

BANCO DE COMERCIO

FINANCIAL STATEMENTS AS OF DECEMBER 31, 2008 AND 2007

TOGETHER WITH THE OPINION

OF THE INDEPENDENT AUDITORS

BANCO DE COMERCIO

FINANCIAL STATEMENTS AS OF DECEMBER 31, 2008 AND 2007

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OPINION OF THE INDEPENDENT AUDITORS

To the Shareholders of
BANCO DE COMERCIO

We have audited the adjoined financial statements of BANCO DE COMERCIO which comprises the balance sheet as of December 31, 2008 and 2007, and the statements of earnings, of changes in the net shareholders' equity and of cash flows for the years then ended, as well as the summary of the material accounting policies and other explanatory notes.

Management Responsibility for the Financial Statements

The Management is responsible for the fairly preparation and presentation of these financial statements according to Peruvian generally accepted accounting principles for financial entities, as established by the Superintendence of Banks, Insurances, and Pension Fund Managers (SBS), as explained in Note 2 to the financial statements. Such responsibility includes designing, implementing, and maintaining appropriate internal control in the fairly preparation and presentation of the financial statements for them to be free of relatively material misstatement, either as a result of fraud or error; selecting and applying appropriate accounting policies; and performing fair accounting estimates according to the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We have conducted our audit in accordance with Peruvian generally accepted auditing standards. Those standards require that we meet ethical requirements and that we plan and perform the audit in order to obtain reasonable assurance that the financial statements are free of relatively material misstatement.

An audit includes carrying out procedures to obtain audit evidence regarding the balances and disclosures in the financial statements. The selected procedures depend on the auditors' judgment, including assessment of the risk that the financial statements may contain relatively material misstatement, either by fraud or error. When performing a risk assessment, the auditor takes into consideration the appropriate internal control of the Bank in the fairly preparation and presentation of the financial statements in order to design audit procedures according to the circumstances, but not to express an

opinion on the effectiveness of the Bank's internal control. An audit also includes assessing whether the accounting principles used are appropriate and whether the accounting estimates made by the Management are fair, as well as assessing the overall financial statement presentation.

We consider the audit evidence obtained by us is sufficient and appropriate to provide a basis for our audit opinion.

The individual financial statements of Banco de Comercio were prepared to comply with financial reporting requirements effective in Peru and reflect the investment in its subsidiary company at cost (see Note 9) and not on a consolidated basis. These financial statements are to be read together with the consolidated financial statements of BANCO DE COMERCIO and its SUBSIDIARY, which are presented apart and on which we have expressed an unqualified opinion on February 24, 2009.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of BANCO DE COMERCIO as of December 31, 2008 and 2007, the results of its operations, and its cash flows for the years then ended, in accordance with Peruvian generally accepted accounting principles for financial entities in Peru, as established by the Superintendence of Banks, Insurance and Pension Fund Managers (SBS), as explained in Note 2 to the financial statements.

Lima, Peru
February 24, 2009

Countersigned by

_____ (Partner)
Manuel Pazos Vélez
Certified Public Accountant
Registration N° 5095

BANCO DE COMERCIO

BALANCE SHEET

AS OF DECEMBER 31, 2008 AND 2007

(in thousands of Nuevos Soles)

<u>ASSETS</u>				<u>LIABILITIES AND NET SHAREHOLDERS' EQUITY</u>			
	<u>Notes</u>	<u>2008</u>	<u>2007</u>		<u>Notes</u>	<u>2008</u>	<u>2007</u>
LIQUID ASSETS:	4			DUE TO CUSTOMERS	12		
Cash and clearance		39,497	23,710	Demand liabilities		106,626	109,785
Deposits in Banco Central de Reserva del Perú		81,291	84,848	Savings accounts liabilities		109,606	104,852
Deposits in local and foreign banks		12,272	14,802	Term liabilities		633,435	471,883
Accrued yield		45	171	Other liabilities		6,147	1,559
		-----	-----	Expenses payable from dues to customers		14,154	12,078
		133,105	123,531			-----	-----
		-----	-----	SHORT-TERM FINANCIAL DEBTS AND OBLIGATIONS	13	12,859	3,220
TRADING AND HELD-TO-MATURITY INVESTMENTS	5	27,923	62,708			-----	-----
		-----	-----	LONG-TERM FINANCIAL DEBTS AND OBLIGATIONS	13	19,983	16,468
CREDIT PORTFOLIO, net	6	793,747	581,120			-----	-----
		-----	-----	TITLE DEEDS AND LIABILITIES IN CIRCULATION	14	10,101	-
REALIZABLE GOODS, net	7	5,254	1,112			-----	-----
		-----	-----	OTHER LIABILITIES	15	14,112	12,093
DEFERRED EMPLOYEES' PROFIT SHARING AND INCOME TAX	8	9,467	6,348			-----	-----
		-----	-----	NET SHAREHOLDERS' EQUITY	16		
PERMANENT INVESTMENTS, net	9	15,338	14,913	Share capital		82,544	68,462
		-----	-----	Additional capital		9	9
PROPERTY, FURNITURE AND EQUIPMENT, net	10	22,190	17,646	Legal reserve		3,340	2,020
		-----	-----	Result from permanent investments		-	3,098
OTHER ASSETS	11	18,543	11,353	Unrealized results		(411)	-
		-----	-----	Accumulated results		13,062	13,204
Total assets		1,025,567	818,731			-----	-----
		=====	=====	Total net shareholders' equity		98,544	86,793
CONTINGENT AND MEMORANDA ACCOUNTS	17	2,668,218	2,141,183			-----	-----
		=====	=====	Total liabilities and net shareholders' equity		1,025,567	818,731
						=====	=====
				CONTINGENT AND MEMORANDA ACCOUNTS	17	2,668,218	2,141,183
						=====	=====

The accompanying notes to the financial statements are part of the balance sheet.

BANCO DE COMERCIO

STATEMENT OF EARNINGS

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

(in thousands of Nuevos Soles)

	<u>Notes</u>	<u>2008</u>	<u>2007</u>
FINANCIAL REVENUE	18	129,507	110,106
FINANCIAL EXPENSES	19	(51,366)	(40,255)
		-----	-----
		78,141	69,851
		-----	-----
Provision for doubtful credits		(12,742)	(9,599)
Recovery of provision for doubtful credits		308	118
Provision for investment impairment		(7)	(208)
Recovery of provision for investment impairment		856	155
		-----	-----
		(11,585)	(9,534)
		-----	-----
Net financial margin		66,556	60,317
		-----	-----
OTHER (EXPENSES) REVENUES:			
Commissions for contingent transactions and services, net		9,806	8,229
Various revenues, net		7,253	3,317
Personnel		(36,688)	(29,116)
General	20	(20,981)	(18,714)
Depreciation and amortization		(4,060)	(2,117)
Provisions for realizable goods		(1,763)	(1,194)
Other provisions		(1,921)	(1,240)
		-----	-----
		(48,354)	(40,835)
		-----	-----
Earnings before employees' profit sharing and income tax		18,202	19,482
EMPLOYEES' PROFIT SHARING	27 (b)	(767)	(894)
INCOME TAX	27 (b)	(4,374)	(5,384)
		-----	-----
Net earnings		13,061	13,204
		=====	=====
Basic and diluted earnings per share	25	0.19	0.25
		=====	=====

The accompanying notes to the financial statements are part of this statement.

BANCO DE COMERCIO

STATEMENT OF CHANGES IN THE NET SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

(in thousands of Nuevos Soles)

	<u>SHARE CAPITAL</u>	<u>ADDITIONAL CAPITAL</u>	<u>LEGAL RESERVE</u>	<u>RESULT FROM PERMANENT INVESTMENTS</u>	<u>UNREALIZED RESULTS</u>	<u>ACCUMULATED RESULTS</u>
BALANCES AS OF DECEMBER 31, 2006	61,168	9	1,114	-	-	9,064
Capitalization	7,294	-	-	-	-	(7,294)
Transfer	-	-	906	-	-	(906)
Dividends	-	-	-	-	-	(864)
Adjustment to equity (Note 16 (d))	-	-	-	3,098	-	
Net earnings	-	-	-	-	-	13,204
	-----	-----	-----	-----	-----	-----
BALANCES AS OF DECEMBER 31, 2007	68,462	9	2,020	3,098	-	13,204
Capitalization	3,098	-	-	(3,098)	-	-
Capitalization	10,984	-	-	-	-	(10,984)
Transfer	-	-	1,320	-	-	(1,320)
Unrealized results	-	-	-	-	(411)	-
Dividends	-	-	-	-	-	(899)
Net earnings	-	-	-	-	-	13,061
	-----	-----	-----	-----	-----	-----
BALANCES AS OF DECEMBER 31, 2008	82,544	9	3,340	-	(411)	13,062
	=====	====	=====	=====	====	=====

The accompanying notes to the financial statements are part of this statement.

BANCO DE COMERCIO

STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

(in thousands of Nuevos Soles)

	<u>2008</u>	<u>2007</u>
OPERATING ACTIVITIES:		
Net earnings	13,061	13,204
Plus (less) adjustments to net earnings:		
Depreciation and amortization	4,060	2,117
Provision for permanent investment fluctuation	-	208
Provision for credits	12,742	9,599
Provision for contingent credits	1,818	666
Provision for accounts receivable	103	17
Reversal of provisions for sale of portfolio	-	(1,095)
Recovery of provision for credits	(308)	(118)
Recovery of provisions for accounts receivable	(2,025)	(65)
Provisions for realizable goods	1,763	1,194
Adjustment to market value of fixed assets	(2,844)	-
Recovery of provision for permanent investments	-	(155)
Recovery of provisions for sale of realizable goods	(1,053)	(818)
Deferred income tax and employees' profit sharing	(942)	(490)
Earnings from the sale of fixed assets	-	(256)
Withdrawal of fixed assets	120	-
Exchange difference	488	(1,058)
Adjustment to accumulated amortization	(77)	-
Adjustment of investments	41	25
Write-off of provisions for credits	(5,589)	(3,314)
Charges and credits due to net changes in assets and liabilities:		
(Increase) decrease of other assets	(6,026)	5,182
Increase (decrease) of other liabilities	1,441	(1,609)
	-----	-----
CASH INCREASE FROM OPERATING ACTIVITIES	16,773	23,234
	-----	-----

BANCO DE COMERCIO

STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

(in thousands of Nuevos Soles)

	<u>2008</u>	<u>2007</u>
INVESTMENT ACTIVITIES:		
Decrease (increase) of trading and held-to-maturity investments	34,374	(16,265)
Sale of property, furniture and equipment	-	1,900
Additions of property, furniture and equipment	(4,201)	(2,095)
(Increase) decrease realizable goods	(3,575)	1,038
Increase of permanent investments	(4,053)	(1,298)
Additions of intangibles	(2,795)	(1,530)
Collection of dividends	1,559	-
Refund of contribution	2,000	-
	-----	-----
CASH INCREASE (DECREASE) FROM INVESTMENT ACTIVITIES	23,309	(18,250)
	-----	-----
FINANCING ACTIVITIES:		
Net increase of due to customers	167,634	116,017
Net increase of financial debts and obligations	13,154	7,358
Increase of credit portfolio, net of non-accrued interests	(220,865)	(121,259)
Increase of title deeds and liabilities in circulation	10,101	-
Dividends	(899)	(864)
	-----	-----
CASH (DECREASE) INCREASE FROM FINANCING ACTIVITIES	(30,875)	1,252
	-----	-----
NET CASH AND CASH EQUIVALENT INCREASE	9,574	6,236
BALANCE OF CASH AND CASH EQUIVALENT AT THE BEGINNING	123,531	117,295
	-----	-----
BALANCE OF CASH AND CASH EQUIVALENT AT THE END	133,105	123,531
	=====	=====
TRANSACTIONS THAT HAVE NOT GENERATED FUNDS TURNOVER		
Increase of permanent investments from revaluation of fixed assets in subsidiary (Note 9, Note 16(d))	-	3,098
Adjustment to deferred income tax (Note 8 (a))	2,177	-
	=====	=====

The accompanying notes to the financial statements are part of this statement

BANCO DE COMERCIO

NOTES TO THE FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2008 AND 2007

1. ECONOMIC ACTIVITY

Banco de Comercio (hereinafter the Bank) is subsidiary of Caja de Pensiones Militar Policial, majority shareholder with an interest of 99.99% as of December 31, 2008 and 2007. The Bank business include mainly the financial trading transactions proper to multiple banks, as regulated by the Superintendence of Banks and Insurance and Pension Fund Managers (hereinafter SBS), according to the General Law for the Financial and Insurance Systems and SBS Organic Operation, Law No.26702 (hereinafter the General Law), which sets forth the requirements, rights, obligations, securities, restrictions, and other operation conditions applicable to juridical persons ruled by the private law that operate in the financial and insurance systems.

The Bank was incorporated by means of a simple reorganization process, approved through SBS Resolution No.1105-2004 dated July 9, 2004, in which an equity block made up by assets and liabilities selected from the old Banco de Comercio was transferred to a new financial entity. The operation license of the old Banco de Comercio was cancelled by the SBS and immediately changed its name to Administradora de Comercio S.A. (hereinafter the Administrator).

Through SBS Resolution No.1466-2004 dated August 25, 2004, SBS conferred the Bank the authorization to operate.

The Bank carries its business using a nationwide network of 16 branches (15 branches in 2007) and 11 special offices as of December 31, 2008 and 2007. The headquarters are located at Av. Canaval y Moreyra No.452-454, San Isidro.

The financial statements as of December 31, 2007 were approved in Shareholders' Meeting held on March 13, 2008. Those corresponding to year 2008 have been approved by General Management in January 2009 and will be submitted for approval to the General Shareholders' Meeting within the time term required by Law. In the opinion of the General Management, the accompanying financial statements will be approved without changes.

The number of employees was 644 in 2008 and 551 in 2007.

The adjoined financial statements reflect the Bank individual activity, excluding the effects resulting from the consolidation of such financial statements with those of its subsidiary Inversiones Banco de Comercio S.A. (Inverpeco), engaged in real estate purchase, sale, and lease, as well as in financial advice. The Subsidiary's assets, liabilities and equity amount to S/. 25,577 thousand, S/. 15,026 thousand and S/. 10,551 thousand as of December 31, 2008 (S/. 24,684 thousand, S/. 13,682 thousand and S/. 11,002 thousand, respectively, as of December 31, 2007).

2. ACCOUNTING PRINCIPLES AND PRACTICES FOLLOWED BY THE BANK

The following are the accounting principles and practices followed by the Bank in preparing and presenting its financial statements. These principles and practices have been applied consistently during the presented years.

(a) Basis for presentation

- (i) In preparing and presenting the attached financial statements, the Banks' Management has complied with the Peruvian generally accepted accounting principles applicable to financial entities as issued by the Superintendence of Banks, Insurance and Pension Fund Administrators (hereinafter SBS) and, as applicable, with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standard Board (IASB). These standards have been made official in Peru by the Committee for Accounting Standards (The Committee) and include the International Financial Reporting Standards (IFRS) approved up to IFRS 8, the interpretations of the IFRS (IFRIC) approved up to IFRIC 14, the International Accounting Standards (IAS) approved up IAS 41 and the interpretations of the IAS (SIC), approved up SIC 32.

These standards coincide with IFRS valid internationally as of December 31, 2008 and 2007 applicable to the Bank, except for IFRS 7 – Financial Instruments, of international compulsory application as from January 1, 2007, that has been approved in Peru by The Committee as from year 2009. This Standard requires a series of disclosures in the notes to the financial statements that will allow users to assess the impact

of financial instruments in financial position of companies and to understand their extension and risks. This Standard replaces those disclosures required by IAS 32 regarding financial instruments.

The main differences between Peruvian generally accepted accounting principles applicable to financial entities issued by the SBS and the International Financial Reporting Standards (IFRS) are:

SBS

IFRS

Specific provisions for credits

It is determined according to percentages set forth by the SBS and it is recorded in the year's results.

The difference between book value and the recoverable amount (present expected value of cash flows discounted at the loan's effective original interest rate) is recorded. The expected recovery value of the guarantees, in case it is estimated that the credit will be recovered by executing those guarantees, must be considered.

Provision for realizable goods

A provision is recorded against results as per SBS's regulations with percentages that force the recording of a provision of the cost value recorded in a maximum period of 60 months.

The lesser of book and reasonable values must be recorded less expenses required to put them in saleable condition.

SBS

IFRS

Interests in suspense

Interests on overdue credits are recognized as revenue as they are received.	They are recorded in results as they accrue.
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Revenue from commissions for financial services

They are recorded as received.	They are recognized as revenue as they accrue.
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According to Peruvian legal regulations, the attached financial statements do not include the effects of consolidation of the Bank with its Subsidiary. As of December 31, 2008 and 2007, those investments are recorded following the equity participation method thus the consolidation does not have any effect on the Bank's net earnings. Note 1 includes condensed information on the Subsidiary's financial statements.

- (ii) The accompanying financial statements have been prepared from the Bank accounting records, which are kept in nominal monetary terms of the date in which the transactions are made, based on historical figures.

(b) Use of estimates

The process of preparation of the financial statements also requires that Management performs estimations and assumptions to determine balances of assets and liabilities, of revenues and expenses, the amounts of contingencies and the disclosure of significant events in notes to the financial statements. The use of reasonable estimates is an essential part of the preparation of the financial statements and does not lessen their reliability. The estimations and assumptions made by the Bank are continually evaluated and are based on the historical experience and on any other relevant information. Should these estimations and assumptions vary in the future as a result of changes in the premises that supported them, the corresponding balances in the financial statements will be adjusted on the date in which the changes in the estimations and assumptions occur. The most significant estimations related to the attached financial statements are related to the provision for credits, for fluctuation of trading and held-to-maturity investments, for realizable goods, the

useful life and recoverable value of property, machinery and equipment and the recoverable value of intangibles.

(c) Transactions in foreign currency

- Functional and presentation currencies

To present its financial statements, the Bank has established a functional currency, based on the primary business environment it operates in which influences fundamentally the determination of interest and commission rates for financial transactions and the costs incurred to rendered services.

The financial statements are presented in Nuevos Soles which is, at the same time, the Bank's functional and presentation currencies. All transactions are recorded using the functional currency and, on the hand, foreign currency is every other currency different from the functional one.

- Transactions and balances in foreign currency

Transactions in currencies other than the presentation currency are recorded in Nuevos Soles applying the exchange rates in force on the day of the transaction. The balances as of December 31, 2008 and 2007 are shown at the exchange rate in force at the end of the year as established by the SBS. Exchange differences generated between the exchange rate recorded at the beginning of a transaction and the exchange rate at liquidation of the transaction or at year end, are part of the heading of financial revenue or expenses in the statement of earnings.

(d) Financial instruments

The financial instruments are contracts that simultaneously originate a financial asset in one company and a financial liability or a capital instrument in another. In the Bank's case, the financial instruments correspond to primary instruments such as liquid assets, trading and held-to-maturity investments, credit portfolio, accounts receivable (included in other assets) permanent investments and liabilities in general. At the moment of initial recognition, the financial instruments are valued at their reasonable value plus costs directly related to the transaction. The Bank determines the classification of financial assets and liabilities at the moment of their original recognition and, when

permitted and appropriate, it revalues this designation at the end of each year.

Financial liabilities are recorded in full at amortized cost and are recognized when the Bank is part of the contractual agreements of the instrument.

Financial assets and liabilities are compensated when there is a legal right to compensate them and when Management has the intention to cancel them on net basis or to simultaneously realize the asset and cancel the liability.

Detriment of financial assets

The Bank evaluates, as of the date of each balance sheet, whether there is objective evidence that a financial asset or a group of financial assets have deteriorated. A financial asset or a group of financial assets deteriorate and generate losses only when there are objective evidence of detriment as a consequence of one or more events subsequent to the asset's initial recognition (an event of incurred losses) and when such event of loss has an impact on the projected cash flows from the financial asset or group of financial assets that can be reliably estimated. This evidence of detriment may include signs of important financial difficulties of the lender or group of lenders, no fulfillment or delays in payments of principal or interests, probabilities of restructuring or bankruptcy of the debtor or any other business restructuring which demonstrates there will be a decrease of future estimated cash flows such as changes in circumstances or economic conditions having correlation with the no fulfillment of payments.

(e) Cash and cash equivalents

Cash and cash equivalents include the balances of liquid assets.

(f) Trading and held-to-maturity investments

It includes investments for trading and those available for sale.

Investments are initially recorded at their cost of acquisition, updating its value according to SBS Resolution No. 1914-2004, according to their classification.

The valuation criteria of investments according to their classification are as follows:

- Trading – Investments held for trading in the short term, which are daily updated at the market value through individual valuation, recognizing resulting earnings and losses in the statement of earnings.

- Available for sale – Investments that are neither held for sale in the short term nor to be held to maturity. These investments are valued based on the global portfolio at the lesser of average cost of acquisition or estimated market value. As from year 2005, the provisions resulting from their impairment do not affect the year results, but are recorded in an equity account of losses resulting from fluctuation in value until the securities are sold. When the securities are sold, the losses resulting from detriment of their market value, previously recognized as part of the equity, are included in the year's result. Likewise, when the Bank considers that the fall in the market value or equity value is not temporary, it sets up respective individual provisions affecting the year's result.

These investment yields are recognized when accrued and dividends when declared.

In the case of securities representing debt, the companies must update the accounting value of such instruments on a monthly basis through the discount accrual or capital premium.

Differences between revenues received from the disposal of investments and their book value are recognized in the statement of earnings.

In any of the cases above, if SBS considers necessary to set up any provision, such provision will be assessed based on each individual security and recorded under the year's result.

(g) Credit portfolio and provision for doubtful credits

Credit balances are shown at their face value, net of the corresponding provision for doubtful credits.

The provision for doubtful credits is based on estimates made by the Management from time to time. The review and analysis of commercial credits consider specific customers, against whom a judicial proceeding is to be filed and customers evidencing a difficult economic/financial position. If such reviews determine the existence of placement recovery risks, a provision is set up for doubtful credits according to the rating given and the percentages established by SBS, as outlined in Note 6 e).

In the case of credits for consumption and micro enterprises (MES), the provision for doubtful credits is determined based on the level or delay noted in placement collection, applying the provision percentages established by SBS.

The write-off of credits rated as losses is made after all collection possibilities have been exhausted, and when there is actual and verifiable evidence of non-recoverability or when the amounts do not justify filing a judicial proceeding.

Overdue credits correspond to placements which have not been cancelled within the 15 days following the agreed due date. In case of placements for consumption, mortgages and MES, overdue credits include unpaid capital installments older than 30 to 90 days and the full credit in case they are more than 90 days overdue.

(h) Realizable goods and provision for detriment

Realizable goods include real estate and personal properties awarded or recovered under execution of securities backing overdue direct and contingent placements or under termination of financial leasing contracts, which are accounted at the lesser of their awarding cost, market value, or outstanding balance, net of a provision for detriment computed as follows:

- i) 20% of the value on the award or recovery date for all the goods received, in as much as the provision assessed for the appraisal value is not higher.
- ii) For goods other than real property, a provision is set up for the remaining balance in a term of 18 months.
- iii) Additionally, for real property a monthly devaluation provision is recorded as from month 18 upon its award or recovery, which shall be set up in a maximum term of 42

months, inasmuch as the annually assessed appraisal value is not higher than the provision net value.

(i) Accounts receivable and provision

They include accounts receivable for unrecovered goods from terminated leasing contracts, for which provisions are set up according to the rating given to the debtor.

The balances of accounts receivable, included in other assets, are shown at their nominal value, net of the corresponding provision for doubtful accounts. Such provision is recorded as year's expense and is made based on a specific individual evaluation of each debtor, considering the possibility to collect from each of them based on debt age, the Management's discretion and the credit experience with the debtor.

(j) Permanent investments

Permanent investments are recorded following the equity method. According to this method, the investment is initially recorded at cost and later on their book value is increased or decreased to recognize the Subsidiary profit or loss share. The value of the shares received due to the Subsidiary capitalization of the fixed asset revaluation surplus is recorded crediting it to equity.

(k) Property, furniture and equipment

Property, furniture and equipment are shown at their cost of acquisition, less accumulated depreciation and the accumulated amount of losses due to devaluation. Depreciation of fixed assets is computed following the straight-line method based on their estimated useful life at the annual rates shown in Note 10. The historic acquisition cost includes disbursements directly attributed to the acquisition of assets. Maintenance and minor repairs are recognized as expenses as they are incurred. The useful life and the depreciation method are reviewed from time to time to ensure that the depreciation method and period are consistent with the foreseen pattern of future economic benefits. Major later disbursements and major renewals are recognized as assets when it is likely that the Bank will obtain future economic benefits derived from them and their cost can be reliably valued.

When selling or removing property, furniture and equipment, the Bank eliminates their cost and the corresponding accumulated

depreciation. Any losses or profits resulting from their disposal are included in the statement of earnings.

(l) Intangibles and accumulated amortization

Intangibles, included under other assets, are recorded at initial cost less accumulated amortization. After the initial recognition, intangibles are valued at cost less the accumulated amortization and any accumulated losses due to impairment. Intangibles are amortized following the straight-line method during their estimated useful life. The period and amortization method are reviewed at the end of each year.

Intangibles, included under other assets, correspond mainly to implementation of software, which are recorded at cost and are amortized in a term of five years, following the straight-line method.

(m) Detriment of non financial assets

The value of realizable goods, property machinery and equipment and intangibles is periodically reviewed to determine whether detriment exists or when indications and circumstances occur that indicate the book value may not be recoverable. If indications of detriment exist, the Bank estimates the recoverable value of the assets and recognizes a loss for impairment in the statement of earnings.

The recoverable value of an asset is the higher between the realizable value less selling expenses and its usable value. The usable value is the present value of the estimated future cash flows that will result from the continuous usage of an asset as well as its disposal at the end of its useful life. The recoverable amounts are estimated for each asset and, when this is not possible, for the lesser unit that generates cash that may have been identified. Should there exist a decrease in the losses due to devaluation, as computed in prior years, revenue will be recorded in the statement of earnings.

(n) Employees' service length compensation

Provision for employees' length of service compensation, included as part of "other minor accounts" under other liabilities is charged to results as it becomes due.

(o) Employees' profit sharing and income tax

Deferred employees' profit sharing and income tax are computed following the liabilities method of the balance sheet, which consists of determining the temporary differences between financial and tax assets and liabilities, and applying to such differences the employees' profit sharing percentage and the income tax rate. Employees' profit sharing and income tax for taxation purposes are computed according to the applicable tax regulations.

(p) Recognition of revenues and expenses

Interest revenues and expenses are accounted in the results of the period in which they are accrued, based on the capital term of the transactions generating them. Commissions for financial services are recognized as revenues when received, except for the commissions from credit cards which recognized as they accrue.

Interests from refinanced and overdue placements and from placements under judicial collection are recorded following the procedures established by SBS requiring that such interests are recorded when received.

Other expenses are recognized as accrued.

(q) Contingencies

Contingent assets, as well as contingent liabilities, are not recognized in the financial statements. They are only disclosed in a note to the financial statements if an economic flow is likely and it can be fairly quantified and measured.

(r) Basic and diluted earnings per share

Basic profit per share results from dividing the net result attributable to the shareholders by the weighted average number of common and investment shares outstanding in the period, including shares resulting from the restatement to constant currency. Diluted profit per share results from dividing the net result attributable to the shareholders by the weighted average number of common and investment shares outstanding and pending of issue in the period.

3. ASSETS AND LIABILITIES IN
FOREIGN CURRENCY

Transactions in foreign currency are made at the exchange rate established by the foreign currency free market in the National Financial System.

As of December 31, 2008 the exchange rate reported by SBS for the accounting of assets and liabilities in foreign currency was S/. 3.140 (S/. 2.996 in year 2007) for each US Dollar.

As of December 31, 2008 the free market weighted average exchange rate for transactions in US Dollars reported by SBS was S/. 3.137 for buying transactions and S/. 3.142 for selling transactions (S/. 2.995 for buying and S/. 2.997 for selling in year 2007).

As of December 31, the Bank had the following assets and liabilities in thousands of US Dollars:

	<u>2008</u>	<u>2007</u>
<u>Assets</u>		
Liquid assets	28,187	27,185
Credit portfolio, net	55,160	51,534
Trading and held-to-maturity investments	1,442	1,332
Other assets	2,897	1,358
	-----	-----
	87,686	81,409
	-----	-----
<u>Liabilities</u>		
Dues to customers	(77,745)	(74,508)
Financial debts and obligations	(7,908)	(5,981)
Other liabilities	(1,421)	(981)
	-----	-----
	(87,074)	(81,470)
	-----	-----
Net asset (liability) position	612	(61)
	=====	=====

4. LIQUID ASSETS

It is mainly made up of cash funds kept in the Bank and in Banco Central de Reserva del Peru - BCRP, including the legal deposit required by the current legislation.

Deposits in Nuevos Soles and in foreign currency are subject to a minimum reserve of 9% (6% in 2007); deposits in foreign currency are required an additional reserve of 35% (30% in 2007) computed on the excess of deposits over the average in September 2008.

Reserve funds representing the minimum required by law accrue no interest. Reserve funds corresponding to the additional reserve required in foreign currency and deposited in BCRP accrue interests at an annual rate of 6.5% (3% per annum in 2007). Additional reserve funds in local currency are not remunerated.

The balance of deposits in local and foreign banks includes restricted deposits in Banco de Crédito del Perú for US\$ 688,000 in 2008 and (US\$. 512,500 in 2007), as collateral for a letter of guarantee in favor of Unibanca for the same amount to back the transactions with credit cards issued by the Bank; deposits in Commerzbank AC for US\$ 500,000 in 2008 and in 2007 as collateral for debts, S/. 548,891 of restricted funds due to judicial withholdings of the previous years in 2008 and 2007 and other minor restricted deposits for S/. 13,830 in 2008.

5. TRADING AND HELD-TO-MATURITY INVESTMENTS

The following is the breakdown of this heading (in thousands of Nuevos Soles):

	<u>2008</u>	<u>2007</u>
Investment funds	4,973	4,745
Deposit certificates	22,473	58,505
Other	1,143	345
	-----	-----
	28,589	63,595
Less:		
Provision for impairment	(666)	(887)
	-----	-----
	27,923	62,708
	=====	=====

Investment funds include 1,179,480 shares in Fondo de Inversión Multirenta Inmobiliaria managed by AC Capitales SAFI valued at US\$ 1,363,738 (US\$ 1,226,659 in 2007).

Deposit certificates correspond mainly to trading bank certificates issued by Banco Central de Reserva del Perú, with current and non-current maturity. Interests are determined based on the interest rates effective in the market.

6. CREDIT PORTFOLIO, NET

a) It includes the following (in thousands of Nuevos Soles):

	<u>2008</u>	<u>2007</u>
Direct credits:		
Consumption	569,854	398,305
Loans	118,365	105,019
Financial leasing	49,869	31,891
Discounts	54,207	49,284
Overdrafts and advances in checking account	15,028	7,303
Mortgage credits	7,477	5,092
Refinanced credits	6,300	6,773
Overdue credits and credits under judicial collection	12,765	8,947
	-----	-----
	833,865	612,614
Accrued yield from current credits	8,963	6,767
Less:		
Non-accrued interests and commissions	(20,584)	(18,002)
Provision for doubtful credits	(28,497)	(20,259)
	-----	-----
	793,747	581,120
	=====	=====
Contingent credits (Note 17)	217,371	178,226
	=====	=====

- b) Interest rates generated by placements in local and foreign currency are established by the free market, depending on the type of placement and the currency in which the credit is granted. As of December 31, the average annual rates effective for the main products were as follows:

	<u>2008</u>		<u>2007</u>	
	<u>Placements in</u>		<u>Placements in</u>	
	<u>S/.</u>	<u>US\$</u>	<u>S/.</u>	<u>US\$</u>
	%	%	%	%
Consumption credits	18.62	9.75	21.61	9.75
Commercial credits	14.58	12.93	15.31	11.84
Discounts	16.07	13.38	11.78	10.37
Overdrafts	136.15	49.17	134.94	49.13
Mortgage credits	11.95	11.65	13.63	11.63

- c) According to SBS current regulations, the Bank placement portfolio presents the following risk rating (in thousands of Nuevos Soles):

<u>Credits</u>	<u>2008</u>		<u>2007</u>	
	<u>Direct and indirect</u>	<u>%</u>	<u>Direct and indirect</u>	<u>%</u>
Standard	959,400	93	714,327	92
Potential problem	20,305	2	12,935	2
Poor	25,080	2	25,342	3
Doubtful	16,168	2	12,764	2
Loss	9,699	1	7,470	1
	-----	----	-----	----
	1,030,652	100	772,838	100
	=====	====	=====	====

Such amounts include the balances of placements and certain contingent transactions which are backed by collaterals received from customers, mainly mortgages, industrial and commercial pledges and sureties, among others. Such collaterals amount approximately to S/. 361,909 thousand as of December 31, 2008 (S/. 275,121 thousand in 2007). (Note 17).

Bank's credits are mainly oriented to consumption (70%), services (10%), manufacturing (6%), and commerce (14%).

- d) The turnover of the provision for doubtful credit portfolio was as follows (in thousands of Nuevos Soles):

	<u>2008</u>	<u>2007</u>
Initial balance	20,259	15,555
Additions charged to results	12,742	9,599
Write-offs	(5,589)	(3,314)
Sale of portfolio	-	(1,095)
Recovery	(308)	(118)
Reassigning of provision for contingent credits	1,319	-
Exchange difference	74	(368)
	-----	-----
Final balance	28,497	20,259
	=====	=====

As of December 31, 2008, the provision for contingent credits amounting to S/. 3,200 thousand (S/. 2,622 thousand as of December 31, 2007), is included under Other Liabilities in the Balance Sheet (Note 15).

- e) The assessment criteria correspond to regulations of SBS Resolution N° 808-2003, Bylaws for Debtor Assessment and Classification and Existence of Provisions that consider the debtor's payment capacity, mainly defined by its cash flow and credit history, and additionally —for commercial credits— economic environment, the company global indebtedness with third parties, the capacity to pay its liabilities under exchange rate variations, the level of pledged preferred collateral, the level of preferred collateral with self-liquidity and quick realization value, the quality of the company management, and the ratings granted by other entities of the financial system. Assessments determine the adjustments on the provision amounts that the Bank's Management considers enough to offset any losses that may be incurred in the recovery of the rated credits.

On November 10, 2006 SBS issued Resolution 1494-2006 in order to establish reasonable guidelines for debtors classification and incorporated to the Regulations a rule setting forth that for any consumption credits with contracts referred to payroll discount agreement, provisions are to be setup according to the percentages on table 3, provided that the conditions of such rule are met.

As from December 1, 2008, through SBS Resolution No.11356-2008, the provision percentages for credits rated as standard risk category established in SBS Resolution N° 808-2003 and its amending regulations were changed and setting forth a regime of pro-cyclic provisions for such credits. The minimum rates of specific provisions for direct credits of debtors classified in a category higher than the standard category were not changed.

The following are the minimum rates of generic provisions and the rates of pro-cyclic provisions applicable to credits classified as standard category for year 2007 and up to November 2008 and for December 2008:

<u>Credit type</u>	<u>Provision rates %</u>		
	<u>Generic</u> For year 2007 up to November <u>2008</u>	<u>Generic</u> December <u>2008</u>	<u>Pro-cyclic</u> December <u>2008</u>
Commercial	1	0.7	0.45 (1)
MES	1	1.0	0.50 (2)
Consumption	1	1.0	1.00 (2)
Mortgage for housing	1	0.7	0.40 (1)

(1) With self-liquidity preferred guarantees the pro-cyclic provision will be 0.3% for the portion covered by the guarantees.

(2) With self-liquidity preferred guarantees the pro-cyclic provision will be 0% for the portion covered by the guarantees.

The minimum rates of specific provision that must be constituted for credits of debtors classified in categories higher than the standard were the following (for years 2008 and 2007):

	<u>Percentage of provision</u>		
	(1)	(2)	(3)
Potential problem	5	2.5	1.25
Poor	25	12.5	6.25
Doubtful	60	30	15
Loss	100	60	30

(1) Without preferred guarantees.

- (2) With preferred guarantees (applicable to commercial, mortgage and MES credits).
- (3) With very fast realizable preferred guarantees (applicable to commercial, mortgage and MES credits and consumption credits that have contracts referred to agreements of discount through remuneration payroll).

The new Bylaws for Debtor Assessment and Classification and Existence of Provisions approved in November 2008, will be valid as from January 1, 2010, except for what is mentioned in the preceding paragraphs of this section.

- f) In the case of reorganized and refinanced transactions, upon entering the refinancing agreement or approval of the new payment schedule, the poor risk rating may be assigned to debtors with previous doubtful and loss ratings, keeping the rest under their original risk ratings, except for standard risk debtors, who are now to be rated as potential problem debtors. The new rating assigned may improve to the next upper rating, provided that the debtor had proved his payment capacity in relation to the new credit schedule by making timely payments of the agreed installments for two consecutive quarters.
- g) As of December 31, direct credits have the following maturities (in thousands of Nuevos Soles):

	2008			2007		
	Local currency	Foreign currency	Total	Local currency	Foreign currency	Total
Up to 1 month	33,843	43,960	77,803	22,096	39,346	61,442
From 1 to 3 months	18,049	18,193	36,242	28,666	45,362	74,028
From 3 to 6 months	60,169	44,438	104,607	33,131	17,661	50,792
From 6 to 12 months	66,264	8,307	74,571	63,314	6,034	69,348
Over 12 months	452,973	74,905	527,878	283,989	55,141	339,130
Overdue and under judicial collection	7,275	5,489	12,764	4,474	13,400	17,874
	-----	-----	-----	-----	-----	-----
	638,573	195,292	833,865	435,670	176,944	612,614
	=====	=====	=====	=====	=====	=====

7. REALIZABLE GOODS, NET

It includes property and furniture obtained from the execution of collateral received in payment, corresponding to overdue placements and recovered placements under terminated leasing contracts.

The following is the breakdown of this balance (in thousands of Nuevos Soles):

	<u>2008</u>	<u>2007</u>
Realizable goods	10,805	4,977
Goods received in payment and awarded	1,493	3,746
	-----	-----
	12,298	8,723
Less: Provision for detriment	(7,044)	(7,611)
	-----	-----
	5,254	1,112
	=====	=====

During 2008 the Bank sold awarded goods to third parties for S/. 1,676 thousand, generating a net profit of S/. 1,274 thousand (S/. 829 thousand in 2007, generating a net profit of S/. 607 thousand in that year.)

The following is the turnover of the provision for detriment (in thousands of Nuevos Soles):

	<u>2008</u>	<u>2007</u>
Initial balance	7,611	7,495
Addition charged to results	1,763	1,194
Sales	(1,053)	(818)
Transfer to accounts receivable	(1,493)	-
Exchange difference	216	(260)
	-----	-----
Final balance	7,044	7,611
	=====	=====

8. DEFERRED EMPLOYEES PROFIT SHARING AND INCOME TAX

The following is the breakdown of this heading as of December 31, 2008 and 2007 (in thousands of Nuevos Soles):

	<u>2008</u>	<u>2007</u>
The deferred asset arises from:		
1. Financial leasing	(385)	141
2. Provision for investments impairment	207	297
3. Impairment of fixed assets	563	1,516
4. General provisions	4,407	2,799
5. Unpaid vacations	764	609
6. Deferred revenues from sale to related parties	313	507
7. Provisions for realizable goods	1,206	469
8. Unpaid interests on deposits of individuals	1,815	-
10. Smoothing of assets and liabilities in foreign currency and other	577	10
	-----	-----
Deferred assets at the end of the year	9,467	6,348
Less: Balance at the year begin	6,348	5,858
	-----	-----
Net effect of the year in year's results (Note 27 (b))	942	490
Adjustment a)	2,177	-
	-----	-----
	3,119	490
	=====	=====

- a) Corresponds to the adjustment made in March 2008 crediting tax on employees' participation and income tax payable, mainly for considering interests on deposits from individuals as non deductible.

9. PERMANENT INVESTMENTS, NET

The following is the breakdown of this heading as of December 31, 2008 and 2007 (in thousands of Nuevos Soles):

	<u>Number of shares</u>	<u>Participation in equity</u>		<u>Amount</u>	
		<u>2008</u> %	<u>2007</u> %	<u>2008</u> S/.	<u>2007</u> S/.
Inversiones Banco de Comercio S.A.	4,605,025	99.99	99.99	10,120	11,001
Unibanca	3,490,576	11.28	11.28	5,109	3,831
Other				109	81
				----- 15,338	----- 14,913
				=====	=====

The amount of the participation in the subsidiary's net equity has been determined on the basis of audited financial statements as of December 31, 2008 and 2007. The amount of the participation in Unibanca has been determined on the basis of the information regarding the Bank's participation in the equity sent by the above-mentioned company in 2008 and 2007.

During year 2007, the subsidiary revaluated its fixed assets resulting in an increase in the Bank investment value for S/. 3,098, which was recorded as credit to equity (See Note 16 (d)), and which was capitalized in year 2008.

10. PROPERTY, FURNITURE AND EQUIPMENT
AND ACCUMULATED DEPRECIATION

The following is the turnover and breakdown of this heading (in thousands of Nuevos Soles):

<u>YEAR 2008</u>	<u>INITIAL BALANCES</u>	<u>ADDITIONS</u>	<u>WITHDRAWALS</u>	<u>ADJUSTMENT TO MARKET VALUE</u>	<u>TRANSFERS</u>	<u>FINAL BALANCES</u>
COST OF:						
Land	4,991	-	-	1,265	-	6,256
Buildings and installations	12,957	355	(90)	1,579	17	14,818
Furniture and equipment	9,268	1,858	(3,232)	-	-	7,894
Transport units and machinery	162	539	(131)	-	-	570
Installations and improvements in leased properties	1,838	705	-	-	339	2,882
Works in progress	98	405	-	-	(356)	147
	-----	-----	-----	-----	-----	-----
	29,314	3,862	(3,453)	2,844	-	32,567
	-----	=====	=====	=====	=====	-----
ACCUMULATED DEPRECIATION OF:						
Buildings and installations	4,488	562	(62)	-	-	4,988
Furniture and equipment	6,645	1,187	(3,232)	-	-	4,600
Transport units and machinery	127	73	(39)	-	-	161
Installations and improvements in leased properties	408	220	-	-	-	628
	-----	-----	-----	-----	-----	-----
	11,668	2,042	(3,333)	-	-	10,377
	-----	=====	=====	=====	=====	-----
Net value	17,646					22,190
	=====					=====

<u>Year 2007</u>	<u>Saldos iniciales</u>	<u>Adiciones</u>	<u>Ventas</u>	<u>Saldos finales</u>
COST	30,166	2,095	(2,947)	29,314
	-----	-----	-----	-----
Less provision for property devaluation	(545)	-	545	-
	-----	=====	=====	-----
	29,621			29,314
	-----			-----
ACCUMULATED DEPRECIATION	10,685	1,741	(758)	11,668
	-----	=====	=====	-----
Net value	18,936			17,646
	=====			=====

Fixed assets depreciation is computed following the straight-line method using the following annual rates:

Buildings and installations	3 and 10%
Furniture and equipment	10% and 25%
Transport units and machinery	20% and 10%
Installations and improvements in leased properties	10%

The balance of "Buildings and Installations" is shown net of adjustment for fixed asset devaluation amounting to S/. 4,525 thousand recorded after the reorganization process was completed. This good was subject of a financial lease contract with INVERPECO, which was terminated and later recorded by the Bank as fixed asset according to the approval N° 1944-2004 dated February 3, 2004 from SBS. During year 2008 the Bank made a new appraisal of this good and increased its cost by S/. 2,844 thousand, included in the heading of various revenues, net of the statement of earnings.

11. OTHER ASSETS

It includes the following (in thousands of Nuevos Soles):

	<u>2008</u>	<u>2007</u>
Intangibles, net of		
accumulated amortization a)	3,064	2,210
Deferred charges b)	4,348	6,802
Accounts receivable, net of provision for		
S/. 2,737 thousand in 2008 and S/. 3,047		
thousand in 2007 c)	2,879	944
Credit from General Sales Tax	2,897	-
Income Tax advance payments	2,489	630
Transactions in progress d)	1,818	215
Other	1,048	552
	-----	-----
	18,543	11,353
	=====	=====

- a) The following is the turnover and breakdown of this heading (in thousands of Nuevos Soles):

<u>Year 2008</u>	<u>Initial</u>		<u>Adjust-</u>	<u>Final</u>
	<u>balances</u>	<u>Additions</u>	<u>ment</u>	<u>balances</u>
COST OF				
Cessions and rights	581	-	-	581
Software	1,030	-	-	1,030
Administrative				
reorganization				
Plexus a.1)	1,453	226	(1,679)	-
Development of CORE				
software a.2)	-	2,569	-	2,569
	-----	-----	-----	-----
	3,064	2,795	(1,679)	4,180
	-----	=====	=====	-----
ACCUMULATED				
AMORTIZATION				
	854	2,018	(1,756)	1,116
	-----	=====	=====	-----
	2,210			3,064
	=====			=====

<u>Year 2007</u>	<u>Initial balances</u>	<u>Additions</u>	<u>Adjust- ment</u>	<u>Final balances</u>
COST	1,532	1,532	-	3,064
	-----	=====	=====	-----
ACCUMULATED AMORTIZATION	478	376	-	854
	-----	=====	=====	-----
	1,054			2,210
	=====			=====

- a.1) Corresponds to the project developed by Plexus S.A. for the optimization of resources and operational efficiency which has been amortized during the year.
- a.2) Corresponds to the implementation of the CORE Banking System that will replace the current SIAF system.
- b) Deferred charges include S/. 1,662 thousand (S/. 3,466 thousand in 2007) corresponding to the balance of the advance of 51 installments to Inverpeco for S/.6,796 thousand (equivalent to US\$ 2,104 thousand) of the lease contract for 133 installments of the new Bank's offices with maturity in June 2016. Additionally, it includes a balance of S/. 1,646 thousand (S/.1,869 thousand in 2007), corresponding to the advance of the rent contract for 120 months up to April 2014 for offices for a branch in Centro Comercial Jockey Plaza for US\$ 998,000 in payment of a promissory note signed by Centro Comerciales del Perú S.A.
- c) The following is the turnover of the provision for accounts receivable (in thousands of Nuevos Soles):

	<u>2008</u>	<u>2007</u>
Initial balance	3,047	3,294
Transfer of provision for detriment	1,493	-
Addition charged to results	103	17
Recovery of provisions	(2,025)	(65)
Exchange difference	119	(199)
	-----	-----
Final balance	2,737	3,047
	=====	=====

- d) Transactions in progress are mainly referred to transactions made during the last days of the month that are reclassified during the following month to the definite accounts of the Balance Sheet. These transactions do not affect the Bank's results.

12. DUES TO CUSTOMERS

Interest rates for liabilities transactions are freely set by the Bank based on the free market and the type of deposit. The following are the rates valid as of December 31, 2008 for the main products (effective annual rate):

	2008		2007	
	<u>Local currency</u> %	<u>Foreign currency</u> %	<u>Local currency</u> %	<u>Foreign currency</u> %
Savings deposits	2.52%	1.12%	2.15	2.57
Term deposits	8.64%	5.41%	9.07	4.75
Bank certificates	-	1.53%	-	3.55
Employees' length of service compensation deposits	9.00	5.00	9.00	5.00

As of December 31, deposits and other liabilities have the following maturities (in thousands of Nuevos Soles):

	2008			2007		
	<u>Local currency</u>	<u>Foreign currency</u>	<u>Total</u>	<u>Local currency</u>	<u>Foreign currency</u>	<u>Total</u>
Up to 1 month	48,499	17,207	65,706	47,956	19,153	67,109
From 1 to 3 months	35,837	11,973	47,810	59,073	28,321	87,394
From 3 to 6 months	136,097	48,526	184,623	61,926	49,000	110,926
From 6 to 12 months	180,378	76,026	256,404	137,963	48,412	186,375
Over 12 months	225,038	90,387	315,425	170,013	78,340	248,353
	-----	-----	-----	-----	-----	-----
	625,849	244,119	869,968	476,931	223,226	700,157
	=====	=====	=====	=====	=====	=====

The Bank is member of the Deposits Security Fund (DSF) as per Article 148° General Act of the Financial System, Law N° 26702 therefore the saving deposits are covered up to a maximum limits established by the DSF.

13. FINANCIAL DEBTS AND LIABILITIES

It includes the following loans as of December 31, 2008 (in thousands of Nuevos Soles):

<u>Creditor</u>	<u>Total</u>	<u>Short Term</u>	<u>Long Term</u>
Corporación Financiera de Desarrollo COFIDE	26,692	6,709	19,983
Standard Chartered	3,512	3,512	-
Commerzbank AC	1,730	1,730	-
Other minor	908	908	-
	-----	-----	-----
	32,842	12,859	19,983
	=====	=====	=====

The annual interest rates of these loans range from 4.28% to 6.95%.

The debts contracted with Corporación Financiera de Desarrollo - COFIDE include balances in foreign currency for US\$ 5,787 thousand (US\$ 5,426 thousand in 2007) and are credit facilities for the special housing project Mi Vivienda.

14. TITLE DEEDS AND LIABILITIES IN CIRCULATION

Corresponds to the first issue of subordinated Bonds convertible to shares for S/. 10,000 thousand, with maturity in a term of ten years and an effective annual rate of 8%. The interests are payable quarterly and the totality of the Bonds have been acquired by the Caja de Pensiones Militar Policial.

The balance includes accrued interests for S/. 101 thousand.

15. OTHER LIABILITIES

The following is the breakdown of this heading (in thousands of Nuevos Soles):

	<u>2008</u>	<u>2007</u>
Deferred revenues from awarded goods transferred to related entities (a)	712	1,291
Provisions for awarded good transferred to Inverpeco	222	222
Provisions for contingent credits (b)	3,200	2,622
Vacations payable	2,282	1,818
Transactions in progress	2,913	2,638
Provision for overhead expenses	1,154	1,295
Profit sharing payable	915	967
Other minor	2,714	1,240
	-----	-----
	14,112	12,093
	=====	=====

- a) During 2006, made sales to its subsidiary Inverpeco generating profits for S/. 579 thousand, which was deferred under the heading of other liabilities until Inverpeco made the sale of the awarded buildings according to SBS Communication N° 484-2007-SBS dated January 11, 2007. On December 31, 2008 the sale of these buildings was carried out originating that the Bank recognized revenue for the above-mentioned amount. As of December 2008 and 2007, the sale of the building located at Calle Los Cedros, District of Luring is pending in Inverpeco S.A. This building was sold to the subsidiary by the Bank in prior years thus the Bank keeps S/. 712 thousand as deferred revenue.
- b) The following is the turnover for the provision for contingent credits (in thousands of Nuevos Soles):

	<u>2008</u>	<u>2007</u>
Initial balance	2,622	2,077
Additions charged to results	1,818	666
Reassignment to provision for direct credits	(1,319)	-
Exchange difference	79	(121)
	-----	-----
Balance as of December 31, 2008	3,200	2,622
	=====	=====

- c) Transactions in progress are mainly referred to transactions made during the last days of the month that are reclassified during the following month to the definite accounts of the Balance Sheet. These transactions do not affect the Bank's results.

16. NET SHAREHOLDERS' EQUITY

- (a) Share capital – The authorized common stock, fully subscribed and paid as of December 31, 2008, is represented by 65,993,801 common shares and 16,550,000 preferred shares with a face value of S/. 1.00 per share (51,911,379 common shares as of December 31, 2007). The shares are listed in the Lima Stock Exchange, but show no trading frequency.

In General Shareholders' Meeting dated November 10, 2004, the Bank agreed on the issue of 16,550,000 preferred shares convertibles to common shares through the capitalization of subordinated Bonds issued by the Bank for a face value of US\$ 5,000,000 (equivalent to S/.16,550,000) held by Caja de Pensiones Militar y Policial. On December 30, 2004, through Resolution 2134-2004, SBS authorized the capitalization of the subordinated Bonds for S/.16,550,000, which were issued and filed in the Public Registry on April 15, 2005. Preferred shares were issued under the following terms:

1. For 8 years, they will grant a dividend determined by the simple average of the annual liabilities rates for 180 to 359 term deposits in US Dollars offered by the main four banks in the country plus an additional rate of 2.5%.
2. This dividend is cumulative and participative.
3. At the end of 8 years, the shares will be converted to common shares.

As of December 31, 2008 the Bank share structure was as follows:

<u>Percentage of capital share</u>				<u>Number of shareholders</u>	<u>Total interest percentage</u>
From	0.00	to	0.01	1	0.01
From	0.02	to	99.99	1	99.99
				----	-----
				2	100.00
				==	=====

The minimum share capital required by the General Law for the Financial and Insurance Systems and SBS Organic Operation (Law 26702) effective as of December 31, 2008 amounts to S/. 23,864,757 (S/.21,568,363 in 2007).

- (b) Legal reserve – In accordance with the General Law (Art. 67), a minimum 10 percent of the net earnings has to be transferred to a legal reserve that cannot be lower than 35 percent of the paid-in capital. Such reserve can only be used to offset losses.
- (c) Accumulated results – They may be capitalized or appropriated as dividends, by resolution of the Shareholders' Meeting. Dividends and any other form of earnings appropriation are subject to the Income Tax at a 4.1% rate on the appropriated amount to be borne by the shareholders or partners, only applicable to individual shareholders, domiciled or not, and to non-domiciled corporate shareholders. According to the General Corporate Act, dividend distributions must be made in proportion to the shareholders' contributions.

As of December 31, 2008 from the total of accumulated results, S/. 955 thousand correspond to preferred dividends and it is estimated that the balance of S/. 12,107 will be capitalized.

- (d) Result from permanent investments –It was made up by the value of the shares received due to the Subsidiary capitalization of the fixed asset revaluation surplus (See Note 9). This amount was capitalized in 2008 with prior approval from SBS.
- (e) Regulatory equity – As of December 31, 2008, the regulatory equity of the Bank assessed according to legal regulations amounts to approximately S/. 107,064 thousand (S/. 80,233 thousand as of December 31, 2007). Such figure is used to compute certain limits and restrictions applicable to the Bank transactions in Peru.

Contingent assets and liabilities weighted by credit risk and assessed by the Bank according to legal regulations applicable to financial institutions amount to approximately S/. 984,173 thousand (S/. 744,329 thousand as of December 31, 2007).

Likewise, the amount of positions subject to market risk weighted by risk cannot exceed eleven times the regulatory equity used to cover the credit and market risks. As of December 31, 2008, the Bank global leverage ratio and the global leverage ratio by credit

risk and market risk is equivalent to 9.22 times the regulatory equity (9.28 in year 2007).

- (f) Unrealized results – Correspond to the variation of the reasonable value of investments kept for sale which remains in this account until they are sold or until proven that they have deteriorated in which case the amount is transferred to the year's result.

17. CONTINGENT AND MEMORANDA ACCOUNTS

It includes the following: (in thousands of Nuevos Soles):

	<u>2008</u>	<u>2007</u>
<u>Contingent credits:</u>		
Sureties and letters of guaranty	208,796	161,379
Letters of credit issued	6,672	13,302
Bank acceptances outstanding	1,903	3,545
	-----	-----
(Note 6 a))	217,371	178,226
 <u>Other contingent accounts</u>		
Unused credit facilities	13,658	12,315
	-----	-----
	231,029	190,541
	-----	-----
<u>Memoranda accounts:</u>		
Securities under collection	3,716	1,903
Revenues on hold	12,206	7,992
Write-off of bad debts	22,117	14,668
Securities given in custody	13,800	17,229
Securities in custody	98,735	79,866
Collaterals received for credit transactions (Note 6 c))	361,909	275,121
Credit rating and weight by credit risk	1,231,593	924,576
Other	693,113	629,287
	-----	-----
	2,437,189	1,950,642
	-----	-----
	2,668,218	2,141,183
	=====	=====

During the regular course of business, the Bank participates in transactions that expose it to credit risks for contingent transactions, in addition to the amounts presented in the balance sheet as credit portfolio and accounts receivable.

The credit risk in contingent transactions is related to the probability that one of the parties to the respective contract does not fulfill the terms established under such contract. Contingent credits do not necessarily represent future payment requirements, because many of them reach maturity without disbursement required. Accordingly, the Bank Management estimates that the recorded provision (shown in Other Liabilities, see Note 15) is enough to cover an eventual loss in the recovery of the contingent credits granted.

18. FINANCIAL REVENUE

It includes the following: (in thousands of Nuevos Soles):

	<u>2008</u>	<u>2007</u>
Credit interests and commissions	115,716	96,114
Revenues from trading and held-to-maturity investments	180	3,926
Revenues from sale of trading investments	1,968	3,134
Interests from deposits in financial institutions	1,533	2,219
Interest gained from permanent investments	4,025	1,435
Interests from interbank funds	242	457
Various financial revenue	1,112	222
Profit from exchange difference, net	4,123	2,352
Other	608	247
	-----	-----
	129,507	110,106
	=====	=====

19. FINANCIAL EXPENSES

It includes the following: (in thousands of Nuevos Soles):

	<u>2008</u>	<u>2007</u>
Interests and commissions from dues to customers	43,351	36,480
Premiums of the Deposit Insurance Fund	2,297	2,009
Interests from debts and obligations	3,250	1,167
Other	2,468	599
	-----	-----
	51,366	40,255
	=====	=====

20. GENERAL EXPENSES

The following is the breakdown of this heading (in thousands of Nuevos Soles):

	<u>2008</u>	<u>2007</u>
Rents	3,903	3,433
Other services	1,879	1,991
Advertisement	1,461	886
Fees	2,650	1,854
Security services	1,790	1,535
Insurance	662	906
Various supplies	1,119	942
Maintenance and repair	1,186	1,023
Transport of money and securities	739	744
Telephone	584	727
Electronic processes	581	563
Other minor	4,427	4,110
	-----	-----
	20,981	18,714
	=====	=====

21. TRANSACTIONS WITH RELATED COMPANIES

The Bank makes various transactions with related companies, the most important of which include attracting funds, granting credits and their related financial expenses and revenues.

The following are the main balances with related companies (in thousands of Nuevos Soles):

	<u>2008</u>		<u>2007</u>	
	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>
Caja de Pensiones Militar Policial	2	13,767	5	39,683
Inverpeco S.A.	10,036	1,755	7,956	1,206
Alpeco S.A.	3	96	2	61
Administradora del Comercio S.A.	-	4,800	-	14,197
	-----	-----	-----	-----
	10,041	20,418	7,963	55,147
	=====	=====	=====	=====

Certain shareholders, directors and officers of the Bank, have, directly or indirectly, made credit transactions with the Bank, which are regulated by the General Law. As of December 31, 2008 loans and

other credits to Bank employees amount to approximately S/. 5,175 thousand (S/. 4,002 thousand in 2007) which include mortgage loans.

In year 2008 deposits from related entities accrued interests for S/. 2,190 thousand (S/. 2,012 thousand in 2007). Placements have accrued in year 2008, approximately S/. 592 thousand (S/. 963 thousand in 2007) as interests.

During year 2008 the Bank has recorded expenses for services received from related companies for approximately S/. 658 thousand (S/. 2,694 thousand in 2007).

22. EMPLOYEES' PROFIT SHARING

According to Legislative Decree N° 892 employees enjoy a profit sharing by the appropriation of 5 percent of the annual income before Income Tax and after offsetting any loss from previous years, as applicable.

23. MANAGEMENT OF LIQUIDITY, CREDIT, INTERESTS AND EXCHANGE RISKS

The Bank activity expose it to a variety of financial risks: liquidity risk, credit risk and market risks (including interest rate and currency risks). The Bank general program of risk management is mainly focused on the unforeseeable of financial markets and tries to minimize the potential adverse effects in the Bank financial performance.

The Risk Management is responsible for the management of risk according to the policies approved by the Board of Directors. Such Management identifies, assesses and covers the financial risks in close coordination with its operating units. The Board of Directors sets in writing the principles for the general risk management, as well as written policies to cover specific areas, such as exchange rate risk, interest rate risk, credit risk, use of financial instruments and investment of liquidity surplus.

Liquidity risk: The liquidity risk is the risk that cash at hand may not be available to pay obligations at maturity at a reasonable cost. The Bank controls its liquidity though the match of assets and liabilities maturities.

Market risk: The Bank is exposed to market risks in the regular course of its business. Market risk includes the risk of loss in case of adverse activity of variables such as interest rate and exchange rate.

Currency risk: The Bank controls the currency risk through the match of assets and liabilities in foreign currency (see Note 3).

Credit risk: Financial assets potentially exposed to concentrations of credit risks consist mainly of cash and cash equivalents, deposits in banks accruing interests, trading securities, investments in securities, credit portfolio and other assets. Cash and cash equivalents, as well as term deposits in banks are placed in prestigious financial institutions.

Credit risk is controlled, mainly through the assessment and analysis of individual transactions considering to that effect aspects such as credit concentration of economic groups, individual limits for credit granting, evaluation of economic sectors, expected portfolio losses, preferred guarantees and working capital requirement, according to the market risks.

Interest rate risk: The Bank is mainly engaged in providing medium-term financing, mostly to local companies, and to natural persons (agreements). Funds for commercial financing are mainly obtained from local market funds.

24. FINANCIAL INSTRUMENTS

Accounting standards define a financial instrument as any financial asset and liability of a company, considering as such: liquid assets, interbank funds, trading and held-to-maturity investments, credit portfolio, accounts receivable (included in other assets) permanent investments and liabilities in general.

In the opinion of the Bank Management, as of December 31, 2008 and 2007 the fair value of their financial instruments is not significantly different from their respective book values and, therefore, the disclosure of such information has no effect for the financial statements as of such dates.

A significant proportion of assets and liabilities of the Bank corresponds to long-term financial instruments. The fair values of such financial instruments, except for those with quotation value, are considered to be equivalent to their respective book value at the year closing.

The methodology of assumptions used depends on the terms and risk characteristics of the various financial instruments, as shown below:

- a) Liquid assets are made up by cash or cash equivalents and short-term deposits that represent no major credit risk.

- b) The market values of the placement portfolio are similar to their book value, because their value net of the corresponding provision for doubtful accounts corresponds mainly to the present value of such accounts receivable.
- c) Short-term and long-term financial debts and obligations accrue interests at variable rates and preference rates, considering that their book values are similar to their corresponding market values.
- d) The fair value of other accounts receivable, deposits and obligations and other liabilities is not significantly different from their book value.

25. BASIC AND DILUTED EARNINGS PER SHARE

As of December 31, the result per basic and diluted share has been assessed as follows:

	<u>2008</u> S/.	<u>2007</u> S/.
Net earnings	13,061	13,204
Less: Preferred dividends	955	900
	-----	-----
Net result attributable to shareholders	12,106	12,304
Weighted average of the number of outstanding subscribed shares	62,913	50,173
	-----	-----
Profit per share	0.19	0.25
	=====	=====

26. CONTINGENCIES

The Bank may be jointly responsible for the tax contingencies of Administradora del Comercio S.A., since, as a result of the simple reorganization process of former Banco de Comercio, the profitable assets of former Banco de Comercio were transferred to the new financial entity named Banco de Comercio.

The tax contingency from probable rating has been fully provisioned al the close of year 2008 in the books of Administradora del Comercio S.A. for S/. 12,152,034 being the directly responsible for this obligation. In the improbable case of the provision recorded by Administradora del Comercio S.A. not covering the total of the probable debt, the difference

would be temporarily recognized in the financial statements of Banco de Comercio – because of our solidarity responsibility – until the designated debt is fully provisioned by Administradora del Comercio S.A.

Accordingly, as of December 31, 2008, the Administrator has contingencies from previous years lacking provision for various assessment and fine resolutions and payment orders issued by the Superintendence of Tax Administration (SUNAT), which, according to the independent lawyers in charge of the different proceedings amounts to S/. 11,359,907 for Income Tax of 1997 and Value Added Tax of 1998, S/. 5,568,039 for Income Tax of 1998 and Value Added Tax of 1999, S/. 24,369,568 for Income Tax of 1999 and Value Added Tax of 2000 and S/.8,161,402 for Income Tax of 2000.

The Administrator has instituted administrative and contentious-administrative proceedings with SUNAT, the Fiscal Board and the Judiciary for all the resolutions mentioned above, for considering them unrighteous. The Bank's Management and its legal advisors estimate that favorable results will be obtained as a result of the referred claim remedies, for which no provision has been set up in the Bank financial statements.

27. TAXATION

- (a) The Income Tax returns for years 2004 and for years 2006 to 2008 are pending of review by the National Superintendence of Tax Administration. The income tax return corresponding to 2005 has been already reviewed and as a result the Bank has been notified with Determination Resolutions N° 012-003-0013741 and 012-0030013742 for S/. 2,342 thousand and S/. 2,553 thousand, respectively for an alleged difference between the commercial and realization values in the sale of awarded premises. On January 14, 2008 a reclamation recourse was filed which is pending resolution. Should tax assessments be made by this authority, the higher taxes, surcharges, adjustments, penalties, and interests, which may occur, as applicable, would be charged against the results of the years when definitive liquidations are made.

- (b) The 2008 Income Tax for tax purposes amounting to S/. 5,175 thousand has been assessed as follows:

	<u>(in thousands of Nuevos Soles)</u>
Earnings before employees' profit sharing and income tax	18,202 -----
<u>Additions</u>	
1. Non-deductible expenses	605
2. Excess of entertainment expenses	69
3. Charges from previous years	651
4. General provisions	7,918
6. Non-deductible financial charges	613
7. Expenses inherent to exempted income	1,261
8. Loss from exempted transactions	2,048
9. Other minor	381
	----- 13,546 -----
<u>Deductions</u>	
1. Interest in subsidiary and association	4,024
2. Exempted financial income	3,506
3. Recovery of provision for fixed assets	2,845
4. Recovery of non-taxable provision from previous years	983
5. Decrease of provision for investment devaluation	856
6. Other	1,377
	----- 13,591 -----
	18,157
Employees' profit sharing (5%)	908 -----
Income Tax taxable base	17,249 =====
Income tax	5,175 =====

Income Tax and employees' profit sharing shown in the statement of earnings is made up as follows (in thousands of Nuevos Soles):

	<u>For</u> <u>taxation</u>	Net effect of <u>the year</u> (Note 8)	<u>For</u> <u>accounting</u>
Employees' profit sharing (5%)	908	(141)	767
	=====	====	=====
Income tax 30%	5,175	(801)	4,374
	=====	====	=====

- (c) The Income Tax rate applicable to companies is 30%. If the company distributes its earnings fully or partially, it shall apply an additional rate of 4.1% on the distributed amount, which will be borne by the shareholders, provided that they are individuals or companies domiciled abroad.

The 4.1% rate tax will be borne by the company and will apply on any amount or delivery in kind resulting in third-class taxable income that may represent an indirect disposition not subject to subsequent tax control, including amounts charged to expenses and undeclared revenues.

As from January 1, 2007 the contributor must settle and pay 4.1% the tax directly, together with its monthly obligations, without a previous audit by the Tax Administration being required, within the month following that of the earning indirect disposition together with its monthly obligations. As from January 1, 2008, in case it is not possible to determine the moment in which the earning indirect disposition took place, the tax must be paid with the month following that of the date in which the expense accrued and, if it is not possible to ascertain the date of expense accrual, the tax must be paid in the month of January of the year following that in which the earning indirect disposition took place.

- (d) For the assessment of the Income Tax, Value Added Tax and Excise Tax, if any, transfer prices for transactions with related companies or companies resident in countries or territories of low or no taxation must be accompanied with documents, information and a Transfer Price Survey, as appropriate, supporting the market value used and the criteria considered for their assessment. Furthermore, a Sworn Statement of Transfer Prices must be filed according to the regulations in force.

In opinion of the Bank Management, there will be no major contingencies for the Bank as of December 31, 2008 from the application of these regulations. In any case, any assessment on such regard by the tax authorities would be recognized in the year in which it occurs.

- (e) For tax purposes the goods subject to financial leasing, corresponding to contracts undersigned as from January 1, 2001, are considered as fixed assets of the lessee, and are accountably recorded according to International Accounting Standards, while the depreciation will be made according to the Income Tax Law.

As an exception, and previous to the fulfillment of certain conditions, the goods subject matter of the contract can be depreciated on a linear manner during the term of the contract.

- (f) As from year 2004, special measures to fight evasion and informality were approved, requiring the use of certain means for the payment of money obligations (bankarization), as well as the creation of the Financial Transactions Tax effective from March 26, 2004 through December 31, 2007. This tax is levied on a wide range of local or foreign currency transactions basically made through the financial and banking systems. The Financial Transaction Tax rate for year 2007 was 0.08%, for year 2008 was .0.07% and it will be reduced to 0.06% for year 2009.

In those cases where obligations are paid by means other than the outlay of money or without using the required payment means, the tax shall double the aliquot and shall always be levied on any amount that exceeds 15% of the Company's obligations so settled.

- (g) Through Law No. 28424 and as from January, 1 2005 the Temporary Tax on Net Assets - TTNA was created, constituted as an equity tax to be paid by receivers of Third-Class income subject to the General Regime of IT. The validity of this tax of temporary nature was extended up to December 31, 2007 through Law 28929.

The basis of the TTNA is made up of the value of the net assets included on the balance sheet as of December 31 of the fiscal year prior to that in which the payment is applicable, after having deducted any depreciations and amortizations accepted by the Law on the Income Tax. For year 2008, pursuant to such basis, the first million of Nuevos Soles (S/. 1,000,000) is unaffected and, for the excess, an aliquot of 0.5% is applied.

As from year 2009, the aliquot will be reduced to 0.4%.

The TTNA may be paid in cash or in nine monthly installments from April to December of the same year. The amount paid as TTNA may be used as credit to offset the on-account payments of the IT of the fiscal year to which TTNA corresponds or as credit against the regularization of IT of the year to which it corresponds.
