasing operations by forming separate departments or subsidiaries. Banks may also promote and direct operations in foreign commerce, underwrite initial public offerings, and provide financial advisory services apart from the administration of their clients' investment portfolios. By forming a separate department within the bank, a bank may also act as a trustee for trust agreements.

Law No. 26702 authorizes banks to operate, through their subsidiaries, warehouse companies and securities brokerage companies. Banks may also establish and administer mutual funds.

Peruvian branches of foreign banks enjoy the same rights and are subject to the same obligations as Peruvian banks. Multinational banks, with operations in various countries, may perform the same activities as Peruvian banks, although their foreign activities are not subject to Peruvian regulations. To carry out banking operations in local Peruvian markets, multinational banks must maintain a certain portion of their capital in Peru, in at least the minimum amount that is required for Peruvian banks.

11.4.2 Finance companies

Under Law No. 26702, finance companies are authorized to carry out the same operations as banks, with the exception of (i) issuing loans as overdrafts in checking accounts and (ii) participating in derivative operations. These operations can be carried out by finance companies only if they fulfill the requirements stated by the SBS.

11.4.3 Other financial institutions

The Peruvian financial system has a number of less significant entities which may provide credit, accept deposits or otherwise act as financial intermediaries on a limited basis. Leasing companies specialize in financial leasing operations where goods are leased over the term of the contract and in which one party has the option of purchasing the goods at a predetermined price. Savings and loans associations or cooperatives may accept certain types of savings deposits and provide other similar financial services.

Peru also has numerous mutual housing associations, municipal savings and credit associations, savings and credit cooperatives and municipal credit bureaus. Over the past five years the entry of new participants, including foreign banks and non-bank financial institutions, has increased the level of competition in Peru.

11.4.4 Insurance companies

Since the Peruvian insurance industry was deregulated in 1991, insurance companies have been authorized to conduct all types of operations and to enter into all forms of agreements that are needed to offer risk coverage to customers. Insurance companies may also invest in financial and non-financial assets, although they are subject to the regulations on investments and reserves established in Law No. 26702 and the regulations issued by the SBS.

Law No. 26702 is the principal law governing insurance companies in Peru. The SBS is charged with the supervision and regulation of all insurance companies. The formation of an insurance company requires prior authorization of the SBS. The insurance industry was comprised of 18 companies as of December 31, 2015.

(12) Supervision and regulation

12.1 Credicorp

Currently, there are no applicable regulations under Bermuda Law that are likely to materially impact our operations as they are currently structured. Under Bermuda law, there is no regulation applicable to us as a holding company that would require that we separate the operations of our subsidiaries incorporated and existing outside Bermuda. Since our activities are conducted primarily through our subsidiaries in Peru, the Cayman Islands, Bolivia, Chile, Colombia and Panama, a summary of the main regulations governing our businesses is set forth below.

Our common shares are listed on the New York Stock Exchange (NYSE). We are therefore subject to regulation by the NYSE and the SEC as a "foreign private issuer". We also must comply with the Sarbanes-Oxley Act of 2002.

We are, along with BCP, subject to certain requirements set forth by Law 26702 as well as certain banking statutes issued by the Peruvian banking regulator, SBS, including SBS Resolution No. 11823-2010, enacted in September 2010 and which approved the "Regulation of the Consolidated Supervision of Financial and Mixed Conglomerates". Resolution N° 11823-2010 was partially amended by Resolution N° 2945-2013 enacted in May 2013. These regulations affect BCP and us primarily in the areas of reporting, risk control guidelines, limitations, ratios and capital requirements.

Since our common shares are listed on the Lima Stock Exchange in addition to the New York Stock Exchange, we are subject to certain reporting requirements to Superintendencia del Mercado de Valores, the Peruvian securities market regulator, and the Lima Stock Exchange. See "Item 9. The Offer and Listing — 9.C Markets — (1) The Lima Stock Exchange – 1.2 Market Regulation".

12.2 BCP and Mibanco

12.2.1 Overview

BCP and Mibanco's operations are regulated by Peruvian law. The regulations governing operations in the Peruvian financial sector are stated in Law 26702. The SBS periodically issues resolutions under Law 26702. See "Item 4. Information on the Company – 4.B Business Overview – (11) The Peruvian Financial System". The SBS supervises and regulates entities that Law 26702 classifies as financial institutions. These entities include commercial banks, finance companies, small business finance companies, savings and loan corporations, financial services companies such as trust companies and investment banks, and insurance companies. Financial institutions must obtain the SBS's authorization before beginning operations.

BCP and Mibanco's operations are supervised and regulated by the SBS and the Peruvian Central Bank. Those who violate Law 26702 and its underlying regulations are subject to administrative sanctions and criminal penalties. Additionally, the SBS and the Peruvian Central Bank have the authority to issue fines to financial institutions and their directors and officers if they violate the laws or regulations of Peru, or their own institutions' Bye-laws.

The SMV is the Peruvian government institution in charge of: (i) promoting the securities market, (ii) making sure fair competition takes place in the securities markets, (iii) supervising the management of businesses that trade in the securities markets, and (iv) regulating their activities and accounting practices. BCP and Mibanco must inform SMV of significant events that affect its business and is required to provide financial statements to it and the Lima Stock Exchange each quarter. Both institutions are also regulated by SMV when it conducts operations in the local Peruvian securities market.

Under Peruvian law, banks may conduct brokerage operations and administer mutual funds but must do so through subsidiaries. However, bank employees may market the financial products of the bank's brokerage and mutual fund subsidiaries. Banks are prohibited from issuing insurance policies, but are not prohibited from distributing insurance policies issued by insurance companies.

12.2.2 Authority of the SBS

Peru's Constitution and Law 26702 (which contains the statutory charter of the SBS) grant the SBS the authority to oversee and control banks and financial institutions (with the exception of brokerage firms, which are regulated by SMV), insurance and reinsurance companies, companies that receive deposits from the general public, AFPs and other similar entities as defined by Law 26702. The SBS is also responsible for supervising the Peruvian Central Bank to ensure that it abides by its statutory charter and Bye-laws.

The SBS has administrative, financial and operating autonomy. Its objectives include protecting the public interest, ensuring the financial stability of the institutions over which it has authority and punishing violators of its regulations. Its responsibilities include: (i) reviewing and approving, with the assistance of the Peruvian Central Bank, the establishment and organization of subsidiaries of the institutions it regulates; (ii) overseeing mergers, dissolutions and reorganization of banks, financial institutions and insurance companies; (iii) supervising financial, insurance and related companies from which information on an individual or consolidated basis is required, through changes in ownership and management control (this supervision also applies to non-bank holding companies, such as us); (iv) reviewing the Bye-laws and amendments of Bye-laws of these companies; (v) issuing criteria governing the transfer of bank shares, when permitted by law, for valuation of assets and liabilities and for minimum capital requirements; and (vi) controlling the Bank's Risk Assessment Center, to which all banks are legally required to provide information regarding all businesses and individuals with whom they deal without regard to the amount of credit risk (the information provided is made available to all banks to allow them to monitor individual borrowers' overall exposure to Peru's banks). The SBS is also responsible for setting criteria for the establishment of financial or mixed conglomerates in Peru and for supervising these entities. As a result, in addition to its supervision of BCP and Mibanco, the SBS also supervises Credicorp Ltd. because Credicorp Ltd. is a financial conglomerate conducting the majority of its operations in Peru.

12.2.3 Management of operational risk

SBS Resolutions No. 37-2008, which sets forth the guidelines for enterprise risk management (ERM), and 2116-2009 collectively established guidelines for operational risk management. Under these resolutions, operational risk management is defined broadly to include those risk resulting from the possibility of suffering financial losses due to inadequate or failed internal processes, people and systems, or from adverse external events. The resolutions also establish responsibilities for developing policies and procedures to identify, measure, control and report such risks. Banks are required to adequately manage risks involved in the performance and continuity of their operations and services in order to minimize possible financial losses and reputation damage due to inadequate or non-existent policies or procedures. Banks also are required to develop an information security model to guarantee physical and logical information integrity, confidentiality and availability.

Credicorp, following these SBS requirements, as well as the guidelines issued by the Basel Committee on Banking Supervision, and the advice of international consultants, has appointed a specialized team responsible for operational risk management across our organization. This team reports regularly to our risk committee, top managers and the Board of Directors.

In evaluating operational risks and potential consequences, we mainly assess risks related to critical processes, critical suppliers, critical information assets, technological components, new products and significant changes to our services, and channels. To support the operational risk management process we have developed a Business Continuity Management (BCM) discipline, which involves the implementation of continuity plans for critical business processes, incident management, and training and testing. In addition, our methodology and data processing team has developed procedures to register, collect, analyze and report operational risk losses, using advanced models for operational risk capital allocation. Lastly, we have monitoring and reporting procedures, designed to monitor Key Risk Indicators (KRI) and other performance metrics.

We intend to be guided by the risk control standards of international financial institutions that are noted for their leadership in this field. Our overall objective is to implement an efficient and permanent monitoring system to control operational risks, while training our operational units to mitigate risks directly.

Pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, we are required to make certain certifications regarding our internal controls over financial reporting as of December 31, 2015. We have developed internal methods to identify and evaluate risk and controls over our critical processes to determinate how effective internal controls are over financial reporting.

12.2.4 Capital adequacy requirements for BCP and Mibanco

Capital adequacy requirements applicable to us are set forth in the Peruvian Banking Law, as amended (Law 26702) through Legislative Decree 1028. Legislative Decree 1028 was aimed at adapting the Peruvian Banking Law to the capital guidelines and standards established by the second Basel Accord (Basel II). Capital adequacy requirements are also included in Peruvian GAAP accounting guidelines.

Pursuant to the Basel II guidelines, financial institutions are required to hold regulatory capital that is greater than or equal to the sum of (i) 10% of credit risk-weighted assets, and (ii) 10 times the amount required to cover market and operational risks.

On July 20, 2011, the SBS issued SBS Resolution 8425-2011, establishing the methodologies and the implementation schedule of additional capital requirements consistent with certain aspects of Basel III. The new capital requirements include requirements to cover concentration, interest rate and systemic risk. Additionally, pro-cyclical capital requirements were also established. These additional requirements will be fully implemented in July 2016.

The SBS has otherwise yet to approve rules adopting Basel III or implementing it in the Peruvian Financial System.

Article 184 of Law 26702, as amended by Legislative Decree 1028, provides that regulatory capital may be used to cover credit risk, market risk and operational risk. Regulatory capital is comprised of the sum of basic capital and supplementary capital, and is calculated as follows:

- Basic Capital: Basic Capital or Tier 1 capital is comprised of:

(i) paid-in-capital (which includes common stock and perpetual non-cumulative preferred stock), legal reserves, supplementary capital premiums, voluntary reserves distributable only with prior SBS approval, and retained earnings with capitalization agreements (earnings that the shareholders or the Board of Directors, as the case may be, have committed to capitalize as common stock);

(ii) other elements that have characteristics of permanence and loss absorption that are in compliance with regulations enacted by the SBS, such as hybrid securities; and

(iii) unrealized gains and retained earnings in Subsidiaries.

Items deducted from Tier 1 capital include:

(a) current and past years' unrealized losses;

(b) deficits of loan loss provisions;

(c) goodwill resulting from corporate reorganizations or acquisitions; and

(d) half of the amount referred to in "Deductions" below. Absent any Tier 2 capital, 100% of the amount referred to in "Deductions" below must be deducted from Tier 1 capital.

(iv) Half of the amounts referred to in "Deductions" below.

85

The elements referred to in item (ii) above should not exceed 17.65% of the amount resulting from adding components (i) and (iii) of Tier 1 capital net of the deductions in (a), (b) and (c) in this paragraph.

- Supplementary Capital: Supplementary capital is comprised of the sum of Tier 2 and Tier 3 capital. Tier 2 capital elements include:

(i) voluntary reserves that may be reduced without prior consent from the SBS;

(ii) the eligible portion of redeemable subordinated debt and of any other components that have characteristics of debt and equity as provided by the SBS;

(iii) for banks using the Standardized Approach Method (SAM), the generic loan loss provision up to 1.25% of credit risk-weighted assets; or, alternatively, for banks using the IRB Method, the generic loan loss provision up to 0.6% of total credit risk-weighted assets (pursuant to article 189 of the Law); and

(iv) half of the amount referred to in "Deductions" below. Tier 3 capital is comprised of redeemable subordinated debt that is incurred with the exclusive purpose of covering market risk, as referred to in Article 233 of the Law.

- Deductions: The following elements are deducted from Tier 1 and Tier 2 capital:

(i) all investments in shares and subordinated debt issued by other local or foreign financial institutions and insurance companies;

(ii) all investments in shares and subordinated debt issued by an affiliate with which the bank consolidates its financial statements, including its holding company and such subsidiaries referred to in Articles 34 and 224 of the Law;

(iii) the amount in which an investment in shares issued by a company with which the bank does not consolidate its financial statements and which is not part of the bank's negotiable portfolio exceeds 15% of the bank's regulatory capital;

(iv) the aggregate amount of all investments in shares issued by companies with which the bank does not consolidate its financial statements and which are not part of the bank's negotiable portfolio exceeds 60% of the regulatory capital;

(v) when applicable, the amount resulting from the formula prescribed in Article 189 of the Law.

For the purposes herein, "regulatory capital" excludes the amounts referred to in (iii), (iv) and (v) of this paragraph.

Article 185 of Law 26702 also provides that the following limits apply when calculating regulatory capital:

(i) the aggregate amount of supplementary capital must not exceed the aggregate amount of basic capital;

(ii) the amount of redeemable Tier 2 subordinated instruments must be limited to 50% of the amount resulting from the sum of Tier 1 elements net of the deductions in (a), (b), and (c) in "Basic Capital" above;

(iii) the amount of Tier 3 capital must be limited to 250% of the amount resulting from the sum of Tier 1 elements net of the deductions (a), (b), and (c) in "Basic Capital" above in the amounts assigned to cover market risk.

SBS Resolution 8548-2012, adopted in 2012, modified the regulatory capital requirements for credit risk weighted assets in SBS Resolution 14354-2009 and established a schedule for implementing the modifications.

As of December 31, 2015, BCP's regulatory capital was 14.34% of its unconsolidated risk-weighted assets. As of December 31, 2014 and December 31, 2013, BCP's regulatory capital was 14.45% and 14.46% of its unconsolidated risk-weighted assets, respectively.

In November 2013, BCP's board of directors decided to track a Basel III ratio known as Common Equity Tier 1. Common Equity Tier 1 is comprised of:

(i) paid-in-capital (which includes common stock and perpetual non-cumulative preferred stock),

(ii) legal and other capital reserves,

(iii) accumulated earnings,

(iv) unrealized profits (losses),

(v) deficits of loan loss provisions,

(vi) intangibles,

(vii) net deferred taxes that rely on future profitability,

(viii) goodwill resulting from corporate reorganizations or acquisitions; and

(ix) 100% of the amount referred to in "Deductions" above.

As of December 31, 2015, BCP's Common Equity Tier 1 Ratio was approximately 9.34% of its unconsolidated risk-weighted assets, well above the 7.50% limit that BCP set for itself. This limit will increase to 8.70% in January 2016 and 9.40% in January 2017. BCP's Basel III Common Equity Tier 1 Ratio is estimated based on BCP's understanding, expectations and interpretation of the proposed Basel III requirements in Peru.

Capital management

On February 24, 2016, SBS issued the Resolution 975 -2016 - “Subordinated Debt Regulation”, which aims to improve the quality of the total regulatory capital and align Peruvian regulation towards Basel III, by modifying:

- The characteristics that subordinated debt must meet to be considered in the calculation of total regulatory capital
- The calculation of risk-weighted assets

87

The new regulation considers that subordinated debt issued prior to the new regulation and that does not meet the new requirements, may be recognized as total regulatory capital, according to the following:

- Tier 1 subordinated debt: it will be subject to a 10% discount per year beginning in January 2017, and for the next 10 years. However, the amount not computable as Tier 1 regulatory capital may be computed as a Tier 2 instrument, if it has a residual maturity equal or greater than fifteen (15) years.

BCP’s current Tier 1 subordinated debt totals S/. 853 million as of December 2015, was issued in 2009, and matures in 2069. Thus, the amount to be discounted from Tier 1 regulatory capital since January 2017 will be eligible in Tier 2 regulatory capital. If BCP considered a fully-loaded discount, the Tier 1 ratio fell 84bps as of December 2015. Nevertheless, the BIS ratio remained at the same level.

- Tier 2 subordinated debt: during the five (5) years prior to maturity, the principal balance will be discounted by 20%. In the year prior to its maturity the tier 2 subordinated debt will not be considered in the calculation of Tier 2. This treatment is similar to that stipulated in the current regulation. As a result, there will be no impact in Tier 2 subordinated debt computed in December 2015.

In addition, the SBS Resolution also includes changes to the calculation of risk-weighted assets (RWAs) of the following accounting items:

- Intangible (excluding Goodwill).
- Deferred Tax Assets (DTAs) that are originated by operating losses. Deferred Tax Assets are to be net of Deferred Income Tax Liabilities (DTLs).
- Deferred Tax Assets (DTAs) that are associated with temporary differences and that exceed the threshold of 10% of the “adjusted total capital”. Deferred Tax Assets are to be net of Deferred Tax Liabilities (DTLs).

These assets will experience a gradual increase in their risk weights (until reach a maximum of 1000% in 2026) to replicate the deductions established by Basel III. It is important to highlight that these increases in risk weights are not associated with a higher level of risk in these assets. These RWAs will be used exclusively for calculating the BIS ratio. As of December 2015, the BIS ratio was 14.3%, and it would be 13.8% if we apply fully the risk weights.

Furthermore, the new regulation requires the calculation of a new solvency ratio: Adjusted total capital on adjusted total risk weight assets. This methodology is similar to that used to calculate CET1 ratio under Basel III. In this context, the accounting items mentioned above are deducted from the numerator of the new solvency ratio, and the calculation of RWAs (the denominator) does not consider these deductions. As of December 2015, the CET1 ratio was 9.34%, this ratio will not change because it is already using the adjusted total risk weight for their calculation.

Finally, Adjusted Total RWAs will be published periodically by Credicorp for transparency purposes and to demonstrate the calculation of the CET1 ratio.

Regulatory capital and capital adequacy ratios

The following tables show regulatory capital and capital adequacy requirements from BCP and Mibanco as of December 31, 2013, 2014 and 2015:

BCP - Regulatory Capital and Capital Adequacy Ratios

Soles in thousands	2013		2014		2015	
Capital stock	3,752,617		4,722,752		5,854,051	
Legal and other capital reserves	2,422,230		2,761,777		3,157,906	
Accumulated earnings with capitalization agreement	504,000		1,000,000		600,000	
Loan loss reserves (1)	834,388		1,007,150		1,146,571	
Perpetual subordinated debt	698,750		746,500		852,750	
Subordinated debt	3,417,962		4,146,707		4,588,342	
Unrealized profit (loss)	-		-		-	
Investment in subsidiaries and others	-1,384,340		-2,186,066		-1,922,062	
Unrealized profit and net income in subsidiaries	631,575		627,029		334,132	
Goodwill	-122,083		-122,083		-122,083	
Total Regulatory Capital	10,755,099		12,703,766		14,489,607	
Tier 1 (2)	7,194,919		8,642,942		9,715,725	
Tier 2 (3) + Tier 3 (4)	3,560,180		4,060,824		4,773,882	
Total risk-weighted assets	74,379,368		87,938,921		101,068,772	
Market risk-weighted assets (5)	2,767,876		1,189,463		2,047,887	
Credit risk-weighted assets	66,751,001		80,572,032		91,725,676	
Operational risk-weighted assets	4,860,491		6,177,426		7,295,209	
Capital ratios						
Tier 1 ratio (6)	9.67	%	9.83	%	9.61	%
Common Equity Tier 1 ratio (7)	8.40	%	8.01	%	9.34	%
BIS ratio (8)	14.46	%	14.45	%	14.34	%
Risk-weighted assets / Regulatory Capital (9)	6.92		6.92		6.988	

(1) Up to 1.25% of total risk-weighted assets.
(2) Tier 1 = Capital + Legal and other capital reserves + Accumulated earnings with capitalization agreement + Unrealized profit and net income in subsidiaries - Goodwill - (0.5 x Investment in Subsidiaries) + Perpetual subordinated debt (maximum amount that can be included is 17.65% of Capital + Reserves + Accumulated earnings with capitalization agreement + Unrealized profit and net income in subsidiaries - Goodwill).
(3) Tier 2 = Subordinated debt + Loan loss reserves - (0.5 x Investment in subsidiaries).
(4) Tier 3 = Subordinated debt covering market risk only.
(5) It includes capital requirement to cover price and rate risk.
(6) Tier 1 / Risk-weighted assets
(7) Common Equity Tier I = Capital + Reserves + retained earnings + unrealized gains – 100% of applicable deductions (investment in subsidiaries, goodwill, intangibles and net deferred taxes that rely on future profitability).
(8) Regulatory Capital / Risk-weighted assets (legal minimum = 10% since July 2011)
(9) Since July 2012, Risk-weighted assets = Credit risk-weighted assets * 1.00 + Capital requirement to cover market risk * 10 + Capital requirement to cover operational risk * 10 * 1.0 (since July 2014).

Mibanco - Regulatory Capital and Capital Adequacy Ratios

Soles in thousands	2013		2014		2015	
Total Regulatory capital	741,840		690,594		1,315,456	
Tier 1 (1)	557,433		523,454		992,812	
Tier 2 (3)	184,418		167,140		321,644	
Total risk-weighted assets	4,805,011		4,414,261		8,582,380	
Market risk-weighted assets (3)	4,547,590		4,062,527		8,157,047	
Credit risk-weighted assets	29,094		57,685		82,024	
Operational risk-weighted assets	228,327		294,049		343,309	
Capital ratios						
Tier 1 ratio (4)	11.60	%	11.86	%	11.57	%
Common Equity Tier 1 ratio (5)	12.18	%	11.72	%	12.08	%
BIS ratio (6)	15.44	%	15.64	%	15.32	%
Risk-weighted assets/Regulatory Capital(7)	6.48		6.39		6.53	

(1) Tier 1 = Capital + Legal and other capital reserves + Accumulated earnings with capitalization agreement + Unrealized profit and net income in subsidiaries - Goodwill - (0.5 x Investment in Subsidiaries) + Perpetual subordinated debt (maximum amount that can be included is 17.65% of Capital + Reserves + Accumulated earnings with capitalization agreement + Unrealized profit and net income in subsidiaries - Goodwill).

(2) Tier 2 = Subordinated debt + Loan loss reserves - (0.5 x Investment in subsidiaries).

(3) It includes capital requirement to cover price and rate risk.

(4) Tier 1 / Risk-weighted assets

(5) Common Equity Tier I = Capital + Reserves + retained earnings + unrealized gains – 100% of applicable deductions (investment in subsidiaries, goodwill, intangibles and net deferred taxes that rely on future profitability).

(6) Regulatory Capital / Risk-weighted assets (legal minimum = 10% since July 2011)

(7) Since July 2012, Risk-weighted assets = Credit risk-weighted assets * 1.00 + Capital requirement to cover market risk * 10 + Capital requirement to cover operational risk * 10 * 1.0 (since July 2014).

12.2.5 Legal reserve requirements

In accordance with Peruvian regulation -article 67 of Law 26702- a reserve of up to at least 35% of paid-in capital of the Group's subsidiaries operating in Peru is required to be established through annual transfers of at least 10% of their net income. In accordance with Bolivian regulation, a reserve of up to at least 50% of paid-in capital of the Group's subsidiaries operating in Bolivia is required to be established through annual transfers of at least 10% of their net income. As of December 31, 2015, 2014 and 2013, these reserves amounted to approximately S/2,996.7 million, S/2,731.7 million and S/2,017.2 million, respectively.

12.2.6 Provisions for loan losses

Credicorp's allowance model is an IFRS compliant loss estimation model that comprises a number of methodologies which estimate losses for Wholesale Banking and Retail Banking in line with IASC39. Depending on the portfolio analyzed, each methodology takes into consideration collateral recovery projections, outstanding debt, and qualitative aspects that reinforce the estimate. Some examples of qualitative aspects are the complexity of the recovery processes, sector trends, and officers' judgment of the estimated recovery values.

The methodology includes three estimation scenarios: base, upper threshold and lower threshold. These scenarios are generated by modifying some assumptions, such as collateral recovery values and adverse effects due to changes in the political and economic environments. The process to select the best estimate within the range is based on management's best judgment, complemented by historical loss experience. See "Item 4. Information on the Company - 4.B Business Overview - (13) Selected Statistical Information - 13.3 Loan Portfolio - 13.3.12 Allocation of Loan Loss Reserves".

12.2.7 The Peruvian central bank reserve requirements

The reference interest rate is periodically revised by the Peruvian Central Bank in accordance with its monetary policy objectives. Once a month the board of directors of the Peruvian Central Bank approves and announces the monetary program through a press release. The following chart summarizes the reference interest rate changes in 2013, 2014 and 2015:

Changes in BCRP's reference interest rate

Month	Rate

November 2013	4.00%
July 2014	3.75%
September 2014	3.50%
January 2015	3.25%
September 2015	3.50%
December 2015	3.75%
January 2016	4.00%
February 2016	4.25%

The tightening of the Peruvian Central Bank's monetary policy seeks to anchor inflation expectations within the target range: 2% (+/-1%) in a context where inflation closed 2015 at 4.40%.

Under Law 26702, banks and financial institutions are required to maintain legal reserve requirements for certain obligations. The Peruvian Central Bank requires financial institutions to maintain marginal reserve requirements for foreign currency obligations. The exact level and method of calculation of the reserve requirement is established by the Peruvian Central Bank. The reserve requirements in Peru apply to obligations such as demand and time deposits, savings accounts, securities, certain bonds and funds administered by the bank. Additionally, the Peruvian Central Bank requires reserves on amounts due to foreign banks and other foreign financial institutions. Furthermore, as of January 2011, obligations of foreign subsidiaries and affiliates are also subject to the reserve requirement.

The Peruvian Central Bank has set the minimum level of reserves for banks at 6.5% for local currency and 9.0% for foreign currency. However, the Peruvian Central Bank also establishes a marginal reserve requirement of 70.0% in foreign currency for funds that exceed a certain level set by the Central Bank. By December 2015, the commercial banks average foreign currency reserve requirement ratio was 36.3%. Foreign currency cannot be used to comply with reserve requirements for liabilities in domestic currency, and vice versa. The Peruvian Central Bank oversees compliance with the reserve requirements.

In 2015, the Peruvian Central Bank has also continued lowering the rate of reserve requirements in local currency (from 9.5% at the close of 2014 to 6.5% at the end of the second quarter of 2015) to provide banks with liquidity in Soles and facilitate the expansion of credit in this currency, in a context in which deposits in Soles have been growing at a slower pace than credit. It made reductions in five of the twelve months of the year (the BCRP cut reserve requirements from 9.5% to 9.0% in January 2015, to 8.5% in February 2015, to 8.0% in March 2015, to 7.5% in April 2015, to 7.0% in May 2015 and to 6.5% in June 2015). In addition to this, the Central Bank has also continued placing long term repos and auctioning public deposits funds to meet the requirements for liquidity in Soles. Moreover, the Central Bank increased the marginal reserve requirement in foreign currency from 50% at the close of 2014 to 60% in January 2015 and 70% in March 2015. The measures seek to increase lending in local currency and support local economic activity. In addition to overall changes in reserve requirements, the Central Bank cut the minimum for current account deposits in local currency subject to reserve requirements, from 3.0% at the close of 2014 to 0.75% by April 2015.

In order to offset the excessive pressure of the market of derivatives on the domestic currency, the Central Bank has adjusted additional reserve requirements in Soles according to the level of bank's forwards contracts involving foreign currencies. Moreover, the Central Bank established a program aimed at contributing to the de-dollarization of credit to reduce economic agents' risks associated with borrowing in foreign currency in light of the depreciation observed in 2013 (9.6%), 2014 (6.8%) and 2015 (14.6%). Thus, additional reserve requirements of 30% were established for loans in foreign currency to increase the cost of these loans. Particularly, the program seeks that banks reduce their balances of loans in dollars: (i) the balance of a bank's total loans (excluding loans for foreign trade operations) at June 2015 was required to be equal to 95% of the balance recorded in September 2013 or 90% of the same balance in December 2015, and (ii) the balance of a bank's car loans and mortgage loans at June 2015 was required to be equal to 90% of the balance in February 2013 and at 85% of such balance in December 2015. As a result of these measures, the ratio of dollarization of credit has declined from 38.3% at the end of December 2014 to 30.5% at the end of December 2015. In order to continue promoting the de-dollarization of credit, in November 2015 the Central Bank expanded its credit de-dollarization program, adjusting the limits used to calculate the rate of additional reserve requirements based on the reduction of a bank's balance of credit in foreign currency by December 2016. In the case of total credit in foreign currency, the minimum reduction required now is 20% of the balance banks registered in September 2013, while in the case of car loans and mortgage loans, the minimum reduction required by December 2016 is 30% of the balance recorded in February 2013. Thereafter, the reduction for car loans and mortgage loans will increase by 10 percentage points each year end. Additionally, in order to reduce the pressures on the Dollar, at the end of August, the Central Bank established a new instrument called special Repo, which consists of the simultaneous sale of a certificate of deposit resettable (CDR) by the Central Bank and a securities repo operation in which financial institutions use the CDR as collateral to lend Soles to the BCRP. Consequently, the instrument does not provide additional liquidity to financial institutions. As a result of this operation, private banking receives domestic currency generating a liability and maintains an asset equivalent to the CDR that is left as collateral at the Central Bank.

The measures adopted by the Peruvian Central Bank have kept the growth of credit close to 10.0%, expanding 9.2% in 2015, although it has decelerated compared to 2014 (10.4%) and 2013 (12.9%). By denomination, loans in local currency grew 28.0% and loans in foreign currency fell 21.0% in 2015.

12.2.8 Lending activities

Law 26702 sets the maximum amount of credit that a financial institution may extend to a single borrower. A single borrower includes an individual or an economic group. An economic group constituting a single or common risk includes a person, such person's close relatives and the companies in which such person or close relatives have significant share ownership or decision-making capability. Significant decision-making capability is deemed to be present when, among other factors, a person or group can exercise material and continuous influence upon the decisions of a company, when a person or company holds seats on the board of directors or has principal officers in another company, or when it can be assumed that one company or person is the beneficial recipient of credit facilities granted to another company.

The limit on credit that may be extended to one borrower varies according to the type of borrower and the collateral received. The limit applicable to credit for any Peruvian borrower is 10% of the bank's regulatory capital, applied to both unconsolidated and consolidated records, which may be increased to up to 30% if the loan is collateralized in a manner acceptable under Law 26702. If a financial institution exceeds these limits, the SBS may impose a fine on the institution. As of December 31, 2015, 2014 and 2013, the 10.0% credit limit per borrower of BCP, unconsolidated, was S/1,449.0 million, S/1,270.4 million and S/1,075.2 million, respectively, for unsecured loans, and the 30.0% limit for secured loans was S/4,346.9 million, S/3,811.1 million and S/3,226.0 million, respectively, at the end of 2015, 2014 and 2013.

Pursuant to Article 52 of the organic law of the Peruvian Central Bank, in certain circumstances, the Peruvian Central Bank has the authority to establish limits on interest rates charged by commercial banks and other financial institutions. No such limits are currently in place; however, there can be no assurance that the Peruvian Central Bank will not establish such limits on interest rates in the future.

12.2.9 Related party transactions

Law 26702 regulates transactions between financial institutions on the one hand and related parties and or affiliates on the other. SBS and SMV have also enacted regulations that define indirect ownership, related parties and economic groups, in order to limit transactions with related parties and affiliates. These regulations also provide standards for the supervision of financial and mixed conglomerates formed by financial institutions.

The total amount of loans to directors, employees or close relatives of any such persons may not exceed 7% of a bank's regulatory capital. All loans made to any single director or employee borrower, considering his/her close relatives, may not exceed 0.35% of regulatory capital (i.e., 5% of the overall 7% limit).

Pursuant to Law 26702, as amended by Law 27102, the aggregate amount of loans to related party borrowers considered to be part of an economic group (as defined above) may not exceed 30% of a bank's regulatory capital. For purposes of this test, related party borrowers include (i) any person holding, directly or indirectly, 4% or more of a bank's shares, (ii) directors, (iii) certain principal executive officers of a bank or (iv) people affiliated with the administrators of the bank. Loans to individual related party borrowers are also subject to the limits on lending to a single borrower described under "—Lending Activities" above. All loans to related parties must be made on terms no more favorable than the best terms that BCP or Mibanco offers to the public.

12.2.10 Ownership restrictions

Law 26702 establishes certain restrictions on the ownership of a bank's shares. Banks must have a minimum of two shareholders. Among other restrictions, those convicted of drug trafficking, money laundering, terrorism and other felonies, or those who are directors, employees and advisors of public entities that regulate and supervise the activities of banks, are subject to ownership limitations. All transfers of shares in a bank must be recorded at the SBS. Transfers involving the acquisition by any individual or corporation, whether directly or indirectly, of more than 10% of a bank's capital stock require prior authorization from the SBS. The SBS may deny authorization to such transfer of shares if the purchasers (or their shareholders, directors or employees in the case of juridical persons) are legally disabled, have engaged in illegal activity in the area of banking, finance, insurance or reinsurance, or if objections are raised on the basis of the purchaser's moral fitness or economic solvency, among others. The decision of the SBS is final, and cannot be overturned by the courts. If a transfer is made without obtaining the prior approval of the SBS, the purchaser shall be fined with an amount equivalent to the value of the transferred shares and is obligated to sell the shares within 30 days, or the fine is doubled. In addition, the purchaser is not allowed to exercise its voting rights at the shareholders' meetings. Foreign investors receive the same treatment as Peruvian nationals and are subject to the limitations described above.

Finally, under Peruvian law, individuals or corporations that acquire, directly or indirectly, 1% of the capital stock of a bank in a period of 12 months or acquire a 3% or more share participation, have the obligation to provide the information that the SBS may require to identify such individuals' or corporations' main economic activities and assets structure.

12.2.11 Risk rating

Law 26702 and SBS Resolutions No. 672 and 18400-2010 require that all financial companies be rated by at least two risk rating companies on a semi-annual basis, in addition to the SBS's assessment. Criteria to be considered in the rating include risk management and control procedures, loan quality, financial strength, profitability, liquidity and financial efficiency. Five risk categories are assigned, from "A" (lowest risk) to "E" (highest risk), allowing for sub-categories within each category. As of September 2015, BCP and Mibanco were assigned the "A+" and "A" risk category, respectively, by its two rating agencies, Equilibrium Clasificadora de Riesgo and Apoyo and Associates International. As of December 2015, BCP and Mibanco maintained the risk category of "A+" and "A", respectively.

12.2.12 Deposit insurance fund

Law 26702 provides for mandatory deposit insurance to protect the deposits of financial institutions by establishing the Fondo de Seguro de Depósitos (Deposit Insurance Fund or the Fund) for individuals, associations, not-for-profit companies, and demand deposits of non-financial companies. Financial institutions must pay an annual premium calculated on the basis of the type of deposits accepted by the entity and the risk classification of such entity, made by the SBS and at least two independent risk-rating agencies. The annual premium begins at 0.65% of total funds on deposit under the coverage of the Fund and increases to 1.45% applicable to banks in the highest risk category. BCP and Mibanco are currently classified in the lowest risk category. The maximum amount (defined on a monthly basis) that a customer is entitled to recover from the Fund is S/96,246 as of December 31, 2015.

12.2.13 Intervention by the SBS

Pursuant to Law 26702, as amended by Law 27102, the SBS has the authority to seize the operations and assets of a bank. These laws provide for three levels of action by the SBS: a supervisory regime, an intervention regime and the liquidation of the bank. Any of these actions may be taken if certain events occur, including if the bank: (i) interrupts payments on its liabilities, (ii) repeatedly fails to comply with the regulations of the SBS or the Peruvian Central Bank, (iii) repeatedly violates the law or the provisions of the bank's Bye-laws, (iv) repeatedly manages its operations in an unauthorized or unsound manner or (v) has its regulatory capital fall or be reduced by more than 50%.

During the intervention regime, rather than seizing the operations and assets of a bank, the SBS may adopt other measures, including (i) placing additional requirements on the bank, (ii) ordering it to increase its capital stock or divest certain or all of its assets, or (iii) imposing a special supervision regime during which the bank must adhere to a financial restructuring plan.

The SBS intervention regime stops a bank's operations for up to 45 days and may be extended for an additional 45 days. During this time, the SBS may institute measures such as: (i) canceling losses by reducing reserves, capital and subordinated debt, (ii) segregating certain assets and liabilities for transfer to another financial institution and (iii) merging the intervened bank with an acquiring institution according to the program established by Urgent Decree No. 108-2000, enacted in November 2000. After the intervention, the SBS will liquidate the bank unless it is merged with an acquiring institution, as described in (iii) above.

12.2.14 Regulation from the United States Federal Reserve and from the State of Florida Department of Banking and Finance

Banco de Crédito del Perú Miami Agency ("BCP Miami Agency") is licensed to operate as an International Agency in the State of Florida and was authorized to transact business by the Comptroller of Florida on September 3, 2002. The Office of Financial Regulation of the State of Florida shares regulatory responsibility with the Federal Reserve Bank of Atlanta.

12.2.15 Regulation from the Superintendency of Banks in Panama

BCP Panama is a branch of BCP that is registered in the Republic of Panama. It began operating in June 2002 under an International License issued by the Panamanian Superintendence of Banks, in accordance with Law Decree N° 9 of February 26, 1998, as amended. BCP Panama is subject to an inspection made by auditors and inspectors of the

Panamanian Superintendence of Banks, to determine, among other things, its compliance with the Decree Law N° 2 of February 22, 2008 and N° 23 of April 27, 2015 Law on the Prevent Money Laundering, the Financing of Terrorism and the Financing of the Proliferation of Mass Destruction Weapons.

12.3 Atlantic Security Bank (ASB)

12.3.1 General

ASB, a subsidiary of ASHC, is a Cayman Islands bank with a branch in Panama. ASB is regulated by the regulatory authorities of the Cayman Islands (Cayman Island Monetary Authority) while its Panama branch is regulated by the banking authorities of Panama (Superintendencia de Bancos de Panama).

ASB is registered as an exempt company and is licensed in the Cayman Islands pursuant to the Banks and Trust Companies Law ("Cayman Banking Law"). ASB holds an unrestricted Category B Banking and Trust License, as well as a Mutual Fund Administrator License. As a holder of a Category B License, ASB may not take deposits from any person residing in the Cayman Islands other than another licensee, an exempt company or an ordinary non-resident company which is not carrying on business in the Cayman Islands.

ASB may not invest in any asset which represents a claim on any person residing in the Cayman Islands, except a claim resulting from: (i) a loan to an exempt or an ordinary non-resident company not carrying on business in the Cayman Islands; (ii) a loan by way of mortgage to a member of its staff or to a person possessing or being deemed to possess Caymanian status under the immigration law, for the purchase or construction of a residence in the Cayman Islands to be owner-occupied; (iii) a transaction with another licensee or (iv) the purchase of bonds or other securities issued by the government of the Cayman Islands, a body incorporated by statute, or a company in which the government is the sole or majority beneficial owner. In addition, ASB may not, without the written approval of the Cayman Islands Monetary Authority (the "Authority"), carry on any business in the Cayman Islands other than business permitted by the Category B License.

There are no ratio or liquidity requirements under the Cayman Banking Law, but the Authority expects observance of prudent banking practices. As a matter of general practice, the ratio of liabilities to capital and surplus should not exceed 40-to-1 and the ratio of risk-weighted assets to capital and surplus should not exceed 8.33-to-1 (approximately 12%). There is a statutory minimum net worth requirement of US$480,000 (approximately S/1,637,280), but the Authority generally requires a bank or trust company to maintain a higher paid-in capital appropriate to its business. The Authority requires compliance with the guidelines promulgated by the Basel Accord on Banking Regulations and Supervisory Practices although, in special circumstances, different gearing and/or capital risk asset ratios may be negotiated. Compliance with the Cayman Banking Law is monitored by the Authority.

12.3.2 Continuing requirements

Under the law of the Cayman Islands, ASB is subject to the following continuing requirements: (i) to remain in good standing under the Cayman Islands Companies Law, including the filing of annual and other returns and the payment of annual fees; (ii) to file with the Registrar of Companies any change in the information or documents required to be provided and to pay annual fees; (iii) to file certain prescribed forms with the Authority on a quarterly basis; (iv) to file with the Authority audited accounts within three months of each financial year (in the case of a locally incorporated bank which is not part of a substantial international banking group, a senior officer or board member discusses these accounts each year at a meeting with the Authority) and (v) to file an annual questionnaire.

ASB is required by the Cayman Banking Law to have at least two directors. Additionally, ASB must receive prior approval from the Authority (i) for any proposed change in the directors or senior officers, though in exceptional cases a waiver can be obtained enabling changes to be reported after the event or annually in the case of a branch of a substantial international bank; (ii) for the issue, transfer or other disposal of shares (it is rare for a waiver to be granted with respect to shares except in the case of a branch of a substantial international bank and where the shares are widely held and publicly traded); (iii) for any significant change in the business plan filed on the original license application or (iv) to open a subsidiary, branch, agency or representative office outside the Cayman Islands. Finally, ASB must obtain the prior approval of the Authority to change its name and must notify the Authority of any change in its principal office or its authorized agent in the Cayman Islands.

12.4 BCP Bolivia

Until November 2013, the Bolivian banking system operated under the Law of Banks and Financial Entities No. 1488, enacted on April 14, 1993 and later modified by Law 3076 of June 20, 2005. On August 21, 2013, the Bolivian Government enacted a new Banking Law (Law 393), which became effective on November 21, 2013. This new law envisions a more active role of government in the financial services industry and emphasizes the social objective of financial services.

Pursuant to Supreme Decree 29894, in May 2009 the ASFI was vested with the authority to regulate the Bolivian banking system. ASFI also supervises brokerage and mutual fund management activities that Credicorp Ltd. conducts through BCP Bolivia’s affiliates, Credibolsa and Credifondo. These affiliates operate under the Securities Markets Law No. 1834, enacted on March 31, 1998. Additionally, the Central Bank of Bolivia (BCB by its Spanish initials) regulates financial intermediation and deposit activities, determines monetary and foreign exchange policy, and establishes reserve requirements on deposits.

In 2012, the Bolivian government imposed an additional income tax of 12.5% on earnings before taxes, which applied to all financial institutions with a ratio of earnings before taxes to equity in excess of 13%. Additionally, in November 2012, the government approved a new tax on sales of foreign exchange. This new tax, which levied all sales of foreign exchange with a 0.70% rate on the amount of foreign currency sold, was in effect for 36 months and thus expired in December 2015.

In 2013, Presidential Decree 1842 set interest rate caps for social housing loans ranging from 5.5% to 6.5% and established loan quotas pursuant to which, by December 31, 2018, at least 60% of the loan portfolio of all universal banks needs to be comprised of loans to productive sectors and social housing loans.

In 2014, the Bolivian government through Presidential Decree 2137 established the creation of a guarantee fund for new mortgages without down payment. This fund, which is aimed at providing guarantees of up to 20% of the amount financed, was established in 2015 through an additional 6% tax on 2014 net income.

In November 2015, Presidential Decree 2614 established the creation of a new guarantee fund aimed at guaranteeing loans to productive sectors. The fund will be established in 2016 through an additional 6% tax on 2015 net income. Also, on December 29th, 2015, the Bolivian government increased the rate applicable to additional income tax from 12.5% to 22.0%. This increase will become effective in January 2016 and applies to all institutions with a ratio of earnings before taxes to equity in excess of 6% (previously 13%).

12.5 Credicorp Capital

12.5.1 Credicorp Capital Securities (CSI)

CSI operates from one location in Coral Gables, Florida, United States of America. All new accounts and all securities transactions are reviewed and approved at the Coral Gables office. All representatives are assigned to and supervised from the Coral Gables Main Office.

CSI is registered with the SEC, is a member of FINRA and the Securities Investor Protection Corporation (SIPC). As a member of SIPC, SIPC protects CSI's customers' investment accounts up to US$500,000 of which US$100,000 may be in cash and US$400,000 may be in securities.

There are three Principals at CSI all of whom are Series 7 and Series 24 licensed (General Securities Principal). At the trading desk, employees are Series 7 licensed (Registered Representative), Series 55 licensed (Equity Trader), and Series 4 licensed (Registered Options and Security Futures Principal). We also have an in-house Series 27 (Financial and Operations Principal). Members of CSI's back-office staff are either Series 99 licensed (Operations Professional) or Series 7 licensed.

12.5.2 Credicorp Capital Peru

The company falls under the supervision of the SMV, a specialized technical body attached to the Ministry of Economics and Finance, aimed to ensure the protection of investors, efficiency and transparency of the markets, as well as the diffusion of the information required for such purposes. It enjoys functional, administrative, economic, technical and budgetary autonomy.

The Securities Market Law as amended, approved by Legislative Decree Nº 861, governs the public offering and trading of securities, listed in the SMV and the Lima Stock Exchange. The latter institution, as the only stock exchange in Peru, also provides internal regulations which form part of the regulations and administrative rulings that govern the offering and trading of securities.

12.5.3 Credicorp Capital Colombia

Credicorp Capital Colombia falls under the supervision of the Superintendencia Financiera de Colombia, an entity whose main function is to oversee the financial and insurance sectors. Although it has an important role in monitoring and surveillance, it also has certain regulatory powers which permit it to issue laws and decrees.

Additionally, the AMV supervises and regulates the conduct of securities intermediaries, as well as the certification of those who carry out such activities. AMV is a private entity, and is the product of a self-regulation scheme established after the termination of Law 964 of 2005.

Correval Panama S.A. is regulated and supervised by the Superintendencia del Mercado de Valores de Panama S.A.

12.5.4 Inversiones IMT (IM Trust)

IM Trust's principal legal framework comes from Law 18,046. All companies involved in the stock market are supervised directly by the Superintendencia de Valores y Seguros (SVS). The SVS ensures that persons or supervised institutions, from formation until liquidation, comply with laws, regulations, statutes and other provisions governing the functioning of these markets. The SVS also authorizes companies to manage mutual funds (Mutual Fund Administrators and General Fund Management or AFM and AGF, respectively, by its Spanish initials) and oversees these companies and funds to ensure compliance with laws and regulations by monitoring their legal, financial and accounting information.

In Chile, there are laws, regulations and rules that govern the various sectors of the stock market. One such law is the Securities Market Law, which governs the functioning of the Chilean market and the laws relating to corporations, management of third-party funds (investment funds, mutual funds, pension funds and others) and the deposit and custody of securities.

12.6 Grupo Pacifico

12.6.1 Overview

Grupo Pacifico's operations are regulated by Law 26702 and the SBS. Peruvian insurance companies must submit regular reports to the SBS concerning their operations. In addition, the SBS conducts on-site reviews on an annual basis. The SBS conducts these reviews primarily to evaluate a company's compliance with solvency margin and reserve requirements, investment requirements and rules governing the recognition of premium income. If the SBS determines that a company is unable to meet the solvency margin or technical reserve requirements, or is unable to pay claims as they come due, it may either liquidate the company or permit it to merge with another insurance company.

On May 27, 2013, a new Peruvian insurance law, Insurance Act No. 29946, became effective. The Insurance Act governs all insurance contracts, except for those that are expressly governed by other regulations. It substantially changes how insurance policies are offered by insurance companies, regulates the information provided by the insured, and includes changes to termination and arbitration clauses included in insurance contracts. The Act also provides a list of terms and conditions that cannot be included in any insurance contract and ensures that any changes in the contract can only be made if 45 days' notice is given to the policyholder prior to renewal of the policy. Other measures include restrictions on the duration and renewal of contracts, consumer protection rules, and regulations governing how to address non-payment of premium installments required under insurance contracts.

In September 2013, the Superintendency of Banks, Insurance and Pension funds – SBS, initiated reforms to Peru's private pensions system (SPP), by establishing a tender process for the exclusive right to manage the SPP's collective insurance policy for D&S and burial expenses. Tender offers for the collective insurance contract were submitted on September 13, 2013 and the winning tender obtained the right to manage the SPP's collective insurance policies from October 1, 2013 until December 31, 2014. The tender submitted by our subsidiary Pacifico Vida was not selected, and as a result Pacifico Vida has not issued insurance policies in the SPP for D&S and burial expenses since October 2013. However in December 2014, Pacifico Vida won the tender process and will issue policies for D&S and burial expenses in the SPP system, from January 2015 through December 2016.

Under Peruvian law, insurance companies may engage in certain credit risk operations, such as guarantees, bonds and trusteeships, but are prohibited from offering other banking services, operating mutual funds or offering portfolio management services. In addition, insurance companies may not conduct brokerage operations for third parties.

Peruvian insurance companies are also prohibited from having an ownership interest in other insurance or reinsurance companies of the same class or in private pension funds.

12.6.2 Establishment of insurance company

Insurance companies must be authorized by the SBS to commence operations. Peruvian law establishes certain minimum capital requirements for insurance and reinsurance companies, which must be satisfied by cash investments in the company. The statutory amounts are expressed in constant value.

12.6.3 Solvency requirements

Pursuant to Law 26702, the SBS regulates the solvency margin of Peruvian insurance companies. The solvency margin calculations take into account the amount of premiums written and losses incurred during a specified period prior to the date of the calculation.

Insurance companies must also maintain solvency equity, which must be the greater of (i) the solvency margin and (ii) the minimum capital requirement, as established by law. The required amount of solvency equity is recalculated at least quarterly. If an insurance company has outstanding credit risk operations, part of the solvency equity must be set aside for its coverage.

12.6.4 Legal reserve requirements

Peruvian law also requires that all insurance companies establish a legal guarantee reserve for policyholders by setting aside 10% of income before taxes until the reserve reaches at least 35% of paid-in capital.

12.6.5 Reserve requirements

Pursuant to Law 26702 and regulations issued by the SBS, Peruvian insurance companies must establish technical reserves. Law 26702 also requires insurance companies to create a reserve for IBNR claims that are reflected as a liability, net of recoveries and reinsurance, in our Consolidated Financial Statements. Reserves for IBNR claims are estimated by using generally accepted actuarial reserving methods. See Note 3(e) to our Consolidated Financial Statements. Finally, Grupo Pacifico is required by the SBS to establish pre-event reserves for risk of catastrophes, which, in accordance with IFRS principles, are not considered in our financial statements. See Item 4. Information on the Company — (6) Grupo Pacifico — 6.2 Claims and Reserves”.

12.6.6 Investment requirements

Pursuant to Law 26702, the total amount of an insurance company’s solvency equity and technical reserves must be permanently supported by diversified assets, which may not be pledged or otherwise encumbered. The investment regulations further state that deposits in and bonds of one financial institution together cannot exceed 10% of the total of an insurer’s solvency equity and technical reserves combined. In general, no more than 20% of an insurance company’s combined solvency equity and technical reserves may be invested in instruments (including stocks and bonds) issued by a company or group of companies. In order for an insurance company to invest in non-Peruvian securities, the securities must be rated by an internationally recognized credit rating company and the asset class must be authorized by Peruvian SBS regulations. Securities owned by insurance companies must be registered in the Public Registry of Securities of Peru or the comparable registry of their respective country.

12.6.7 Related party transactions

Law 26702 generally provides that insurance companies may not extend credit to or guarantee the obligations of employees or members of the board of directors, except for certain home mortgage loans to employees.

12.6.8 Ownership restrictions

Law 26702 sets forth the same types of restrictions regarding the ownership and transfer of insurance company shares as it does regarding the ownership and transfer of shares in banks. See "Item 4. Information on the Company - 4.B Business overview - (12) Supervision and Regulation - 12.2 BCP - 12.2.1 Overview".

12.7 Prima AFP

Prima AFP's operations are regulated in Peru by the Unified Text of the Private System for the Administration of Funds Act, approved by Supreme Decree No. 054-97-EF. Operations are controlled and supervised by the SBS. In addition, AFPs are under the supervision of the SMV. AFPs must submit reports to the SBS, members and beneficiaries in general, with regard to the administration of pension funds and any information linked to the AFP's operations.

Under Peruvian legislation, AFPs can only have one type of business activity; they can only offer services linked to the administration of pension funds under the category of individual capital accounts. Also, AFPs must pay benefits provided by Law and administer retirement, disability, death benefit and funeral expense risks. AFPs must submit audited financial information, in accordance with SBS regulations. There are certain limitations on the ownership and transfer of AFP shares.

SBS authorization is required for an AFP to begin operations. Peruvian law establishes a minimum capital requirement, paid in cash by the shareholders.

SBS has put in place investment limits, which, among others, restrict investments in certain asset classes, economic groups, and issuers. In addition, some of these limits vary according to the risk profile of the fund. The general limits are:

- The total amount invested in instruments issued or guaranteed by the Peruvian State cannot exceed 30% of the fund value;
- The total amount invested in instruments issued or guaranteed by BCRP cannot exceed 30% of the fund value;
- The total amount jointly invested under the two aforementioned limits cannot exceed 40% of the fund value and;
- The total amount invested in instruments issued by the government, financial institutions, and non-financial institutions whose commercial activities are mostly abroad, cannot exceed 42% of the fund value. For this specific limit, the SBS sets the maximum and the Peruvian Central Bank administers the effective level (operating limit). As

of December 31, 2014, the operating limit was situated at 41.5% and it was intended to be increased 50 basis points every month until it reached the 42% level in January 2015. During 2015 this limit continued at 42%.

SBS requires a guaranteed minimum profitability for funds under management. Part of the guarantee is an obligatory reserve, which must be funded by the AFP. The amount will depend on the instruments in the portfolio, but is, on average, 1% of funds under management. In addition, Peruvian law establishes that companies must set up a legal reserve equivalent to 10% of net income, until the reserve is at least 20% of capital.

12.7.1 Private pension system reform:

Material changes to Peru's private pension system in 2015, following of the Reform of 2012, include:

(i) Investment and risk reform

During 2015, the reform of the SPP in the areas of investments and risk continued, mainly with the publication of Resolution SBS No. 3233-2015, which introduces changes to the treatment of the regulatory requirements of both local and foreign investments in order to generate greater flexibility in both direct and indirect investments. The main changes lie in the minimum requirements to be met by structured instruments, bonds for infrastructure projects, the participation fees of mutual and investment funds, as well as repurchase agreements and securities lending. Those requirements seek the efficient administration of the investments and risks associated with the process. SBS Resolution No. 5540-2015 was also published. This resolution regulates the new Fund Type Zero, mandatory for participants from the age of 65 and up who opt for a statutory retirement pension. The Fund Type Zero may only invest in short-term instruments and debt securities, and took effect on April 1, 2016

(ii) Law for withdrawal of funds

In December 2015, the Peruvian Congress passed a draft law that modifies some aspects of the current framework of the pension fund system. This law was observed by the President in January 2016. On April 14, 2016 the Congress approved the law and it came into effect on April 21, 2016. Among the most material changes, the law allows a beneficiary to withdraw up to 95.5% of his o her pension funds upon reaching the age of 65 (retirement age), to use up to 25% of its fund as a guarantee for the initial payment on the purchase of a first home and allows the early retirement of 50% of the fund for affiliates that have a terminal illness. Also, it extends the Special Regime of Early Retirement (REJA) until December 31st 2018, for affiliates who are unemployed for at least 12 months and apply for men and women, with at least 55 years old and 50 years old, respectively.

(13) Selected Statistical Information

In the following tables, we have set forth certain selected statistical information and ratios regarding our business for the periods indicated. You should read the selected statistical information in conjunction with the information included in "Item 5. Operating and Financial Review and Prospects – 5.A Operating Results" and the Consolidated Financial Statements (and the notes that accompany the financial statements). The statistical information and discussion and analysis given below for the years 2011 through 2015 reflect our consolidated financial position as well as that of our subsidiaries, as of December 31, 2011, 2012, 2013, 2014 and 2015 and our results of operations for such years.

Credicorp's Board decided that from January 1, 2014, the Peruvian Sol would be the company's functional currency and the presentation currency of our financial statements. For this reason, the financial statements for the previous years were restated using Soles as the presentation currency and we have prepared the financial statements from 2014 onward using Soles as both the functional and presentation currency. For this restatement, we used the methodology of IFRS and specifically IAS 21 "The Effects of Changes in Foreign Exchange Rates". The methodology applied is as follows:

Income statement

Income and expenses expressed in U.S. Dollars were converted to Soles using the weighted average exchange rate for each year as shown below. These rates were obtained from the Superintendencia de Banca, Seguros y AFP (SBS).

The accumulated result of every period corresponds to the sum of the restated figures of each month of the period. This accumulated result of the period is presented as part of the entity's net shareholders' equity.

The difference between the restated retained earnings according to the aforementioned methodology and the restated net shareholders' equity at the end of the period is recognized under "Reserves".

Balance sheet

The balance of each account in the balance sheet expressed in U.S. Dollar is converted to Soles using the period-end exchange rate defined by the SBS.

For net shareholders' equity, each account is restated using the closing exchange rate except for retained earnings which is restated using the methodology described under "Income statement" above. Likewise, foreign currency translation reserve is restated as explained in note 3(c) of the Consolidated Financial Statements. The differences are included under "Reserves".

	Income Statement (1)	Balance Sheet (2)
/Exchange rate	Sol / U.S. Dollar	

December 2013	2.7126855	2.795
December 2012	2.6365422	2.550
December 2011	2.7490035	2.696

(1) Weighted average exchange rate for each year.
(2) Month-end or period-end exchange rate defined by the SBS.

13.1 Average balance sheets and income from interest-earning assets

The tables below set forth selected statistical information based on our average balance sheets prepared on a consolidated basis. Except as otherwise indicated, we have classified average balances by currency (Soles or foreign currency, primarily U.S. Dollars) rather than by the domestic or international nature of the balance. In addition for the years 2014, except where noted, the average balances are based on the quarterly ending balances in each year. In 2015 the average balances are based on the monthly ending balances. Any of these quarter-end balances that were denominated in U.S. Dollars have been converted into Soles using the applicable SBS exchange rate as of the date of such balance. Our management does not believe that the stated averages present trends materially different from those that would be presented by daily averages.

Average Balance Sheets

Assets, interest earned and average interest rates

	Year ended December 31,							
	2013			2014			2015	
ASSETS:	Average Balance	Interest Earned	Nominal Avg. Rate	Average Balance	Interest Earned	Nominal Avg. Rate	Average Balance	Interest Earned
	(Soles in thousands, except percentages)							
Interest-earning assets:								
Deposits in BCRP								
Soles	5,147,359	69,688	1.35 %	1,645,794	10,690	0.65 %	406,902	7,094
Foreign Currency	11,069,711	5,226	0.05	13,173,216	4,730	0.04	11,990,709	7,992
Total	16,217,070	74,914	0.46	14,819,010	15,420	0.10	12,397,611	15,086
Deposits in other banks								
Soles	100,026	10,353	10.35	430,106	24,765	5.76	304,888	7,955
Foreign Currency	2,451,230	8,525	0.35	5,724,966	12,058	0.21	12,064,395	9,777
Total	2,551,256	18,878	0.74	6,155,072	36,823	0.60	12,369,283	17,732
Investment securities								
Soles	10,217,379	424,107	4.15	9,050,225	267,716	2.96	4,957,937	541,793
Foreign Currency	9,753,897	330,446	3.39	8,539,506	493,431	5.78	17,634,922	380,108
Total	19,971,276	754,553	3.78	17,589,731	761,147	4.33	22,592,859	921,903
Total loans (1)								
Soles	26,581,051	4,395,273	16.54	36,120,184	5,387,811	14.92	48,397,991	6,365,715
Foreign Currency	33,390,609	1,761,621	5.28	35,815,461	2,279,674	6.37	36,987,509	2,340,657
Total	59,971,660	6,156,894	10.27	71,935,645	7,667,485	10.66	85,385,500	8,706,372
Total dividend-earning assets								
Soles	655,182	21,677	3.31	905,467	974	0.11	756,082	46,937
Foreign Currency	721,994	26,898	3.73	998,855	59,172	5.92	982,337	8,656
Total	1,377,176	48,575	3.53	1,904,322	60,146	3.16	1,738,419	55,593
Total interest-earning assets								
Soles	42,700,997	4,921,098	11.52	48,151,775	5,691,956	11.82	54,823,800	6,969,494
Foreign Currency	57,387,441	2,132,716	3.72	64,252,005	2,849,065	4.43	79,659,872	2,747,190
Total	100,088,438	7,053,814	7.05	112,403,780	8,541,021	7.60	134,483,672	9,716,684
Noninterest-earning assets:								
Cash and due from banks								

Soles	1,758,449			2,539,133			2,328,120	
Foreign Currency	982,244			984,684			1,452,454	
Total	2,740,693			3,523,817			3,780,574	
Allowance for direct loan losses								
Soles	(1,278,036)			(1,723,438)			(2,475,759)	
Foreign Currency	(814,739)			(901,813)			(1,146,549)	
Total	(2,092,775)			(2,625,251)			(3,622,308)	
Premises and equipment								
Soles	1,671,963			1,959,998			1,132,370	
Foreign Currency	65,352			81,398			565,600	
Total	1,737,315			2,041,396			1,697,970	
Other non-interest-earning assets and gain from derivatives instruments and other interest income								
Soles	3,892,443	12,199		5,358,489	(57,891)		882,467	135,400
Foreign Currency	4,802,058	20,456		3,770,343	117,736		8,868,464	170,857
Total	8,694,501	32,655		9,128,832	59,845		9,750,931	306,257
Total non-interest-earning assets								
Soles	6,044,819	12,199		8,134,182	(57,891)		1,867,198	135,400
Foreign Currency	5,034,915	20,456		3,934,613	117,736		9,739,969	170,857
Total	11,079,734	32,655		12,068,795	59,845		11,607,167	306,257
Total average assets								
Soles	48,745,816	4,933,298	10.12	56,285,957	5,634,065	10.01	56,690,998	7,104,897
Foreign Currency	62,422,356	2,153,172	3.45	68,186,618	2,966,801	4.35	89,399,841	2,918,047
Total	111,168,172	7,086,470	6.37	124,472,575	8,600,866	6.91	146,090,839	10,022,944

(1) Figures for total loans include internal overdue loans, but do not include accrued but unpaid interest on such internal overdue loans in the year in which such loans became internal overdue loans. Accrued interest is included.

Average Balance Sheets

Liabilities, Interest Paid and Average Interest Rates

LIABILITIES	Year ended December 31, 2013 Average Balance	Interest Paid	Nominal Avg. Rate	2014 Average Balance	Interest Paid	Nominal Avg. Rate	2015 Average Balance	Interest Paid
	(Soles in thousands, except percentages)							
Interest-bearing liabilities:								
Savings deposits								
Soles (1)	9,466,952	125,702	1.33	14,962,519	83,141	0.56	11,426,660	66,243
Foreign Currency (1)	7,130,512	43,625	0.61	12,116,310	30,151	0.25	11,186,924	34,361
Total	16,597,464	169,327	1.02	27,078,829	113,292	0.42	22,613,584	100,604
Time deposits								
Soles (1)	15,146,576	463,100	3.006	10,045,326	543,596	5.41	14,089,138	546,073
Foreign Currency (1)	13,643,739	266,288	1.95	11,917,359	217,459	1.82	17,818,973	269,525
Total	28,790,315	729,388	2.53	21,962,685	761,055	3.47	31,908,111	815,598
Due to banks and correspondents								
Soles	2,352,738	146,937	6.25	5,471,918	236,336	4.32	12,338,837	574,886
Foreign Currency	6,814,785	99,285	1.46	8,217,776	184,281	2.24	6,592,277	183,509
Total	9,167,523	246,222	2.69	13,689,695	420,617	3.07	18,931,114	758,395
Bonds								
Soles	2,131,442	136,996	6.43	2,144,157	465,143	21.69	2,236,690	152,516
Foreign Currency	11,571,055	635,010	5.49	12,474,898	271,844	2.18	13,589,144	600,657
Total	13,702,497	772,006	5.63	14,619,055	736,987	5.04	15,825,834	753,173
Total interest-bearing liabilities								
Soles	29,097,708	872,734	3.00	32,623,920	1,328,216	4.07	40,091,325	1,339,718
Foreign Currency	39,160,091	1,044,209	2.67	44,726,344	703,735	1.57	49,187,318	1,088,052
Total	68,257,799	1,916,943	2.81	77,350,264	2,031,951	2.63	89,278,643	2,427,770
Non-interest-bearing liabilities and net equity:								
Demand deposits (2)								
Soles (1)	9,070,759	113,385	1.25	9,240,730	37,191	0.40	9,857,708	33,130
Foreign Currency (1)	11,743,770	51,875	0.44	14,444,526	23,093	0.16	18,583,945	23,669
Total	20,814,529	165,260	0.79	23,685,256	60,284	0.25	28,441,653	56,799
Other liabilities and loss from derivatives								

instruments and other interest expenses								
Soles	3,265,720	(116,912)		4,127,986	13,102		5,248,737	6,480
Foreign Currency	7,131,467	151,282		5,824,505	107,926		7,562,677	67,001
Total	10,397,187	34,370		9,952,491	121,028		12,811,414	73,481
Equity attributable to Credicorp equity holders								
Soles								
Foreign Currency	11,171,201			12,905,483			14,957,854	
Total	11,171,201			12,905,483			14,957,854	
Non-controlling interest								
Soles								
Foreign Currency	527,456			579,081			601,275	
Total	527,456			579,081			601,275	
Total non-interest-bearing liabilities and equity								
Soles	12,336,479	(3,527)		13,368,716	50,293		15,106,445	39,610
Foreign Currency	30,573,894	203,157		33,753,595	131,019		41,705,751	90,670
Total	40,910,373	199,630		47,122,311	181,312		56,812,196	130,280
Total average liabilities and equity								
Soles	41,434,187	869,207	2.10	45,992,636	1,378,509	1.94	55,197,770	1,379,328
Foreign Currency	69,733,985	1,247,366	1.79	78,479,939	834,754	1.06	90,893,069	1,178,722
Total	111,168,172	2,116,573	1.90	124,472,575	2,213,263	1.39	146,090,839	2,558,050

(1) Includes the amount paid - for the deposit insurance fund.

(2) Our policy does not consider the payment of interests for demand deposits; however, exceptionally the group pays interest for certain demand deposits of corporate clients that exceed certain amounts. These payments are not considered material.

107

13.1.1 Changes in net interest income and expense: volume and rate analysis

The table below sets forth the net effect of annual variation in interest income and interest expense, considering the increase or decrease due to changes in volume and rate. The net changes in interest income and interest expense are presented both in functional currency (Sol) and foreign currency:

	2014/2013			2015/2014		
	Increase/(Decrease) due to changes in:			Increase/(Decrease due to changes in:		
	Volume	Rate	Net Change	Volume	Rate	Net Change
	(Soles in thousand)					
Interest Income:						
Interest-earning deposits in BCRP						
Soles	(75,671)	(102,681)	(178,352)	(14,823)	11,227	(3,596)
Foreign Currency	1,724	(11,169)	(9,445)	(606)	3,868	3,262
Total	(73,947)	(113,850)	(187,797)	(15,429)	15,095	(334)
Deposits in other banks						
Soles	(170,346)	304,112	133,766	(5,239)	(11,571)	(16,810)
Foreign Currency	3,165	9,317	12,482	9,245	(11,526)	(2,281)
Total	(167,181)	313,429	146,248	4,006	(23,097)	(19,091)
Investment securities						
Soles	(41,486)	(114,905)	(156,391)	(284,126)	558,203	274,077
Foreign Currency	(55,656)	218,641	162,985	360,799	(474,122)	(113,323)
Total	(97,142)	103,736	6,594	76,673	84,081	160,754
Total loans(1)						
Soles	1,500,110	(507,572)	992,538	1,723,141	(745,238)	977,903
Foreign Currency	141,137	376,916	518,053	74,385	(13,402)	60,983
Total	1,641,247	(130,656)	1,510,591	1,797,526	(758,640)	1,038,886
Total dividend-earning assets						
Soles	4,275	(24,978)	(20,703)	(4,717)	50,680	45,963
Foreign Currency	13,358	18,916	32,274	(562)	(49,954)	(50,516)
Total	17,633	(6,062)	11,571	(5,279)	726	(4,553)
Total interest-earning assets						
Soles	636,253	134,605	770,858	818,437	459,100	1,277,537
Foreign Currency	279,750	436,599	716,349	607,290	(709,165)	(101,875)
Total	916,003	571,204	1,487,207	1,425,727	(250,065)	1,175,662
Interest Expense:						
Demand deposits						
Soles	1,404	(77,598)	(76,193)	2,278	(6,339)	(4,061)
Foreign Currency	8,124	(36,906)	(28,782)	5,945	(5,369)	576
Total	9,528	(114,504)	(104,975)	8,223	(11,708)	(3,485)
Savings deposits						
Soles	51,753	(94,314)	(42,561)	(20,073)	3,175	(16,898)
Foreign Currency	21,456	(34,930)	(13,474)	(2,584)	6,793	4,209
Total	73,209	(129,244)	(56,035)	(22,657)	9,968	(12,689)

Time deposits						
Soles	(216,009)	296,505	80,496	187,780	(185,302)	2,478
Foreign Currency	(32,598)	(16,231)	(48,829)	98,477	(46,412)	52,066
Total	(248,607)	280,274	31,667	286,257	(231,714)	54,544
Due to banks and correspondents and issued bonds						
Soles	164,762	(75,363)	89,399	308,264	30,286	338,550
Foreign Currency	25,951	59,045	84,996	(40,850)	40,078	(772)
Total	190,713	(16,318)	174,395	267,414	70,364	337,778
Bonds						
Soles	1,788	326,359	328,147	13,192	(325,819)	(312,627)
Foreign Currency	34,649	(397,815)	(363,166)	36,766	292,047	328,813
Total	36,437	(71,456)	(35,019)	49,958	(33,772)	16,186
Total interest-bearing liabilities						
Soles	108,022	271,265	379,287	242,935	(235,493)	7,442
Foreign Currency	139,779	(509,034)	(369,255)	123,362	261,530	384,892
Total	247,801	(237,769)	10,032	366,297	26,037	392,334

(1) Figures for total loans include internal overdue loans, but do not include accrued but unpaid interest on such internal overdue loans in the year in which such loans became internal overdue loans. Accrued interest is included.

13.1.2 Average interest-earning assets, net interest margin and yield spread

The following table shows for each of the periods indicated, by currency, the levels of average interest-earning assets, net interest income, gross yield, net interest margin and yield spread, all on a nominal basis:

	Year ended December 31,		
	2013	2014	2015
	(Soles in thousands, except percentages)		
Average interest-earning assets			
Soles	42,700,997	48,151,775	54,823,800
Foreign Currency	57,387,441	64,252,005	79,659,872
Total	100,088,438	112,403,780	134,483,672
Net interest income from interest-earning assets			
Soles	3,934,979	4,326,549	5,596,645
Foreign Currency	1,036,632	2,122,237	1,635,469
Total	4,971,611	6,448,786	7,232,114
Gross yield (1)			
Soles	11.52 %	11.82 %	12.71 %
Foreign Currency	3.72 %	4.43 %	3.45 %
Weighted-average rate	7.05 %	7.60 %	7.23 %
Net interest margin (2)			
Soles	9.22 %	8.99 %	10.21 %
Foreign Currency	1.81 %	3.30 %	2.05 %
Weighted-average rate	4.97 %	5.74 %	5.38 %
Yield spread (3)			
Soles	8.94 %	8.56 %	9.96 %
Foreign Currency	1.56 %	3.21 %	1.81 %
Weighted-average rate	4.71 %	5.53 %	5.11 %

(1) Gross yield is interest income divided by average interest-earning assets.

(2) Net interest margin represents net interest income divided by average interest-earning assets.

(3) Yield spread, on a nominal basis, represents the difference between gross yield on average interest-earning assets and average cost of interest-bearing liabilities.

13.1.3 Interest-earning deposits with other banks

The following table shows the short-term funds deposited with other banks. These deposits are denominated by currency as of the dates indicated. Deposits held in countries other than Peru are denominated in several currencies;

however, the majority of these deposits are denominated in U.S. Dollars. All currencies were converted to Soles using the applicable SBS exchange rate as of the dates indicated.

	Year ended December 31,		
	2013	2014	2015
	(Soles in thousands)		
Sol-denominated:			
The Peruvian Central Bank	2,578,667	1,372,728	88,665
Commercial banks	221,345	123,195	96,850
Total Sol-denominated	2,800,012	1,495,923	185,515
Foreign Currency-denominated:			
The Peruvian Central Bank (U.S. Dollars)	13,055,599	12,631,028	13,865,174
Commercial banks (U.S. Dollars)	1,542,795	2,622,341	3,031,969
Other Commercial banks (other currencies)	13,405	187,693	295,826
Total Foreign Currency-denominated	14,611,799	15,441,062	17,192,969
Total	17,411,811	16,936,985	17,378,484

109

13.2 Investment portfolio

The following table shows the fair value of our trading, available-for-sale and held to maturity investment securities without interest designated by type of security at the dates indicated (see Note 6 to the Consolidated Financial Statements):

	Year ended December 31,		
	2013	2014	2015
	(Soles in thousands)		
Sol-denominated:			
Peruvian Government Bonds	2,110,977	3,515,935	3,905,464
Equity securities	923,921	826,055	686,108
Bonds	969,245	1,399,061	1,520,669
The Peruvian Central Bank certif. notes	6,175,983	4,607,896	6,006,110
Other investments	566,647	677,089	523,174
Total Sol-denominated	10,746,773	11,026,036	12,641,525
Foreign Currency-denominated:			
Equity securities	942,547	892,740	859,705
Bonds	5,715,370	5,980,271	7,949,126
Peruvian Government Bonds	653,479	800,767	1,271,900
The Peruvian Central Bank certif. notes	121,197	-	-
Other investment	2,040,755	2,011,318	1,702,727
Total Foreign Currency-denominated	9,473,348	9,685,096	11,783,458
Total securities holdings:	20,220,121	20,711,132	24,424,983

The allowance for decline in value of marketable securities is debited from the value of each individual security.

The weighted-average yield on our Sol-denominated interest-earning investment securities was 4.2% in 2013, 3.0% in 2014 and 10.9% in 2015. The weighted-average yield on our foreign currency-denominated portfolio was 3.4% in 2013, 5.8% in 2014 and 2.2% in 2015. The total weighted-average yield of our investment securities was 3.8% in 2013, 4.3% in 2014 and 4.1% in 2015.

The weighted-average yield on our Sol-denominated dividend-earning assets was 3.3% in 2013, 0.1% in 2014 and 6.2% in 2015. The weighted-average yield on our foreign currency-denominated portfolio was 3.7% in 2013, 5.9% in 2014 and 0.9% in 2015. The total weighted-average yield of our dividend-earning assets was 3.5% in 2013, 3.2% in 2014 and 3.2% in 2015.

The interest accrued for trading investments as of December 31, 2015, 2014 and 2013 amounted to S/2.6 million, S/9.7 million and S/1.1 million respectively. The Interest accrued of available for sale investments and held to maturity investments were presented separately in note 6 of the Consolidated Financial Statements.

As of December 31, 2015, the investments available for sale and held to maturity pledged as collateral amounted to S/3,456.8 million (see note 6 to the Consolidated Financial Statements).

The following table shows the maturities of our trading, available-for-sale and held to maturity investment securities designated by type of security on December 31, 2015:

	Without maturity	Within 1 year	After 1 year but within 3 years	Maturing after 3 years but within 5 years	Maturing after 5 years but within 10 years	After 10 Years	Total
	(Soles in thousands)						
Sol-denominated:							
Peruvian government bonds	-	22,362	1,548,881	467,972	757,688	1,108,561	3,905,464
Equity securities (1)	686,108	-	-	-	-	-	686,108
Bonds and debentures	-	27,674	157,646	90,440	292,966	951,943	1,520,669
The Peruvian Central Bank certif. notes	-	5,561,409	444,701	-	-	-	6,006,110
Other investments	337,964	49,236	-	-	8,544	127,430	523,174
Total Sol-denominated	1,024,072	5,660,681	2,151,228	558,412	1,059,198	2,187,934	12,641,525
Foreign Currency-denominated:							
Peruvian government bonds	-	-	12,376	802,649	188,872	268,003	1,271,900
Equity securities (1)	859,705	-	-	-	-	-	859,705
Bonds	73,586	374,508	1,567,838	1,801,779	2,434,021	1,697,394	7,949,126
The Peruvian Central Bank certif. notes	-	-	-	-	-	-	-
Other investments	231,466	1,098,169	68,090	41,547	106,040	157,415	1,702,727
Total Foreign Currency-denominated	1,164,757	1,472,677	1,648,304	2,645,975	2,728,933	2,122,812	11,783,458
Total securities holdings:	2,188,829	7,133,358	3,799,532	3,204,387	3,788,131	4,310,746	24,424,983
Weighted-average yield							3.75 %

(1) Equity securities in our account are categorized as without maturity.

The maturities of our investment securities classified as trading and available-for-sale, as of December 31, 2015, are described in "Item 11. Quantitative and Qualitative Disclosures about Market Risk."

Pursuant to the criteria described below, our management has determined that the unrealized losses as of December 31, 2015 and 2014 and 2013, which amount to S/450.5 million, S/152.2 million and S/217.9 million, respectively, were temporary and intends to hold each investment for a sufficient period of time to allow for a potential recovery in fair value. This holding period will last until the earlier of the investment's recovery or maturity.

For equity investments, management considers the following criteria to determine whether a loss is temporary:

- The length of time and the extent to which fair value has been below cost;
- The severity of the impairment;
- The cause of the impairment and the financial condition and near-term prospects of the issuer; and
- Activity in the market of the issuer which may indicate adverse credit conditions.

For debt investments, management considers the following criteria to determine whether a loss is temporary:

Management assesses the probability that the company will receive all amounts due (principal and interest) under the contract of the security. It considers a number of factors in identifying a credit-impaired security, including: (i) the nature of the security and the underlying collateral, (ii) the amount of subordination or credit enhancement supporting the security, (iii) the published credit rating and (iv) other analyses of the probable cash flows from the security. If recovery of all amounts due is not likely, management may determine that credit impairment exists and record unrealized losses in our consolidated income statement. The unrealized loss recorded in income represents the security's decline in fair value, which includes the decline due to forecasted cash flow shortfalls as well as widening market spread.

For a security with an unrealized loss not identified as credit impairment, management determines whether it is desirable to hold the security for a period of time to allow for a potential recovery in the security's amortized cost. Management estimates a security's forecasted recovery period using current estimates of volatility in market interest rates (including liquidity and risk premiums). Management considers a number of factors to determine whether to hold an investment, including (i) a quantitative estimate of the expected recovery period (which may extend to maturity), (ii) the severity of the impairment and (iii) its strategy with respect to the security or portfolio. If management determines it is not desirable to hold the security for a sufficient period of time to allow for a potential recovery in the security's amortized cost, we record the unrealized loss in our consolidated income statement.

13.3 Loan portfolio

13.3.1 Loans by type of loan

The following table shows our loans by type of loan, at the dates indicated:

	On December 31,				
	2011	2012	2013	2014	2015
	(Soles in thousands)				
Loans (1)	37,188,077	43,108,459	50,774,283	63,804,147	73,989,049
Leasing transactions	6,327,210	7,568,023	8,588,951	9,280,086	9,574,964
Discounted notes	1,488,820	1,421,186	1,499,540	1,661,592	1,794,928
Factoring	686,175	832,567	831,803	1,002,893	1,261,516
Advances and overdrafts	67,750	142,497	456,689	560,743	&n