

CREDICORP LTD
Form 6-K
March 05, 2018

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

Report of Foreign Private Issuer

Pursuant to Rule 13a-16 or 15d-16 under the
Securities Exchange Act of 1934

For the month of March 2018

Commission File Number: 001-14014

CREDICORP LTD.

(Translation of registrant's name into English)

Clarendon House

Church Street

Hamilton HM 11 Bermuda

(Address of principal executive office)

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

Form 20-F x Form 40-F "

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): _____

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): _____

March 5, 2018

Securities and Exchange Commission - SEC

Re.: MATERIAL EVENT

Dear Sirs:

Please find attached herewith a copy of the audited consolidated financial statements of Credicorp Ltd. (the “Company”) and its subsidiaries, for the fiscal year ended December 31, 2017, including the report of the independent external auditors Gaveglione, Aparicio y Asociados Sociedad de Responsabilidad Limitada, members of PricewaterhouseCoopers in Perú, approved by the Company’s Board of Directors in its session held on February 28th, 2018, and which will be submitted for evaluation and approval of the Annual General Meeting of Shareholders on March 28, 2018.

The information in this Form 6-K (including any exhibit hereto) shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934 (the “Exchange Act”) or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933 or the Exchange Act.

Sincerely,

/s/ Miriam Böttger
Stock Market Representative
Credicorp Ltd.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: March 5, 2018

CREDICORP LTD.

(Registrant)

By: /s/ Miriam Böttger

Miriam Böttger

Authorized Representative

CREDICORP LTD. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2017 AND 2016

CREDICORP LTD. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2017 AND 2016

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US\$=United States dollar

S/ =Sol

(A free translation of the original in Spanish)

REPORT OF THE INDEPENDENT AUDITORS

To The Shareholders

CREDICORP LTD.

Opinion on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material aspects the consolidated financial position of **Credicorp Ltd. and its subsidiaries (the Group)** as at December 31, 2017, their consolidated financial performance and consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at December 31, 2017;
- the consolidated statement of income for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the Notes to the consolidated financial statements, which include a summary of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Auditing Standards (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements section of our report*.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the *International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants* (IESBA Code of Ethics) and the ethical requirements of the *Code of Professional Ethics* issued by the Board of Deans of the Institutes of Peruvian Certified Public Accountants, which are relevant for our audit of the consolidated financial statements. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code of Ethics and the ethical requirements of the *Code of Professional Ethics* issued by the Board of Deans of the Institutes of Peruvian Certified Accountants.

Our audit approach

Overview

An audit is designed to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. Errors may arise due to error or fraud. These are considered material if, individually or in total, they could reasonably influence the economic decisions that users make based on the consolidated financial statements.

The scope of our audit and the nature, timing and extent of our procedures was determined by our risk assessment that the consolidated financial statements may contain material errors, whether due to fraud or error. We carried out our audit procedures based on the approach of legal entities considered financially significant in the context of the Group, with a combination of full scope audits and audits of specific accounts to achieve the desired level of evidence at a consolidated level.

Key Audit Matters (KAM) are those which, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period:

- Information technology environment;
- Allowance for loan losses; and
- Valuation of the mathematical life annuities reserves

As part of designing of our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered the cases where management has made subjective judgments; for example, in respect of significant accounting estimates that involve making assumptions and considering future events that are inherently uncertain. We also addressed the risk of management override of internal controls, including, among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

How we designed the scope of our audit of the Group

We have designed the scope of our audit in order to be able to carry out sufficient work to permit us to issue an opinion regarding the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls and the economic sector in which the Group operates.

Our audit for the year ended December 31, 2017, does not represent significant changes in relation to the audit of last year, thus, in establishing the general approach of the Group, we determined the type of work that required to be done on the components, based mainly on individual legal entities. In that sense, we consider Banco de Crédito del Perú S.A. and Mibanco, Banco de la Microempresa S.A., as significant components based on their individual contributions to profit before tax, and Pacífico Compañía de Seguros y Reaseguros S.A. due to the significant risk related to the valuation of the mathematical life annuity reserves. Additionally, we have considered the individual work carried out in each subsidiary, for the purpose of the issue of the statutory audit opinion for each entity.

The statutory audit of the subsidiaries includes work performed by other firms of PwC in the region, like Panama, Chile, Colombia and Bolivia. For said works we determined the level of participation that we needed to obtain in the auditing work in those entities in order to conclude as to whether sufficient and appropriate audit evidence had been obtained as a basis for our opinion with regard to the consolidated financial statements as a whole. This includes regular communication with the other PwC firms mentioned above during the entire year, the issue of instructions, visits to the auditors of components by the key members of the main work team, a review of the results of their audit procedures including the nature, timing and extent of the work that affect the audit opinion of the Group.

Key Audit Matters (KAM)

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. The scope of our audit and the key audit matters have not changed significantly in relation to the previous year. The audit matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon; and, we do not provide a separate opinion on these matters.

Key Audit Matters (KAM)

How our audit addressed the key audit matter

Information technology environment

Credicorp Ltd. and subsidiaries are highly dependent on their technology structure, both for the processing of their operations, as well as for the reasonable preparation and presentation of their consolidated financial statements, which leads us to consider the information technology environment as an important area of focus in our audit.

The Group has technological infrastructure for its business activities, as well as ongoing plans for the improvement and maintenance of the access management and change in the pertinent systems and applications, the development of new programs, automated controls and automated components in the relevant business processes. The controls to authorize, control, restrict and cancel accesses to the technology environment and program changes are fundamental for mitigating the potential risk of fraud or error based on the misuse or improper change in the systems of the Group, thus ensuring the integrity of the financial

With the participation of specialists in systems audit, we evaluated and tested the design and operational effectiveness of the general controls of information technology. Although our audit is not for the purpose of giving an opinion on the effectiveness of the Information Technology (IT) controls, we reviewed the Group's framework of governance of IT and the controls on the management of access to the programs, and data, the development of and changes in programs, the IT operations, we evaluated the mechanisms implemented by the Group in response to possible cybersecurity events and the segregation of functions, including compensating controls, when necessary.

The IT environment and the controls established by management, combined with the testing of controls, including compensating controls, which we have applied, provide us with a reasonable basis for depositing our confidence in the integrity and reliability of the information generated for the preparation of the Group's consolidated financial statements. Furthermore, we have validated the existence of mechanisms

information and accounting records.

The Group has an information technology structure, which comprises more than one technology environment with different processes and segregated controls; furthermore, it is currently implementing a digital transformation process, a situation that leads to an increase in the risks associated with information security and cybersecurity, possibly affecting the operational continuity of the Group companies and/or their reputation.

The lack of a suitable general technology control environment and its dependent controls could trigger incorrect processing of critical information used for the preparation of the consolidated financial statements.

for the mitigation of technology risks and attack prevention, of preventive measures to ensure the continuous operation of its security and access controls, personnel awareness-raising campaigns in matters of security, identity and access management, among others, which contribute to the mitigation of cybersecurity risks.

Key Audit Matter (KAM)

How our audit addressed the key audit matter

Allowance for loan losses

As mentioned in Notes 3 (i), 3 (ad), 7 and 32.1 to the consolidated financial statements, the allowance for loan losses at December 31, 2017 amounts to S/4,943 million.

Credit risk is the most important risk for the Group activities. Credit exposures arise mainly from financing activities in the form of direct credits and off-balance financial instruments, such as contingent credits (indirect loans). All exposure to credit risk (direct or indirect) is mitigated by control processes and policies.

For the determination of the allowance for loan losses, management has developed specific methodologies for wholesale and retail credits. Those methodologies imply a process with various assumptions and judgments, among which are, the financial situation of the counterparty, the expected future cash flows, the estimated recoverable values of guarantees and adverse effects due to changes in the political and economic environments.

The use of different techniques and assumptions of the model could result in significantly different provisions. Furthermore, credit risk management is complex and depends on the database being reliable and complete.

Considering the foregoing, this was an area of focus in our audit.

Our work on the evaluation of the allowance for loan losses has focused on the evaluation and testing of the design and operational effectiveness of the controls over the data and calculation of the allowance for loan losses. These controls included, among others: i) the integrity of the data base and the auxiliary systems; ii) models and assumptions adopted by the management to determine the value of the portfolio of recoverable loans; iii) the follow up and valuation of the guarantees; iv) the validation and approval by management; and v) the preparation and disclosure in the Notes to the financial statements. Additionally, we tested information technology controls over the data extraction and calculation of the allowance.

We focused our audit, among others, on the following aspects:

- Evaluation of compliance of the parameters established by IAS 39;
- Evaluation of the reasonableness of the models and principal assumptions used for the calculation of provisions;
- Revision of the methodology used to segregate the loan portfolios based on homogeneous characteristics;
- Evaluation of the methodology for estimating future cash flows of clients with past due loans (impaired portfolio) and the determination of the probability of default by clients without arrears (unimpaired portfolio);
- Evaluation of whether the data used to estimate the provision are complete and accurate; and
- Independent re-performance of the calculation of the provision in December of 2017.

Furthermore, we obtained an understanding of the process developed by the Group for the analysis, implementation and disclosure of the qualitative and/or quantitative aspects of IFRS 9, in addition to which,

Furthermore, as mentioned in note 3 (ad), on with the assistance of our specialists, we carried out certain audit January 1, 2018, IFRS 9 'Financial instruments' procedures related to the compliance of the standard's disclosure becomes effective, which combines the phases requirements, among others, we highlight the following procedures of classification and measurement, impairment performed:
and hedge accounting of the IASB project to
replace IAS 39 'Financial instruments:
Measurement and recognition'.

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IFRS 9, among other aspects, introduces a new impairment model based on expected credit losses of the credit portfolio and other instruments, which differs significantly from the current model under IAS 39 of incurred credit losses.

Thus, the Group established a structured project in order to adapt its processes to the new accounting rules as established by this IFRS. In this way, as a disclosure requirement of IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors, Management has revealed a disclosure of qualitative information from the application of IFRS 9, as well as estimating the most relevant impacts that this standard will have on the financial information of the next fiscal period, based on the balances and premises of the operations at December 31, 2017. Considering the amplitude and complexity of implementation of this standard and the disclosure requirements, we include this matter as a relevant part of our audit focus in this area.

- Review of the accounting policies and methodological framework developed by the Group;
- Evaluation of the reasonableness of the models and main assumptions used for the calculation of impairment based on expected credit losses;
- Obtaining and proving from a sample of operations, their adequate classification, recording and valuation based on the business models are consistent with the flow collection model (amortized cost) and the model of flow collection and sale of assets (fair value through comprehensive income) based solely on payments of principal and interest (criterion of SPPI test);
- Review and independent reprocessing of the calculation based on a sample of the impairment provision on the basis of expected credit losses, considering the balances and premises of the operations at December 31, 2017.

We consider that the criteria and assumptions adopted by management to determine the allowance for loan losses under IAS 39, as well as the information disclosed in the consolidated financial statements, including the disclosures required by IAS 8 in relation to the application of IFRS 9, are reasonable in the relevant aspects in the context of the consolidated financial statements.

Key Audit Matter (KAM)

How our audit addressed the key audit matter

Valuation of the mathematical life annuities reserves

The amount recognized as mathematical reserves for life annuities is S/3,465 million at December 31, 2017, See Notes 3 (e) and 15 to the consolidated financial statements.

The valuation of the Group's insurance contracts depends on some key subjective assumptions regarding future events. The valuation of the liabilities generated by insurance contracts is made based on the actuarial assumptions and data used in the calculation.

Some of the key actuarial economic assumptions used in the valuation of the insurance contracts are critical and include, among others, the discount rate, life expectancy of the population and the future expenses to be incurred to maintain the existing policies.

Minor changes in each of these key assumptions could result in significant impacts in the valuation of the obligations for those insurance contracts and in the respective impacts reflected in the consolidated statement of income.

Considering the above, this accounting estimate was an important matter in our audit.

We obtained an understanding and applied tests to the key controls in the processes of mathematic reserves and the related processes, to analyze the actuarial and economic assumptions, as well as the data used in the calculations. We identified that the key controls related to the determination of the assumptions and the methodology of the calculation, were designed, implemented and operate effectively.

We held meetings with the financial, investment and actuarial management areas, in order to obtain an understanding of the judgments and criteria used to determine the key actuarial economic assumptions used in the calculation of the mathematical life annuity reserves.

We have reviewed the adequacy of the actuarial and economic assumptions as a whole. With the participation of actuarial specialists, we evaluated the reasonableness and consistency of the actuarial assumptions in an independent manner and we considered they are reasonable, including the questioning of management with regard to the main criteria and judgments applied. Our evaluation included reference to independent comparative data.

Based on the results of our auditing work, we considered that the assumptions applied and criteria used to determine the estimates used by the Group's management, in relation to the amounts recognized as mathematical life annuities reserves are reasonable to the Consolidated Financial Statements.

Responsibilities of management and those charged with Corporate Governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, the matters related to the going concern and using the going concern basis of accounting, unless management either intends to liquidate the Group or to cease operations or has no realistic alternative but to do so.

Those charge with the Corporate Governance of Credicorp Ltd. and its subsidiaries are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Auditing Standards will always detect a material misstatement, when it exist. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Credicorp Ltd. and its subsidiaries' internal control.

Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, nothing come to our attention about a material uncertainty exists related to events or conditions that may cast significant doubt on the Credicorp Ltd. and its subsidiaries' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Credicorp Ltd. and its subsidiaries to cease to continue as a going concern.

Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicated with those charged with Corporate Governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided those charged with Corporate Governance with a statement that we have complied with relevant ethical requirements regarding independence, and we have communicated to them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, including the respective safeguards.

From the matters communicated with those charged with Corporate Governance, we determined those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We have described these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Lima, Peru

February 28, 2018

/S/ Gaveglio, Aparicio y Asociados S.C.R.L.

Countersigned by

_____(partner)

/S/ Fernando Gaveglio
Peruvian Certified Public Accountant
Registration No.01-019847

CREDICORP LTD. AND SUBSIDIARIES**CONSOLIDATED STATEMENT OF FINANCIAL POSITION****AT DECEMBER 31, 2017 AND 2016**

| | Note | 2017 S/(000) | 2016 S/(000) |
|--|-------|-----------------|-----------------|
| Assets | | | |
| Cash and due from banks: | 4 | | |
| Non-interest-bearing | | 6,019,776 | 5,568,657 |
| Interest-bearing | | 17,202,211 | 11,077,112 |
| | | 23,221,987 | 16,645,769 |
| Cash collateral, reverse repurchase agreements and securities borrowings | 5(a) | 7,480,420 | 10,919,624 |
| Investments: | | | |
| Trading securities | 6(a) | 4,024,737 | 4,015,019 |
| Available-for-sale investments | | 21,732,107 | 17,086,774 |
| Available-for-sale investments pledged as collateral | | 2,691,784 | 1,598,893 |
| | 6(a) | 24,423,891 | 18,685,667 |
| Held-to-maturity investments | | 1,826,394 | 2,867,755 |
| Held-to-maturity investments pledged as collateral | | 2,586,979 | 2,250,665 |
| | 6(b) | 4,413,373 | 5,118,420 |
| | | 32,862,001 | 27,819,106 |
| Loans, net: | 7 | | |
| Loans, net of unearned income | | 100,477,775 | 94,768,901 |
| Allowance for loan losses | | (4,500,498) | (4,207,133) |
| | | 95,977,277 | 90,561,768 |
| Financial assets designated at fair value through profit or loss | 8 | 537,685 | 459,099 |
| Premiums and other policies receivable | 9 (a) | 656,829 | 643,224 |
| Accounts receivable from reinsurers and coinsurers | 9 (b) | 715,695 | 454,187 |
| Property, furniture and equipment, net | 10 | 1,509,492 | 1,551,703 |
| Due from customers on acceptances | | 532,034 | 491,139 |
| Intangible assets and goodwill, net | 11 | 1,978,865 | 1,960,690 |
| Other assets | 12 | 4,999,998 | 4,928,913 |
| Total assets | | 170,472,283 | 156,435,222 |

Liabilities and Equity

| | | | |
|--|---------|-------------|-------------|
| Deposits and obligations: | 13 | | |
| Non-interest-bearing | | 29,382,909 | 28,084,691 |
| Interest-bearing | | 67,787,502 | 57,831,696 |
| | | 97,170,411 | 85,916,387 |
| Payables from repurchase agreements and security lending | 5(b) | 13,415,843 | 15,127,999 |
| Due to banks and correspondents | 14 | 7,996,889 | 7,493,916 |
| Banker's acceptances outstanding | | 532,034 | 491,139 |
| Accounts payable to reinsurers | 9(b) | 235,185 | 233,892 |
| Financial liabilities at fair value through profit or loss | 3(f)(v) | 168,089 | 209,520 |
| Technical reserves, insurance claims reserves and unearned premiums | 15 | 7,443,760 | 6,786,189 |
| Bonds and notes issued | 16 | 16,242,257 | 15,939,603 |
| Other liabilities | 12 | 5,014,112 | 4,120,066 |
| Total liabilities | | 148,218,580 | 136,318,711 |
| Equity | 17 | | |
| Equity attributable to Credicorp's equity holders | | | |
| Capital stock | | 1,318,993 | 1,318,993 |
| Treasury stock | | (208,937) | (209,322) |
| Capital Surplus | | 271,948 | 280,876 |
| Reserves | | 14,647,709 | 13,539,091 |
| Other reserves | | 1,455,594 | 1,209,731 |
| Retained earnings | | 4,271,260 | 3,516,766 |
| | | 21,756,567 | 19,656,135 |
| Non-controlling interest | | 497,136 | 460,376 |
| Total equity | | 22,253,703 | 20,116,511 |
| Total liabilities and equity | | 170,472,283 | 156,435,222 |

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

CREDICORP LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015

| | Note | 2017 S/(000) | 2016 S/(000) | 2015 S/(000) |
|---|-----------------|-----------------|-----------------|-----------------|
| Interest and similar income | 21 | 11,030,683 | 10,773,055 | 9,784,089 |
| Interest and similar expenses | 21 | (2,959,196) | (2,914,714) | (2,527,133) |
| Net interest, similar income and expenses | | 8,071,487 | 7,858,341 | 7,256,956 |
| Provision for loan losses, net of recoveries | 7(d) | (1,789,165) | (1,785,495) | (1,880,898) |
| Net Interest, similar income after provision for loan losses | | 6,282,322 | 6,072,846 | 5,376,058 |
| Other income | | | | |
| Commissions and fees | 22 | 2,911,408 | 2,771,561 | 2,644,191 |
| Net gains on foreign exchange transactions | | 650,228 | 698,159 | 773,798 |
| Net gains on sales of securities | | 741,781 | 336,759 | 248,723 |
| Net gains on derivatives held for trading | | 103,580 | 44,500 | 207,938 |
| Net gains from exchange difference | | 17,394 | - | 46,563 |
| Net gains on financial assets designated at fair value through profit or loss | 8 | 67,633 | 51,667 | - |
| Others | 27 | 396,683 | 344,460 | 325,666 |
| | | 4,888,707 | 4,247,106 | 4,246,879 |
| Insurance premiums and claims | | | | |
| Net premiums earned | 23 | 1,808,340 | 1,799,115 | 1,733,978 |
| Net claims incurred for life, general and health insurance contracts | 24 | (1,118,304) | (1,098,905) | (1,031,659) |
| Total premiums earned less claims | | 690,036 | 700,210 | 702,319 |
| Other expenses | | | | |
| Salaries and employees benefits | 25 | (3,071,020) | (2,942,743) | (2,878,318) |
| Administrative expenses | 26 | (2,158,823) | (2,094,678) | (1,995,802) |
| Depreciation and amortization | 10(a) and 11(a) | (419,975) | (407,061) | (396,497) |
| Net loss from exchange difference | | - | (60,624) | - |
| Impairment loss on goodwill | 11(b) | - | (94) | (82,374) |
| Net impairment loss on available-for-sale investments | 6(a) | (766) | (14,459) | (43,801) |

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| | | | | |
|---|----|--------------|--------------|-------------|
| Net loss on financial assets at fair value through profit or loss | 8 | - | - | (33,500) |
| Others | 27 | (635,547) | (609,075) | (534,372) |
| Total other expenses | | (6,286,131) | (6,128,734) | (5,964,664) |

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

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CONSOLIDATED STATEMENT OF INCOME (CONTINUED)

| | Note | 2017 S/(000) | 2016 S/(000) | 2015 S/(000) |
|--|-------|-----------------|-----------------|-----------------|
| Profit before income tax | | 5,574,934 | 4,891,428 | 4,360,592 |
| Income tax | 18(b) | (1,393,286) | (1,281,448) | (1,197,207) |
| Net profit | | 4,181,648 | 3,609,980 | 3,163,385 |
| Attributable to: | | | | |
| Credicorp's equity holders | | 4,091,753 | 3,514,582 | 3,092,303 |
| Non-controlling interest | | 89,895 | 95,398 | 71,082 |
| | | 4,181,648 | 3,609,980 | 3,163,385 |
| Net basic and dilutive earnings per share attributable to equity holders of Credicorp Ltd. (in Soles): | | | | |
| Basic | 28 | 51.49 | 44.23 | 38.91 |
| Diluted | 28 | 51.35 | 44.15 | 38.84 |

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

CREDICORP LTD. AND SUBSIDIARIES**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015

| | Note | 2017 S/000 | 2016 S/000 | 2015 S/000 |
|---|-------|---------------|---------------|---------------|
| Net profit for the year | | 4,181,648 | 3,609,980 | 3,163,385 |
| Other comprehensive income | | | | |
| Other comprehensive income to be reclassified to profit or loss in subsequent periods: | | | | |
| Net (loss) gain on investments available for sale | 17(d) | 375,710 | 518,658 | (635,743) |
| Income tax | 17(d) | (13,962) | (22,975) | 18,503 |
| | | 361,748 | 495,683 | (617,240) |
| Net movement on cashflow hedges | 17(d) | (77,369) | (22,109) | 41,069 |
| Income tax | 17(d) | 18,719 | 2,294 | (1,956) |
| | | (58,650) | (19,815) | 39,113 |
| Exchange differences on translation of foreign operations | 17(d) | (54,227) | (26,571) | 270,907 |
| | | (54,227) | (26,571) | 270,907 |
| Other comprehensive (loss) income to be reclassified to profit or loss in subsequent periods, net of income tax | | 248,871 | 449,297 | (307,220) |
| Total comprehensive income for the year, net of income tax | | 4,430,519 | 4,059,277 | 2,856,165 |
| Attributable to: | | | | |
| Equity holders of Credicorp Ltd. | | 4,337,616 | 3,961,618 | 2,831,612 |
| Non-controlling interest | | 92,903 | 97,659 | 24,553 |
| | | 4,430,519 | 4,059,277 | 2,856,165 |

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

CREDICORP LTD. AND SUBSIDIARIES**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015

| | Attributable to equity holders of Credicorp Ltd. | | | | | | Other reserves | | | | |
|---|---|---------------------------------|----------------------------------|-----------------------------------|-------------------------|-------------------------------|--|---|--|--------------------|--|
| | Number of shares Issued, Notes 17(a) and 28 (In thousands of units) | Capital stock S/(000) | Treasury Stock S/(000) | Capital surplus S/(000) | Reserves S/(000) | Put options S/(000) | Available-for- sale investment reserve S/(000) | Cash flow hedge reserve S/(000) | Foreign currency translation reserve S/(000) | Re ea S/ | |
| Balances at January 1, 2015 | 94,382 | 1,318,994 | (208,184) | 302,941 | 9,469,900 | (340,353) | 1,223,615 | 5,937 | (206,166) | 2 | |
| Changes in equity in 2015 - | | | | | | | | | | | |
| Net profit for the year | - | - | - | - | - | - | - | - | - | 3 | |
| Other comprehensive income | - | - | - | - | - | - | (570,711) | 39,113 | 270,907 | - | |
| Total comprehensive income | - | - | - | - | - | - | (570,711) | 39,113 | 270,907 | 3 | |
| Transfer of retained earnings to reserves, Note 17(c) | - | - | - | - | 1,820,483 | - | - | - | - | (1 | |
| Dividend distribution, Note 17(e) | - | - | - | - | - | - | - | - | - | (5 | |
| Dividends of subsidiaries | - | - | - | - | - | - | - | - | - | - | |
| | - | - | (2,452) | (70,516) | - | - | - | - | - | | |

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| | | | | | | | | | | |
|---|--------|-----------|-----------|-----------|------------|-----------|-----------|----------|-----------|----|
| Purchase of treasury stock, Note 17(b) | | | | | | | | | | |
| Share-based payment transactions | - | - | 1,658 | 51,746 | 9,481 | - | - | - | - | - |
| Others | - | (1) | - | - | (77,833) | - | - | - | - | (5 |
| Balances at December 31, 2015 | 94,382 | 1,318,993 | (208,978) | 284,171 | 11,222,031 | (340,353) | 652,904 | 45,050 | 64,741 | 3 |
| Changes in equity in 2016 - | | | | | | | | | | |
| Net profit for the year | - | - | - | - | - | - | - | - | - | 3 |
| Other comprehensive income | - | - | - | - | - | - | 493,884 | (20,400) | (26,448) | - |
| Total comprehensive income | - | - | - | - | - | - | 493,884 | (20,400) | (26,448) | 3 |
| Transfer of retained earnings to reserves, Note 17(c) | - | - | - | - | 2,316,370 | - | - | - | - | (2 |
| Dividend distribution, Note 17(e) | - | - | - | - | - | - | - | - | - | (6 |
| Dividends of subsidiaries | - | - | - | - | - | - | - | - | - | - |
| Purchase of treasury stock, Note 17(b) | - | - | (2,604) | (63,924) | - | - | - | - | - | - |
| Share-based payment transactions | - | - | 2,260 | 60,629 | 690 | - | - | - | - | - |
| Acquisition of non-controlling interest, Note 2(b) | - | - | - | - | - | 340,353 | - | - | - | (1 |
| Others | - | - | - | - | - | - | - | - | - | 6 |
| Balances at December 31, 2016 | 94,382 | 1,318,993 | (209,322) | 280,876 | 13,539,091 | - | 1,146,788 | 24,650 | 38,293 | 3 |
| Changes in equity in 2017 - | | | | | | | | | | |
| Net profit for the year | - | - | - | - | - | - | - | - | - | 4 |
| | - | - | - | - | - | - | 357,628 | (57,431) | (54,334) | - |

| | | | | | | | | | | | |
|---|--------|-----------|-----------|-----------|--------------|---|-----------|----------|-----------|----|--|
| Other comprehensive income | | | | | | | | | | | |
| Total comprehensive income | - | - | - | - | - | - | 357,628 | (57,431) | (54,334) | 4 | |
| Transfer of retained earnings to reserves, Note 17(c) | - | - | - | - | 2,354,954 | - | - | - | - | (2 | |
| Dividend distribution, Note 17(e) | - | - | - | - | - | - | - | - | - | (9 | |
| Dividends of subsidiaries | - | - | - | - | - | - | - | - | - | - | |
| Advance of dividends, Note 17(e) | - | - | - | - | (1,252,255) | - | - | - | - | - | |
| Purchase of treasury stock, Note 17(b) | - | - | (2,141) | (68,867) | - | - | - | - | - | - | |
| Share-based payment transactions | - | - | 2,526 | 59,939 | 5,919 | - | - | - | - | - | |
| Others | - | - | - | - | - | - | - | - | - | (2 | |
| Balances at December 31, 2017 | 94,382 | 1,318,993 | (208,937) | 271,948 | 14,647,709 | - | 1,504,416 | (32,781) | (16,041) | 4 | |

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

CREDICORP LTD. AND SUBSIDIARIES**CONSOLIDATED STATEMENT OF CASH FLOWS**

FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015

| | Note | 2017 S/(000) | 2016 S/(000) | 2015 S/(000) |
|--|-----------------|-----------------|-----------------|-----------------|
| CASH FLOWS AND CASH EQUIVALENTS FROM OPERATING ACTIVITIES | | | | |
| Profit before income tax | | 5,574,934 | 4,891,428 | 4,360,592 |
| Income tax | | (1,393,286) | (1,281,448) | (1,197,207) |
| Net profit for the year | | 4,181,648 | 3,609,980 | 3,163,385 |
| Adjustment to reconcile net profit with net cash arising from operating activities: | | | | |
| Provision for loan losses | 7(d) | 2,057,478 | 2,063,209 | 2,052,177 |
| Depreciation and amortization | 10(a) and 11(a) | 419,975 | 407,061 | 396,497 |
| Depreciation of investment properties | 12(f) | 6,440 | 4,369 | 4,409 |
| Deferred income tax | 18(b) | (3,556) | 28,228 | (117,195) |
| Adjustment of technical reserves | | 509,051 | 370,964 | 408,808 |
| Impairment loss on available for-sale investments | 6(a) | 766 | 14,459 | 43,801 |
| Net gain on sales of securities | | (741,781) | (336,759) | (248,723) |
| Impairment loss on goodwill | 11(b) | - | 94 | 82,374 |
| Provision for sundry risks | 12(d) | 29,023 | 28,093 | 38,248 |
| Net loss (gain) on financial assets designated at fair value through profit and loss | 8 | (67,633) | (51,667) | 33,500 |
| Net gain of trading derivatives | | (103,580) | (44,500) | (207,938) |
| (Gain) loss on sales of property, furniture and equipment | | (36,970) | 45,076 | 17,159 |
| Net profit from sale of seized and recovered assets | 27 | (2,494) | (1,377) | (4,195) |
| Expense on share-based compensation plan | 25 | 62,043 | 73,930 | 65,532 |
| Others | | (17,394) | 60,624 | (46,563) |
| Net changes in assets and liabilities: | | | | |
| Net (increase) decrease in assets | | | | |
| Loans | | (8,387,767) | (6,636,536) | (7,754,794) |
| Trading securities | | (16,400) | (1,694,949) | 232,293 |
| Available for sale investments | | (5,380,789) | 562,679 | (3,163,304) |
| Cash collaterals, receivables from reverse repurchase agreements and securities borrowings | | (78,950) | (28,856) | 364,837 |
| Other assets | | 425,245 | 1,502,444 | (676,176) |
| Net increase (decrease) in liabilities | | | | |

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| | | | |
|--|--------------|-------------|-------------|
| Deposits and obligations | 12,779,204 | (1,981,653) | 6,105,203 |
| Due to Banks and correspondents | 661,747 | (188,720) | (2,164,131) |
| Payables from repurchase agreements and security lending | 1,551,904 | 518,755 | 1,063,748 |
| Bonds and notes issued | 788,144 | 274,766 | (1,270,797) |
| Other liabilities | 1,680,868 | 1,141,323 | 1,211,378 |
| Income tax paid | (1,014,907) | (1,108,641) | (945,178) |
| Net cash flow from operating activities | 9,301,315 | (1,367,604) | (1,315,645) |

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

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| | Note | 2017 S/(000) | 2016 S/(000) | 2015 S/(000) |
|--|-------|-----------------|-----------------|-----------------|
| NET CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Revenue for sale of property, furniture and equipment | | 44,137 | 47,044 | 44,524 |
| Revenue from sales of investment property | | 115,705 | - | - |
| Additions of property, furniture and equipment | 10 | (143,851) | (110,151) | (148,426) |
| Purchase of investment property | 12(f) | (9,217) | (88,186) | (66,237) |
| Additions of intangible assets | 11 | (271,722) | (277,346) | (276,564) |
| Held-to-maturity investments | | 670,620 | (1,550,332) | (1,135,744) |
| Net cash flows from investing activities | | 405,672 | (1,978,971) | (1,582,447) |
| NET CASH FLOWS FROM FINANCING ACTIVITIES | | | | |
| Dividends paid | 17(e) | (979,989) | (653,326) | (539,985) |
| Advance of dividends | 17(e) | (1,252,255) | - | - |
| Subordinated bonds and Notes issued | | (40,049) | (401,257) | 666,805 |
| Acquisition of Credicorp shares | 17(b) | (71,008) | (66,528) | (72,968) |
| Acquisition of non-controlling interest | | - | (489,866) | - |
| Net cash flows from financing activities | | (2,343,301) | (1,610,977) | 53,852 |
| Net increase (decrease) of cash and cash equivalents before effect of changes in exchange rate | | 7,363,686 | (4,957,552) | (2,844,240) |
| Effect of changes in exchange rate of cash and cash equivalents | | (784,685) | (454,120) | 3,199,642 |
| Cash and cash equivalents at the beginning of the year | | 16,633,196 | 22,044,868 | 21,689,466 |
| Cash and cash equivalents at the end of the year | | 23,212,197 | 16,633,196 | 22,044,868 |
| Additional information from cash flows | | | | |
| Interest received | | 10,935,640 | 10,640,157 | 9,748,822 |
| Interest paid | | (2,885,989) | (2,772,891) | (2,318,724) |

Reconciliation of liabilities arising from financing activities:

| | At January 1, 2017 S/(000) | Changes that generate cash flows | | Changes that do not generate cash flows | | | At December 31, 2017 S/(000) |
|---------------------|-------------------------------------|-------------------------------------|---|--|--|-------------------|---------------------------------------|
| | | New issues S/(000) | Amortization of principal S/(000) | Exchange difference S/(000) | Changes in fair value S/(000) | Others S/(000) | |
| Subordinated bonds: | | | | | | | |
| Amortized Cost | 616,020 | 29,953 | (70,002) | (10,382) | - | (140) | 565,449 |
| Fair value | 4,881,989 | - | - | (166,645) | (39,137) | 5,733 | 4,681,940 |
| | 5,498,009 | 29,953 | (70,002) | (177,027) | (39,137) | 5,593 | 5,247,389 |
| Hedge of fair value | (77,508) | - | - | 2,512 | 39,250 | 1,456 | (34,290) |

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

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CREDICORP LTD. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2017 AND 2016

1 OPERATIONS

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

Credicorp Ltd., through its banking and non-banking subsidiaries and its associate Entidad Prestadora de Salud, provides a wide range of financial, insurance and health services and products mainly throughout Peru and in certain other countries (See Note 3(b)). Its major subsidiary is Banco de Crédito del Perú (hereinafter “BCP” or the “Bank”), a Peruvian universal bank. Credicorp’s address is Clarendon House 2 Church Street Hamilton, Bermuda; likewise, administration offices of its representative in Peru are located in Calle Centenario N°156, La Molina, Lima, Peru.

Credicorp is listed on the Lima and New York stock exchanges.

The consolidated financial statements as of December 31, 2016, and for the year ended on that date were approved in the General Shareholders’ Meeting held on March 31, 2017. The consolidated financial statements as of December 31, 2017 and for the year ended on that date, were approved and authorized to be issued by the Audit Committee and Management on February 27, 2018 and will be submitted for their final approval by the Board of Directors and the General Shareholders’ Meeting that will occur within the period established by law; in Management’s opinion, they will be approved without modifications.

2 ACQUISITIONS, TRANSFERS
AND MERGER

- a) Merger by absorption between El Pacífico Vida Compañía de Seguros y Reaseguros (Pacífico Vida) and El Pacífico Peruano-Suiza Compañía de Seguros y Reaseguros (PPS) -

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At the Obligatory Annual Shareholders' Meeting of Pacífico Vida, held on February 23, 2017, the merger by absorption was approved between Pacífico Vida (absorbing entity) and PPS (absorbed entity), and the amendments to their corporate denomination and purpose. Furthermore, it was agreed that said merger would come into effect on the date of the approval of the Public Deed, subject to the prior authorization of the SBS.

In this sense, on July 24, 2017, the SBS, by means of Resolution N° 2836-2017 authorized the following to Pacífico Vida:

The merger by absorption.

The increase in its share capital by the amount of S/571,009,670, thereby increasing its new share capital to the total of S/1,121,316,750.

The amendment in its corporate denomination to Pacífico Compañía de Seguros y Reaseguros S.A., being able to use the abbreviated name "Pacífico Seguros"; and to change its corporate purpose in order to be able to operate in the branches of life and general insurance.

Subsequently, on August 1, 2017, the signing of the Public Deed of Fusion was formalized, with the merger by absorption becoming effective as from said date; consequently, Pacífico Vida absorbs the totality of the assets, liabilities, rights and obligations of PPS, with the latter becoming extinguished, without dissolution or liquidation.

b) Acquisition of the non-controlling interest of Credicorp Capital Colombia S.A. (formerly Correval) and Inversiones IMT S.A. -

In the Board Meetings of Credicorp held on February 24, and July 20 of 2016, capital contributions were approved in favor of Credicorp Capital Ltd. for an amount of US\$15.4 million and US\$106.3 million, respectively, for the purpose of acquiring all of the shares held by the minority shareholders of Credicorp Capital Colombia S.A. (49.0 percent) and Inversiones IMT S.A. (39.4 percent) at said date, exercising the sale option agreed with them amounting, at that time, to S/489.9 million (S/340.4 million at the time of the signing of the contract and S/149.5 million related to the appreciation of that option recorded in the period from 2013 until its execution date).

It should be mentioned that in said Board meetings, a capital contribution in favor of Credicorp Capital was initially approved for a total amount of US\$121.7 million; however, Management subsequently decided that the contribution would only be for US\$120.1 million.

Credicorp Capital Ltd. made capital contributions in favor of Credicorp Capital Holding Chile and Credicorp Capital Holding Colombia for approximately US\$49.2 million and US\$44.2 million, respectively, to enable said entities to execute directly the purchase and sale options (PUT) of the minority shareholders.

Accordingly, on May 20 and August 1 of 2016, the minority shareholders of Credicorp Capital Holding Chile executed the purchase option of Inversiones IMT S.A. thus selling the 39.4 percent share that they held, for approximately US\$73.7 million (equivalent to S/241.4 million), with which, Credicorp Capital Holding Chile became the owner of 100 percent of the share capital of Inversiones IMT S.A.

The amount paid by Credicorp Capital Holding Chile was made up of: (i) US\$49.2 million originating from the capital contribution of Credicorp Capital Ltd., (ii) US\$20.0 million obtained through a financing from a local Chilean bank and own (iii) funds of approximately US\$4.5 million.

Furthermore, on May 20, June 1 and August 1, of 2016, Credicorp Capital Holding Colombia executed the purchase option of Credicorp Capital Colombia S.A., purchasing the 30.32 percent share held by the minority shareholders for approximately US\$45.2 million (equivalent to S/152.4 million), with which, Credicorp Capital Holding Colombia became the owner of 81.32 percent of the share capital of Credicorp Capital Colombia S.A.

The amount paid by Credicorp Capital Holding Colombia is made up of US\$44.2 million originating from the capital contribution of Credicorp Capital Ltd. and US\$1.0 million of own funds.

Finally, on September 30, 2016, Credicorp Capital Ltd. executed the remaining purchase option of Credicorp Capital Colombia S.A., purchasing the 18.68 percent share held by the minority shareholders, by means of the purchase of the entities Coby Business Inc. and Artigas Global Corp, both Panamanian companies whose only asset are their shares of Credicorp Capital Colombia S.A. The total amount of the purchase was US\$28.3 million (equivalent to S/96.1 million), of which Credicorp Capital Ltd. paid US\$26.7 million in cash (which originated from Credicorp's capital contribution), leaving a balance payable of US\$1.6 million at December 31, 2017.

The total contribution of Credicorp Ltd. in Credicorp Capital Ltd. Group was US\$120.1 million and with the financing taken by Credicorp Capital Holding Chile, all of the purchase options were exercised, resulting in the achievement of a 100 percent share in Inversiones IMT S.A. and in Credicorp Capital Colombia S.A. With this operation, the process was concluded of establishing a regional investment bank which operates in the Integrated Latin American Market (MILA from the Spanish acronym), involving the stock exchanges of Peru, Colombia and Chile.

The impacts of the operation on the financial statements of the Group are summarized below:

| | Companies acquired | | | |
|--|-------------------------|---------------------------------------|--|-----------|
| | Inversiones IMT S.A. | Credicorp Capital Colombia S.A. | Coby Business Inc. y Artigas Global Corp. | Total |
| | S/(000) | S/(000) | S/(000) | S/(000) |
| Assets and liabilities acquired / Non controlling interest | 103,630 | 69,482 | 43,261 | 216,373 |
| Payment made / execution of sale option | (241,420) | (152,379) | (96,067) | (489,866) |
| Higher value paid | (137,790) | (82,897) | (52,806) | (273,493) |

c) Corporate reorganization of Inversiones Credicorp Bolivia in the Group -

As part of the corporate reorganization of Grupo Credicorp, in a General Shareholders' Meeting of Inversiones Credicorp Bolivia S.A. (hereinafter "ICBSA"), held on December 31, 2015, an increase in the share capital was approved in the form of a voluntary contribution of Grupo Crédito S.A. (hereinafter "Grupo Crédito", a subsidiary of Credicorp Ltd.) amounting to Bs.1,134.5 million, equivalent to S/383.5 million, issuing in its favor 11,344,800 shares.

The contribution was made by Grupo Crédito on March 30, 2016, as a result of which BCP lost control of ICBSA, and Grupo Crédito is the new entity that has assumed control.

This transaction had no significant impact on the consolidated financial statement.

d) Sale of shares of Banco de Crédito de Bolivia -

The Executive Committee of the Board of Directors of BCP, in its meeting held on December 30, 2015, approved the sale of all of the shares (14,121 units) which it held of Banco de Crédito de Bolivia (hereinafter "BCB") to ICBSA. Both companies form part of the Group.

It is worth mentioning that at December 31, 2015, said transaction was not recognized as an "asset classified as held-for-sale", since it did not comply with all of the requirements of IFRS 5 "Non-current assets held for sale and discontinued operations" and it did not have the regulator's approval.

Furthermore, in a General Shareholders' Meeting of BCB held on March 10, 2016, the capitalization of reserves was approved for an amount of Bs.607.5 million, equivalent to S/307.4 million, increasing proportionally the shareholding of all of the shareholders. As a result of the capitalization, BCP received 29,116 shares, obtaining a total holding of 43,237 shares.

The share sale operation by BCP was authorized by the Supervisory Authority of the Financial System (ASFI from the Spanish acronym) of Bolivia on May 12, 2016, after which, BCP carried out the sale of all of its shares at that date (43,237 shares) in favor of ICBSA, through the Bolivian Stock Exchange, at a price of Bs.25,811.0 per share, representing a total amount of Bs.1,116.0 million, equivalent to S/541.1 million.

As a result of the sale of shares, ICBSA became the new entity which assumed control over BCB.

3 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting principles applied in the preparation of Credicorp's consolidated financial statements are set out below:

a) Basis of presentation and use of estimates -

The accompanying consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The accompanying consolidated financial statements have been prepared on a historical cost basis, except for trading securities, available-for-sale investments, financial assets at fair value through profit or loss, derivative financial instruments, share-based payments, bonds and notes associated with fair value hedges, and financial liabilities at fair value through profit or loss that have been measured at fair value.

The consolidated financial statements are presented in Soles (S/), see paragraph (c) below, and values are rounded to the nearest S/thousands, except when otherwise indicated.

The preparation of the consolidated financial statements in accordance with IFRS requires Management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of significant events in notes to the consolidated financial statements.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the current circumstances. The final results could differ from said estimates; however, management expects that the variations, if any, will not have a material impact on the consolidated financial statements.

The most significant estimates included in the accompanying consolidated financial statements are related to allowance for loan losses, the valuation of investments, the technical reserves for claims and premiums, goodwill impairment, the impairment of available-for-sale investments, the valuation of share-based payment transactions and the valuation of derivative financial instruments. Furthermore, other estimates exist, such as the estimated useful life of intangible assets, property, furniture and equipment and the deferred income tax assets and liabilities. The accounting criteria used for said estimates are described below.

The accounting policies adopted are consistent with those of the previous years, except that the Group has adopted the new revised IFRS and IAS which are mandatory for the periods beginning on or after January 1, 2017, as described below:

- Amendments to IAS 12 “Income Taxes”: Recognition of the deferred income tax asset for unrealized losses.

The amendments clarify the accounting treatment of deferred taxes when an asset is measured at fair value and when said fair value is less than the tax base of the asset. The amendments specifically confirm that:

A temporary difference exists when the carrying amount of an asset is less than its tax base at the end of the information presentation period.

An entity can assume that it will recover an amount greater than the carrying amount when estimating the taxable profit that it will obtain in future.

When the tax law restricts the source of taxable profits against which the particular types of deferred tax assets can be recovered, the recoverability of deferred tax assets can only be evaluated together with other deferred tax assets of the same kind.

The tax deductions resulting from the reversal of deferred income tax assets are excluded from the estimated future taxable profit that is used to evaluate the recoverability of said assets.

Due to the Group's structure and operations, the adoption of this amendment did not have a significant impact on its consolidated financial position and consolidated results; therefore, it has not been necessary to modify the Group's comparative consolidated financial statements.

-Amendments to IAS 7 "Statement of Cash Flows": Disclosure initiatives.

The amendments require entities to break down the changes in their liabilities originating from financing activities, including both those generated by cash flows as well as those which do not involve cash flows (such as gains and losses due to exchange difference).

The Group has disclosed in its consolidated statement of cash flows the information required in tabular format as a reconciliation of the opening and closing balances.

b) Basis of consolidation -

Investment in subsidiaries –

The consolidated financial statements comprise the financial statements of Credicorp and its Subsidiaries for all the years presented.

Under IFRS 10 all entities over which the Group has control are subsidiaries. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee),

- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee.
 - Rights arising from other contractual arrangements.
- The Group's voting rights and potential voting rights.

The Group assesses whether or not it controls an investee if the facts and circumstances indicate that there are changes in one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. The consolidated financial statements include assets, liabilities, income and expenses of Credicorp and its subsidiaries.

Profit or loss for the period and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interest, even if this results in the non-controlling interest with a negative balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Assets in custody or managed by the Group, such as investment funds and private pension funds (AFP funds), are not part of the Group's consolidated financial statements, Note 3(ab).

Transactions with non-controlling interest -

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction and any resulting difference between the price paid and the amount corresponding to non-controlling shareholders is recognized directly in the consolidated statement of changes in net equity.

Loss of control -

If the Group loses control over a subsidiary, it derecognizes the carrying amount of the related assets (including goodwill) and liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognized in profit or loss. Any residual investment retained is recognized at fair value.

Investments in associates -

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the entity, but without exercising control over said policies.

The Group's investments in its associates are recognized initially at cost and are subsequently accounted for using the equity method. They are included in "Other assets" in the consolidated statement of financial position; gains resulting from the use of the equity method of accounting are included in "Other income" of the consolidated statement of income.

At December 31, 2017 and 2016, the following entities comprise the Group (the individual or consolidated figures of their financial statements are presented in accordance with IFRS and before eliminations for consolidation purposes, except for the elimination of Credicorp's treasury shares and its related dividends):

| Entity | Activity and country of incorporation | Percentage of interest (direct and indirect) | | Assets | | Liabilities | |
|--|---------------------------------------|--|-----------|-----------------|-----------------|-----------------|-----------------|
| | | 2017 % | 2016 % | 2017 S/(000) | 2016 S/(000) | 2017 S/(000) | 2016 S/(000) |
| Banco de Crédito del Perú S.A. and Subsidiaries (i) | Banking, Peru | 97.69 | 97.69 | 139,658,667 | 127,513,766 | 124,107,841 | 113,568,000 |
| Pacífico Compañía de Seguros y Reaseguros S.A. and Subsidiaries 2(a) | Insurance, Peru | 98.79 | 98.45 | 11,402,998 | 10,156,361 | 8,558,149 | 7,786,200 |
| Inversiones Credicorp Bolivia S.A. and Subsidiaries (iii) | Holding, Bolivia | 99.96 | 99.96 | 9,153,381 | 8,017,925 | 8,458,813 | 7,337,500 |
| Atlantic Security Holding Corporation and Subsidiaries (iv) | Capital Markets, Cayman | 100.00 | 100.00 | 7,034,717 | 7,056,980 | 6,206,861 | 5,961,700 |
| Credicorp Capital Ltd. and Subsidiaries (v) | Capital Markets, Bermuda | 100.00 | 100.00 | 3,731,930 | 3,230,080 | 2,943,210 | 2,440,400 |
| CCR Inc. (vi) | Special purpose Entity, Bahamas | 100.00 | 100.00 | 667,170 | 1,103,787 | 670,132 | 1,123,000 |
| | | 100.00 | 100.00 | 882,917 | 883,893 | 263,717 | 277,899 |

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| | | | | | | | |
|--------------------------|--|--------|--------|---------|---------|---------|---------|
| Prima AFP S.A. (vii) | Private pension fund administrator, Peru | | | | | | |
| Grupo Crédito S.A (viii) | Holding, Peru | 100.00 | 100.00 | 208,049 | 167,397 | 241,237 | 534,552 |

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- (i) BCP was incorporated in 1889 and its activities are regulated by the Superintendence of Banking, Insurance and AFP (the Peruvian banking, insurance and AFP regulator, hereinafter “the SBS” for its Spanish acronym).

At December 31, 2017, and 2016, its main Subsidiary is Mibanco, Banco de la Microempresa S.A. (hereinafter “Mibanco”), a banking entity in Peru oriented towards the micro and small business sector. At December 31, 2017, the assets, liabilities, equity and net income of Mibanco amount to approximately S/12,363.0 million, S/10,666.5 million, S/1,696.5 million and S/399.1 million, respectively (S/11,234.9 million, S/9,658.3 million, S/1,576.6 million, and S/336.0 million, respectively at December 31, 2016).

- (ii) Pacífico Seguros is an entity regulated by the SBS and its activities comprise the contracting and management of all types of general risk and life insurance, reinsurance and property investment and financial operations.

Its Subsidiaries are Crediseguro Seguros Personales and Crediseguro Seguros Generales, and it has Pacífico EPS as an associate, which are dynamic participants in the business of multiple and health insurance, respectively.

- ICBSA was established in February 2013 and its objective is to make capital investments for its own account or for account of third parties in companies and other entities providing financial services, exercising or determining (iii) the management, administration, control and representation thereof, both nationally and abroad, for which it can invest in capital markets, insurance, asset management, pension funds and other related financial and/or stock exchange products.

At December 31, 2017 and 2016, its principal Subsidiary is BCB, a commercial bank which operates in Bolivia. At December 31, 2017, the assets, liabilities, equity and net profit of BCB were approximately S/9,118.4 million, S/8,481.7 million, S/636.7 million and S/75.4 million, respectively (S/7,949.2 million, S/7,238.5 million, S/620.7 million and S/80.7 million, respectively at December 31, 2016).

- Its most important Subsidiary is Atlantic Security Bank (ASB), which is incorporated in the Cayman Islands and (iv) operates through branches and offices in Grand Cayman and the Republic of Panama; its main activities are private and institutional banking services and trustee administration, mainly for BCP’s Peruvian customers

- Credicorp Capital Ltd. was formed in 2012, and its main subsidiaries are Credicorp Capital Holding Chile (owner of Inversiones IMT), Credicorp Capital Holding Colombia (owner of Credicorp Capital Colombia), and Credicorp Capital Holding Peru (owner of Credicorp Capital Peru S.A.A.), which develop their activities in Chile, Colombia and Peru, respectively. (v)

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At December 31, 2017 and 2016, Credicorp Capital Ltd. directly and indirectly holds 100.00 percent of the share capital of Inversiones IMT and Credicorp Capital Colombia. At December 31, 2017, the assets, liabilities, equity and net profit of Inversiones IMT total approximately S/1,123.4 million, S/964.8 million, S/158.6 million and S/20.8 million, respectively (S/987.5 million, S/840.4 million, S/147.1 million and S/23.7 million, respectively at December 31, 2016); and those of Credicorp Capital Colombia total approximately S/1,667.0 million, S/1,522.2 million, S/144.8 million and S/18.8 million, respectively (S/1,496.5 million, S/1,346.2 million, S/150.3 million and S/24.2 million, respectively at December 31, 2016).

At December 31, 2017 and 2016, Credicorp Capital Ltd. directly holds 100.0 percent of the share capital of Credicorp Capital Holding Perú. At December 31, 2017, the assets, liabilities, equity and net profit of Credicorp Capital Holding Perú and Subsidiaries total approximately S/303.1 million, S/121.3 million, S/181.8 million and S/28.6 million, respectively (S/236.0 million, S/56.5 million, S/179.5 million and S/19.3 million, respectively, at December 31, 2016).

Credicorp Capital Perú has the principal function of a holding company of shares, participations, and securities in general, provision of financial and corporate advisory services, and property investment. At December 31, 2017 and 2016, respectively, Credicorp Capital Peru holds as Subsidiaries, Credicorp Capital Sociedad Agente de Bolsa S.A., Credicorp Capital S.A. Sociedad Administradora de Fondos, Credicorp Capital Servicios Financieros S.A. and Credicorp Capital Sociedad Titulizadora S.A., member companies of the Investment Banking Group in Peru.

CCR Inc. was incorporated in 2000, its main activity is to manage loans granted to BCP by foreign financial entities, See Note 16(a)(iii). These loans are collateralized by transactions performed by BCP. At December 31, (vi) 2017 and 2016, the negative equity balance consists mainly of an accumulated loss of S/17.0 million and a profit for the period of S/14.0 million (an accumulated loss of S/17.0 million and an unrealized loss of S/2.3 million from cash flow hedge derivatives, at December 31, 2016).

(vii) Prima AFP is a private pension fund and its activities are regulated by the SBS.

Grupo Crédito is a company mainly engaged in shares listed in Peru and unlisted shares of Peruvian companies. (viii) It also holds the Group's shares in BCP, and Inversiones Credicorp Bolivia, Prima AFP and Pacífico Seguros. Grupo Crédito's balances are presented net of its investments in said entities.

c) Foreign exchange -

(i) Functional and presentation currency -

Credicorp and its Subsidiaries which operate in Peru consider the sol as their functional and presentation currency since it reflects the nature of the economic events and relevant circumstances given the fact their major transactions and/operations, such as: lending, borrowing, finance income, finance costs and a significant percentage of their purchases are agreed in soles.

(ii) Transactions and balances in foreign currency -

Foreign currency transactions are those entered into in currencies other than the functional currency. These transactions are initially stated by Group entities at the exchange rates of their functional currencies at the transaction dates. Monetary assets and liabilities denominated in foreign currency are adjusted at the exchange rate of the functional currency prevailing at the date of the statement of financial position.

The differences arising from the exchange rate prevailing at the date of each consolidated statement of financial position presented and the exchange rate initially used in recording transactions are recognized in the consolidated statement of income in the period in which they occur, in “Exchange differences”. Non-monetary assets and liabilities acquired in foreign currency are stated at the exchange rate prevailing at the initial transaction date and are not subsequently adjusted.

(iii) Group entities with functional currency other than the presentation currency -

Given that the Group’s entities in Colombia, Chile, Cayman, Panama and Bolivia have a functional currency different from Soles, the balances were translated into Soles for consolidation purposes in accordance with IAS 21, “The Effects of Changes in Foreign Exchange Rates” as follows:

- Assets and liabilities, at the closing rate prevailing at the date of each consolidated statement of financial position.
- Income and expense, at the average exchange rate for each month of the year.

All resulting exchange differences were recognized within “Exchange differences” in the consolidated statement of comprehensive income.

d) Recognition of income and expenses from banking activities -

Interest income and expense for all interest-bearing financial instruments, including those related to financial instruments classified as held for trading or designated at fair value through profit or loss, are recognized within “Interest and similar income” and “Interest and similar expenses” in the consolidated statement of income using the Effective Interest Rate (EIR) method, which is the rate that discounts estimated future cash payments or receipts during the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability.

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

Fees and commission income are recognized on an accrual basis. Contingent credit fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any direct incremental costs) and recognized as an adjustment to the effective interest rate on the loan.

All other revenues and expenses are recognized on an accrual basis.

e) Insurance activities -

Product classification:

Insurance contracts are those contracts when the Group (the insurer) has accepted a significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. This definition also includes reinsurance contracts that the Group holds.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire.

Life insurance contracts offered by the Group include retirement, disability and survival insurance, annuities and individual life which includes Investment Link insurance contracts. The non-life insurance contracts issued by the Group mainly include automobile, fire and allied lines, technical branches and healthcare.

Reinsurance:

The Group cedes insurance risk in the normal course of its operations for most of its businesses. Reinsurance assets represent balances due from reinsurance companies. Reinsurance ceded is placed on both a proportional and non-proportional basis.

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims reserve or settled claims and ceded premiums associated with the ceded policies and are in accordance with the related reinsurance contracts.

Reinsurance assets are reviewed for impairment at each reporting date of the consolidated statement of financial position or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Group may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer. The impairment loss is recorded in the consolidated statement of income.

Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders.

The Group also assumes reinsurance risk in the normal course of business for non-life 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 classification of the reinsured insurance contract.

Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract.

Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance, see Notes 23 and 24. Reinsurance assets or liabilities are derecognized when the contractual rights are extinguished or expire or when the contract is transferred to another party. Reinsurance contracts that do not transfer significant insurance risk are not material to the insurance segment.

Insurance receivables:

Insurance receivables are recognized when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortized cost. As of December 31, 2017 and 2016 the carrying amount of the insurance receivables is similar to their fair value due to their short term. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. The impairment loss is recorded in the consolidated statement of income. Insurance receivables are derecognized when the de-recognition criteria for financial assets, as described in Note 3(g), have been met.

“Investment Link” assets:

“Investment Link” assets represent financial instruments held for purposes of funding a group of life insurance contracts and for which investment gains and losses accrue directly to the policyholders who bear the investment and reinvestment risk. Each account has specific characteristics and the assets are carried at fair value. The balances of each account are legally segregated and are not subject to claims that arise out of any other business of the Group. The liabilities linked to these accounts are equal to the account assets, net of the commissions that the Group charges for the management of these contracts.

Deferred acquisition costs (DAC):

These comprise the direct costs that originate with and are related to traditional life and Investment Link insurance contracts, which are deferred; all other acquisition costs are recognized as an expense when incurred. The direct acquisition costs comprise primarily agent commissions corresponding to the underwriting and policy issuance costs.

Subsequent to initial recognition, these costs are amortized on a straight line basis based on the average expiration period of the related insurance contracts. Amortization is recorded in the consolidated statement of income.

DAC for general insurance and health products are amortized over the period in which the related revenues are earned.

DAC are derecognized when the related contracts are either settled or disposed of.

An impairment review is performed at the date of the consolidated statement of financial position or more frequently when an indication of impairment arises. When the recoverable amounts are less than the carrying value an impairment loss is recognized in the consolidated statement of income. DAC is also considered in the liability adequacy test for each reporting period.

Reinsurance commissions:

Commissions on reinsurance contracts for ceded premiums are amortized on a straight line basis over the term of the coverage of the related insurance contract.

Insurance contract liabilities:

i) Life insurance contract liabilities -

Life insurance liabilities are recognized when contracts are entered into.

The technical reserves maintained by the Group include the reserves of all of the business lines, comprising both the mathematical reserves and those of ongoing risk, as well as the reserves for outstanding claims, settled claims, claim settlement costs, claims incurred but not reported, as applicable to each line.

Due to the nature of the business, the mathematical reserves of the pension lines represent the main part of the Group's reserves, with the line of Life Annuities as the major source of reserves due to the important volume of premiums and as a result of having only single premiums. In order to determine the reserves of this business, the discounted present value of the expected future pensions, to be paid in a guaranteed and non-guaranteed period is taken into account, calculated on the basis of mortality tables and interest rates. Those are based on the asset portfolio which supports the liabilities. Additionally, the constituted reserves include the amount required to cover the maintenance expenses related to the administration of the payment of future pensions.

On the other hand, in the Individual Life business the Group offers some products which are only risk related and others of risk and savings, the latter being those which comprise the highest percentage of reserves of the line. Risk and savings products can be differentiated between those with a guaranteed interest rate and others without guaranteed interest, the reserve for the first group being equal to the balance of the policy accounts plus the unaccredited surplus interest, and for the second group it is equal to the balance of the policy accounts. Said accounts are established with the premiums collected, tax deductions, expenses and costs of insurance and the accreditation of interest based on the yield of the portfolio which supports said reserves.

Life insurance claims reserves include reserves for reported claims and the estimates of the incurred claims that have not been reported to the Group. At December 31, 2017 and 2016, reserves for claims occurred and not reported were determined on the basis of the Chain Ladder methodology (a generally accepted actuarial method), whereby the weighted average of past claim development is projected into the future; this projection is based on the ratios of occurrence of accumulated past claims. Adjustments to the liabilities at each reporting date of the consolidated statement of financial position are recorded in the consolidated statement of income. The liability is derecognized when the contract expires, is discharged or is cancelled.

At each reporting date, an evaluation is carried out as to whether the life insurance liabilities are adequate, net of the related DAC, by means of a liability adequacy test as established by IFRS 4. At December 31, of 2017 and 2016, the Group's Management concluded that the liabilities are sufficient and, therefore, they have not recognized any additional liability for life insurance contracts.

ii) Non-life insurance contract liabilities (which comprise general and healthcare insurance) -

Non-life insurance contract liabilities are recognized when contracts are entered into.

Claims reserves are based on the last estimated cost of all claims incurred but not settled at the date of the consolidated statement of financial position, whether reported or not, together with related claim handling costs and the expected reduction in value of salvage and other recoveries.

Delays can be experienced in the notification and settlement of certain types of claims, therefore their ultimate cost cannot be known with certainty at the date of the consolidated statement of financial position. Claims occurred but not reported are estimated and included in the provision (liabilities). IBNR reserves are determined on the basis of the Bornhuetter - Ferguson methodology - BF (a generally accepted actuarial method), which considers a statistical analysis of the recorded loss history, the use of projection methods and, when appropriate, qualitative factors that reflect present conditions or trends that could affect the historical data. No provision for equalization or catastrophe reserves is recognized. The liabilities are derecognized when the contract expires, is discharged or is cancelled.

Technical reserves for non-life insurance contracts comprise the provision for unearned premiums which represents premiums received for risks that have not yet expired. Generally, the reserve is liberated during the term of the contract and is recognized as premium income.

At each reporting date the Group reviews the risk from outstanding claims and an existing liability adequacy test as laid out under IFRS 4, to determine whether there is any overall excess of expected claims over unearned premiums. If these estimates show that the carrying amount of the unearned premiums is inadequate, the deficiency is recognized in the consolidated statement of income by setting up a provision for liability adequacy. As of December 31, 2017 and 2016, Management determined that the liabilities were adequate; therefore, it has not recorded any additional liabilities for non-life insurance contracts.

Income recognition:

(i) Gross premiums -

Life insurance contracts -

Gross premiums on life contracts are recognized as revenue when due from the policyholder. For single premium business, revenue is recognized on the date on which the policy is effective.

Non-life insurance contracts -

Gross non-life insurance direct and assumed premiums comprise the total premiums written and are recognized on the date of issue of the policy as a receivable. At the same time, a reserve is recorded for unearned premiums which

represent premiums for risks that have not yet expired. Unearned premiums are recognized as income over the contract period which is also the coverage and risk period.

(ii) Fees and commission income -

Investment Link insurance contract policyholders remunerate the Group for policy administration services, investment management services, surrenders and other contract fees. These fees are recognized as revenue in the consolidated statement of income in the period in which the services are provided.

Recognition of benefits, claims and expenses:

(i) Benefits and claims -

The benefits and claims for life insurance contracts include the cost of all claims arising during the year including internal and external claim handling costs that are directly related to the processing and settlement of claims. Death, survival and disability claims are recorded on the basis of notifications received. Pension payments are recorded when they accrue.

General and health insurance claims include all claims occurring during the year, whether reported or not, internal and external claim handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries, and any adjustment to claims outstanding from previous years.

(ii) Reinsurance premiums -

Comprise the total premiums payable for the coverage of the insurance contracts and are recognized on the date on which the validity of the insurance policy commences. Unearned ceded premiums are deferred over the term of the underlying insurance contract.

(iii) Reinsurance claims -

Reinsurance claims are recognized when the related gross insurance claim is recognized according to the terms of the relevant contract.

f) Financial Instruments: Initial recognition and subsequent measurement -

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument or another entity.

The Group classifies its financial instruments in one of the categories defined by IAS 39: financial assets and financial liabilities at fair value through profit or loss; loans and receivables; available-for-sale financial investments; held-to-maturity financial investments and other financial liabilities. The Group determines the classification of its financial instruments at initial recognition.

The classification of financial instruments at initial recognition depends on the purpose and the Management intention for which the financial instruments were acquired and their characteristics. All financial instruments are measured initially at their fair value plus the incremental costs related to the transaction which are directly attributable to the acquisition or issue of the instrument, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within a time frame established according to market regulations or conventions (regular market trades) are recognized on the trade date, that is, the date on which the Group commits to purchase or sell the asset. Derivatives are recognized on a trade date basis.

(i) Financial assets and liabilities at fair value through profit or loss -

Financial assets and liabilities at fair value through profit or loss include financial assets and liabilities held for trading and financial assets and liabilities designated at fair value through profit or loss, the designation of which is upon initial recognition and on an instrument by instrument basis. Derivative financial instruments are also categorized as held for trading unless they are designated as hedging instruments.

A financial asset or liability is classified as held for trading if it is acquired for the purpose of selling or repurchasing it in the short term, and is presented in “Trading securities” or “Financial liabilities at fair value through profit or loss” in the consolidated statement of financial position.

Management may only designate an instrument at fair value through profit or loss upon initial recognition when the following criteria are met:

The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring assets or liabilities or recognizing gains or losses generated by them on a different basis; or

The assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and -evaluated based on the yield on their fair value, in accordance with a documented risk management or investment strategy; or

A contract contains one or more embedded derivatives which can significantly modify the cash flows that might -otherwise be required by the contract and their separation is not prohibited by IAS 39. In this case, the entire contract is designated at fair value through profit or loss.

Changes in fair value of a designated financial asset and liability through profit or loss are recorded in “Net gain (loss) on financial assets designated at fair value through profit or loss” of the consolidated statement of income. Interest earned or incurred is accrued in the consolidated statement of income in “Interest and similar income” or “interest and similar expenses”, according to the terms of the contract. Dividend income is recorded when the right to payment has been established.

(ii) Loans and receivables -

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

After initial recognition, loans and receivables are measured at amortized cost using the effective interest rate method, less any provision for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is recognized in the consolidated statement of income in “Interest and similar income”. Losses from impairment are recognized in the consolidated statement of income in “Provision for loan losses, net of recoveries”.

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

A provision for loan losses is established if there is objective evidence that the Group will not be able to collect all amounts due according to the original contractual terms of the loans. The provision for loan losses is established based on an internal risk classification and considering any guarantees and collaterals received, Note 3 (i) and 32.1.

(iii) Available-for-sale financial investments -

Available-for-sale financial investments include equity investments and debt securities. Equity investments classified as available-for-sale are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt instruments in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value with unrealized gains or losses recognized as other comprehensive income in the available-for-sale reserve, net of the corresponding deferred tax and non-controlling interest, until the investment is derecognized, at which time the cumulative gain or loss is recognized in the consolidated statement of income in “Net gain on the sale of securities”, or is determined to be impaired, at which time the impaired amount is recognized in the consolidated statement of income in “Impairment loss on available-for-sale investments” and removed from the reserve of investments available-for-sale.

Interest and similar income earned are recognized in the consolidated statement of income in “Interest and similar income”. Interest earned is reported as interest income using the effective interest rate method and dividends earned are recognized when collection rights are established.

Estimated fair values are based primarily on quoted prices or, if quoted market prices are not available, discounted expected cash flows using market rates commensurate with the credit quality and maturity of the investment.

The Group evaluates whether its ability and intention to sell its available-for-sale financial assets in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if Management has the ability and intention to hold such assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortized cost and any previous gain or loss on the asset that has been recognized in equity is amortized to profit or loss over the remaining life of the investment using the effective interest rate.

(iv) Held-to-maturity financial investments -

Held-to-maturity financial investments are non-derivative financial assets with fixed or determinable payments and fixed maturities, which Credicorp has the intention and ability to hold to maturity. After initial measurement, held-to-maturity financial investments are subsequently measured at amortized cost using the effective interest rate less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortization is included in “Interest and similar income” of the consolidated statement of income. The losses arising from impairment of these investments are recognized in the consolidated statement of income.

At December 31, 2017 and 2016 the Group has not recognized any impairment loss on held-to-maturity investments, see policy of impairment of financial assets carried at amortized cost in Note 3(i)(i).

If the Group were to sell or reclassify a more than insignificant amount of held-to-maturity investments before maturity (other than in certain specific circumstances), the entire category would be tainted and would have to be reclassified as available-for-sale. Furthermore, the Group would be prohibited from classifying any financial asset as held-to-maturity during the following two (2) years.

At December 31, 2017 and 2016 the Group did not sell or reclassify any of its held-to-maturity investments.

(v) Repurchase and reverse repurchase agreements and security lending and borrowing transactions -

Securities sold under agreements to repurchase at a specified future date are not derecognized from the consolidated statement of financial position as the Group retains substantially all of the risks and rewards of ownership. The cash received is recognized as an asset with a corresponding obligation to return it, including accrued interest, as a liability in "Payables from repurchase agreements and security lendings", reflecting the transaction's economic substance as a loan to the Group. The difference between the sale and repurchase price is treated as interest expense and is accrued over the life of the agreement using the effective interest rate and is recognized in "Interest and similar expenses" of the consolidated statement of income.

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As part of this transaction the Group grants assets as collateral. When the counterparty receives securities and has the right to sell or re-pledge, the Group reclassifies those securities in “Available-for-sale investments pledged as collateral” or “Held-to-maturity investments pledged as collateral”, as appropriate, of the consolidated statement of financial position. Also, when the counterparty receives cash as collateral that will be restricted until the maturity of the contract, the Group reclassifies the cash in Cash collateral, reverse repurchase agreements and security borrowings” in the consolidated statement of financial position, which includes accrued interest that is calculated according to the method of the effective interest rate.

Conversely, securities purchased under agreements to resell at a specified future date are not recognized in the consolidated statement of financial position. The consideration paid, including accrued interest, is recorded in “Receivables from reverse repurchase agreements and security borrowings” of the consolidated statement of financial position, reflecting the transaction’s economic substance as a loan by the Group. The difference between the purchase and resale price is recorded in “Interest and similar income” of the consolidated statement of income and is accrued over the life of the agreement using the effective interest rate.

If securities purchased under agreement to resell are subsequently sold to third parties, the obligation to return the securities is recorded as a short sale in the consolidated statement of financial position heading “Financial liabilities at fair value through profit or loss” and measured at fair value, with any gains or losses included in the consolidated statement of income caption “Net gain on sale of securities”.

Security lending and borrowing transactions are usually collateralized by securities. The transfer of the securities to counterparties is only reflected in the consolidated statement of financial position if the risks and rewards of ownership are also transferred.

(vi) Other financial liabilities -

After initial measurement other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Amortized cost includes any issuance discount or premium and directly attributable transaction costs that are an integral part of the effective interest rate.

g)

De-recognition of financial assets and liabilities -

Financial assets:

A financial asset (or, where applicable a part of a financial asset or a part of a group of similar financial assets) is derecognized when: (i) the rights to receive cash flows from the asset have expired; or (ii) the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement; and either the Group has transferred substantially all the risks and rewards of the asset, or the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its right to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the Group’s continuing involvement. In that case, the Group also recognizes the associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of (i) the original carrying amount of the asset, and (ii) the maximum amount of consideration that the Group could be required to repay.

Financial liabilities:

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability; the difference between the carrying amount of the original financial liability and the consideration paid is recognized in the consolidated statement of income.

h) Offsetting financial instruments -

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and Management has the intention to settle on a net basis, or realize the assets and settle the liability simultaneously.

i) Impairment of financial assets -

The Group assesses at the date of each consolidated statement of financial position whether there is any objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred “loss event”), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will go bankrupt or other legal financial reorganization process and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The criterion used for each category of financial assets is as follows:

(i) Financial assets carried at amortized cost -

For loans, receivables and held-to-maturity investments that are carried at amortized cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes that asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred).

The carrying amount of the asset is reduced through the use of a provision account and the amount of the loss is recognized in the consolidated statement of income. A loan, together with the respective associated provision, is written off when classified as a loss and is fully provisioned and there is real and verifiable evidence that the loan is irrecoverable and collection efforts concluded without success, the impossibility of foreclosures or all collateral has been realized or has been transferred to the Group.

If in any subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the provision account. If in the future a written-off loan is later recovered, the recovery is recognized in the consolidated statement of income, as a credit to "Provision for loan losses, net of recoveries".

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss will be the current effective interest rate.

The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For collective assessment of impairment, financial assets are grouped considering the Group's internal credit grading system, which considers credit risk characteristics; for example: asset type, industry, geographical location, collateral type and past-due status and other relevant factors.

Future cash flows from a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with similar credit risk characteristics to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the years on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist. The methodology and assumptions used are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

(ii) Available-for-sale financial investments -

For available-for-sale financial investments, the Group assesses at each date of the consolidated statement of financial position whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments, objective evidence would include a significant or prolonged decline in their fair value below cost. "Significant" is to be evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. The determination of what is "significant" or "prolonged" requires judgment. In making this judgment, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

When there is evidence of impairment, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any previously recognized impairment loss) is removed from available-for-sale investments reserve of the consolidated statement of changes in equity and recognized in the consolidated statement of income. Impairment losses on equity investments are not reversed through the consolidated statement of income; increases in their fair value after impairment are recognized directly in the consolidated statement of comprehensive income.

In the case of debt instruments, impairment is assessed based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the consolidated statement of income. Future interest income is based on the reduced carrying amount and is accrued using the interest rate used to discount the future cash flows for the purpose of measuring the impairment loss. Interest income is recorded as part of "Interest and similar income" of the consolidated statement of income. If in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the consolidated statements of income, the impairment loss is reversed through the consolidated statement of income.

(iii) Renegotiated loans -

When a loan is modified, it is not considered as past due but it maintains its previous classification as impaired or not impaired. If the debtor complies with the new agreement during the following six months, and an analysis of its payment capacity supports a new improved risk classification, the loan is classified as not impaired. If, subsequent to the loan modification, the debtor fails to comply with the new agreement, it is considered as impaired and past due.

j) Leases -

The determination of whether an arrangement is, or contains, a lease is based in the substance of the arrangement at the inception date: whether fulfillment of the arrangement is dependent on the use of a specific asset or assets and on whether the arrangement conveys a right to use the asset even if that right is not explicitly specified in an arrangement.

Operating leases:

Leases in which a significant portion of the risks and benefits of the asset are held by the lessor are classified as operating leases. Under this concept the Group has mainly leased premises used as offices and agencies of the Group's subsidiaries.

When an operating lease is terminated before the lease period has expired, any penalty payment to the lessor is recognized as an expense in the period in which termination takes place.

Finance leases:

Finance leases are recognized as granted loans at the present value of the future lease collections. The difference between the gross receivable amount and the present value of the loan is recognized as unearned interest. Lease income is recognized over the term of the lease agreement using the effective interest rate method, which reflects a constant periodic rate of return.

k) Property, furniture and equipment -

Property, furniture and equipment are stated at historical acquisition cost less accumulated depreciation and impairment losses, if applicable. Historical acquisition costs include expenditures that are directly attributable to the acquired property, furniture or equipment. Maintenance and repair costs are charged to the consolidated statement of income; significant renewals and improvements are capitalized when it is probable that future economic benefits, in excess of the originally assessed standard of performance, will flow from the use of the acquired property, furniture or equipment.

Land is not depreciated. Depreciation is calculated using the straight-line method over the estimated useful lives, which are as follows:

| | Years |
|----------------------------------|-------|
| Buildings and other construction | 33 |
| Installations | 10 |
| Furniture and fixtures | 10 |
| Vehicles and equipment | 5 |
| Computer hardware | 4 |

An item of property, furniture and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of income.

Assets' residual value, and the selected useful life are periodically reviewed to ensure that they are consistent with current economic benefits and life expectancy.

1) Investment properties -

Investment properties are held to earn rentals or for capital appreciation or both rather than for: (a) use in the production or supply of goods or services or for administrative purposes; or (b) sale in the ordinary course of business. Property that is being constructed or developed for future use as investment property is recognized at cost before completion.

Investment properties are initially measured at fair value, which is the purchase transaction price, unless otherwise indicated. Transaction costs are included in the initial measurement, which includes the purchase price and any other cost directly attributable to the transaction.

For subsequent recognition, an entity shall choose as its accounting policy either the fair value model or the cost model and shall apply that policy to all its investment property. At the date of the consolidated financial statements, the Group has opted for keeping the cost model. Accordingly, investment properties are accounted for at their acquisition cost less accumulated depreciation and the accumulated impairment losses, if any.

An entity can opt for recognizing and depreciating separately the components of an investment property or as a single unit for recording and depreciation purposes. The Group recognizes as a single unit each of its investment properties and has estimated a useful life of 33 years for purposes of determining depreciation under the straight-line method.

Rental income is recognized as rents that are accrued under the related rental agreement; depreciation expenses as well as maintenance expenses and other related expenses are accounted for as maintenance of the rented assets, net within “Other income” in the consolidated statement of income.

m) Seized assets -

Seized assets are recorded at the lower of cost or estimated market value, which is obtained from valuations made by independent appraisers. Reductions in book values are recorded in the consolidated statement of income.

n) Business combination -

Business combinations made are accounted for using the acquisition method in accordance with IFRS 3 “Business Combination”, regardless of whether they are equity instruments or other acquired assets.

The acquisition cost is the sum of the consideration paid for the acquisition measured at fair value at the acquisition date and the amount of the share in the non-controlling interest acquired. For each business combination the Group decides whether to measure the non-controlling interest in the acquiree at fair value or at the proportional share in the identifiable net assets of the acquiree.

Acquisition-related costs are recognized as expense and are included within “Administrative expenses” in the consolidated statement of income. When the Group acquires a business, it assesses the financial assets and liabilities assumed for its own classification and denomination according to the contractual terms, economic circumstances and prevailing conditions at the date of acquisition. This includes the separation of embedded derivative contracts signed by the acquiree.

Any contingency transferred by the acquirer is recognized at fair value at the acquisition date. The contingency classified as an asset or liability that is a financial instrument and is within the scope of IAS 39 “Financial instruments: Recognition and measurement” is measured at fair value with changes recognized in the consolidated statement of income or consolidated statement of comprehensive income. If the contingency is not within the scope of IAS 39, it is measured in accordance with the applicable IFRS. A contingency that is classified as equity should not be measured again and its subsequent settlement is accounted for within equity.

The acquisition of a non-controlling interest is recorded directly in net equity, any difference between the amount paid and the acquired net assets is recorded as an equity transaction. Accordingly, the Group recognizes no additional goodwill after the acquisition of the non-controlling interest, nor does it recognize any profit or loss from the disposal of the non-controlling interest.

Equity attributable to the non-controlling interest is shown separately in the consolidated statement of financial position. Profit attributable to the non-controlling interest is shown separately in the consolidated statement of income and consolidated statement of comprehensive income.

In a business combination achieved in stages, the acquirer shall re-measure its previously held equity interest in the acquiree at fair value at the acquisition-date. The resulting gain or loss is recognized in profit or loss.

o)

Intangible assets -

Comprise internally developed and acquired software licenses used by the Group. Acquired software licenses are measured on initial recognition at cost and are amortized using the straight-line method over their estimated useful life

(between 3 and 5 years).

Intangible assets identified as a consequence of the acquisition of subsidiaries are recognized in the consolidated statement of financial position at their fair values determined on the acquisition date and are amortized using the straight line method over their estimated useful life as follows:

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| | Estimated useful life in years |
|--|---|
| Client relationship - Prima AFP (AFP Unión Vida) | 20 |
| Client relationship - Inversiones IMT S.A. | 22 |
| Client relationship cash, fixed and variable income - Credicorp Capital Colombia | 5 |
| Client relationship APT - Credicorp Capital Colombia | 5 |
| Client relationship - Edyficar Peru | 10 |
| Client relationship – Mibanco | 7 |
| Brand - Mibanco | 25 |
| Brand - Credicorp Capital Colombia | 5 |
| Brand - Inversiones IMT S.A. | 5 |
| Fund manager contract - Credicorp Capital Colombia | 28 |
| Fund manager contract - Inversiones IMT S.A. | 11 |
| Core deposits - Mibanco | 6 |
| Right of use - BCP | 5 |
| Others | 5 |

The period and the amortization method, for intangible assets are reviewed at the end of each period. If the expected useful life differs from previous estimates, the amortization period will be changed to reflect this change. If there has been a change in the expected pattern of conduct of the future economic benefits embodied in the asset, the amortization method shall be amended to reflect these changes.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of income when the asset is derecognized.

p) Goodwill -

Goodwill is the excess of the aggregate of the consideration transferred over the fair value recognized for the acquisition of the net value of the identifiable net assets acquired and liabilities assumed. If the fair value of the net assets acquired exceeds the aggregate consideration transferred, then the gain is recognized in the consolidated statement of income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (CGU) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to these units.

Where goodwill has been allocated to a CGU and part of the operation within that unit is disposed of, the goodwill and the assets disposed of are included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed of in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. Where the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

q) Impairment of non-financial assets -

The Group assesses, at each reporting date, whether there is an indicator that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of the value of the asset or the CGU less costs to sell and its value in use and is determined for each individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are considered, if any. If this kind of transactions cannot be identified, an appropriate valuation model is used. These calculations are verified against valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

For non-financial assets, excluding goodwill, an assessment is made at each reporting date whether there is an indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized.

The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of income.

r) Due from customers on acceptances -

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

s) Financial guarantees -

In the ordinary course of business, the Group issues financial guarantees, such as letters of credit, guarantees and acceptances. Financial guarantees are initially recognized at fair value (which is equivalent to the commission initially received) in “Other liabilities” of the consolidated statement of financial position. Subsequent to initial recognition, the Group’s liability under each guarantee is measured at the higher of the amount initially recognized less, when appropriate, cumulative amortization recognized in the consolidated statement of income, and the best estimate of expenditure required to settle any financial obligation arising as a result of the financial guarantee.

Any increase in the liability relating to a financial guarantee is included in the consolidated statement of income. The commission received is recognized in “Banking services commissions” of the consolidated statement of income on a straight line basis over the life of the granted financial guarantee.

t)

Provisions -

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow or resources embodying economic benefits will be required to settle said obligation and a reliable estimate can be made of the amount.

The expense relating to any provision is presented in the consolidated statement of income net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the specific risks of the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

u) Contingencies -

Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed in the Notes, unless the probability of an outflow of resources is remote. Contingent assets are not recorded in the financial statements; they are disclosed if it is probable that an inflow of economic benefits will be realized.

v) Income tax -

Income tax is computed based on the individual financial statements of Credicorp and of each of its Subsidiaries.

Deferred income tax reflects the effects of temporary differences between the carrying amounts of assets and liabilities for accounting purposes and the amounts determined for tax purposes. Deferred assets and liabilities are measured using the tax rates expected to be applied to taxable income in the years in which temporary differences are expected to be recovered or eliminated. The measurement of deferred assets and deferred liabilities reflects the tax consequences that arise from the manner in which Credicorp and its Subsidiaries expect, at the date of the consolidated statement of financial position, to recover or settle the carrying amount of its assets and liabilities.

The carrying amount of deferred tax assets and liabilities may change, even though there is no change in the amount of the related temporary differences, due to a change in the income tax rate. In this case, the resulting change in deferred tax, corresponding to the change in rate, will be recognized in profit or loss, except to the extent that it relates to items previously recognized outside of the consolidated income statement (either in other comprehensive income or directly in equity).

Deferred tax assets and liabilities are recognized regardless of when the timing differences are likely to reverse. Deferred tax assets are recognized when it is more likely than not, that future taxable profit will be available against which the temporary difference can be utilized. At the date of the consolidated statement of financial position, Credicorp and its Subsidiaries assess unrecognized deferred assets and the carrying amount of recognized deferred assets.

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Credicorp and its Subsidiaries determine their deferred income tax based on the tax rate applicable to their undistributed earnings; any additional tax on dividend distribution is recorded on the date a liability is recognized.

Deferred tax assets and liabilities are offset if there is a legal right of offset and the deferred taxes are related to the same taxpaying entity and the same tax authority.

w)

Earnings per share -

Basic earnings per share is calculated by dividing the net profit for the year attributable to Credicorp's equity holders by the weighted average number of ordinary shares outstanding during the year, excluding the average number of ordinary shares purchased and held as treasury stock.

Diluted earnings per share is calculated by dividing the net profit attributable to Credicorp's equity holders by the weighted average number of ordinary shares outstanding during the year, excluding the average number of ordinary shares purchased and held as treasury stock, plus the weighted average number of ordinary shares that would have been issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

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x) Share-based payment transactions -

The cost of the Group's remuneration plan is recognized, together with a corresponding increase in equity, over the period in which the service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('the vesting date').

The cumulative expense recognized for equity-settled liquidations at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense is recorded in "Salaries and employee benefits" of the consolidated statement of income.

When the terms of a share-based liquidation are modified, the minimum expense recognized is maintained as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the share-based payment arrangement, or which is otherwise beneficial to the employee as measured at the date of modification.

The dilutive effect of the shares granted under this plan is reflected as a share dilution in the computation of diluted earnings per share, see paragraph (w) above.

y) Derivative financial instruments and hedge accounting -

Trading -

The Group negotiates derivative financial instruments in order to meet its clients' needs. The Group may also take positions with the expectation of profiting from favorable movements in prices, rates or indexes.

Part of the transactions with derivatives, which provide effective economic hedges under the Group's risk management positions, do not qualify for hedge accounting under the specific rules of IAS 39 and are, therefore, treated as trading derivatives.

Derivative financial instruments are initially recognized at fair value in the consolidated statement of financial position and subsequently are re-measured at fair value. Fair values are estimated based on the market exchange and interest rates. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Gain and losses for changes in their fair value are recorded in the consolidated statement of income.

Hedging -

The Group uses derivative instruments to manage exposures to interest rate and foreign currency. In order to manage particular risks, the Group applies hedge accounting for transactions which meet the specified criteria.

At inception of the hedge relationship, the Group formally documents the relationship between the hedged item and the hedging instrument, including the nature of the risk, the objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedging relationship.

Also, at the inception of the hedge relationship, a formal assessment is undertaken to ensure the hedging instrument is expected to be highly effective in offsetting the designated risk in the hedged item. Hedges are formally assessed at each reporting date.

A hedge is considered highly effective if the following conditions are met:

At the inception of a hedge and in following years, the hedge is expected to be highly effective to offset changes in the fair value or cash flows attributable to the hedged risk over the designated period of the hedge; and

-The actual effectiveness of the hedge is within the range of 80-125 percent.

The accounting treatment is determined on the basis of the nature of the hedged item and once the hedging qualifying criteria are met.

i) Cash flow hedges -

The effective portion of the gain or loss on the hedging instrument is recognized directly as part of other comprehensive income in “Cash flow hedge reserve”, while any ineffective portion is recognized immediately in the consolidated statement of income.

Amounts recognized as other comprehensive income are transferred to the consolidated statement of income when the hedged transaction affects profit or loss; that is, when the hedge-related finance income or finance cost is recognized or when an expected sale occurs.

If the forecasted transaction or firm commitment is no longer expected to occur, the accumulated gain or loss previously recognized in the cash flow hedge reserve is transferred to the consolidated statement of income. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any unrealized accumulated gain or loss previously in the cash flow hedge reserve remains in said reserve until the planned transaction or firm commitment affects profit or loss. At the same time, the derivative is recorded as a trading derivative.

ii) Fair value hedges -

The change in the fair value of a fair value hedge is recognized in “Interest and similar income” or “Interest and similar expenses” of the consolidated statement of income. The change in the fair value of the hedged item attributable to the risk hedged is recorded as a part of the carrying value of the hedged item and is recognized in the consolidated statement of income.

For fair value hedges relating to items carried at amortized cost, any adjustment to the carrying amount of these items, as a result of discontinuation of the hedge, will be amortized through the consolidated statement of income over the remaining life of the hedge. Amortization may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

If the hedged item is derecognized, the unamortized fair value is recognized immediately in the consolidated statement of income.

The hedge relationship is terminated when the hedging instrument expires or is sold, terminated or exercised, or where the hedge no longer meets the criteria for hedge accounting, the hedge relationship is terminated. For hedged items recorded at amortized cost, the difference between the carrying value of the hedged item on termination and the face value is amortized over the remaining term of the original hedge using the effective interest rate. If the hedged item is derecognized, the unamortized fair value adjustment is recognized immediately in the consolidated statement of income. At the same time, the derivative is recorded as a trading derivative.

iii)

Embedded derivatives -

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contract, and said host contract is not held for trading or designated at fair value through profit or loss.

The Group has investments indexed to certain life insurance contracts liabilities, denominated “Investment Link”. These instruments have been classified at inception by the Group as “Financial instruments at fair value through profit or loss”, See Note 3(f)(i) and Note 8.

z)

Fair value measurement -

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group. Also, the fair value of a liability reflects its non-performance risk.

When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level of input used that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized at fair value in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Also, fair values of financial instruments measured at amortized cost are disclosed in Note 32.7(b).

aa)

Segment reporting -

The Group reports financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are a component of an entity for which separate financial information is available that is evaluated regularly by the entity's Chief Operating Decision Maker ("CODM") in making decisions about how to allocate resources and in assessing performance. Generally, financial information is required to be reported on the same basis as it is used internally for evaluating operating segments' performance and deciding how to allocate resources to segments, Note 29.

ab) Fiduciary activities, management of funds and pension funds –

The Group provides custody, trustee, investment management and advisory services to third parties that result in the holding of assets on their behalf. These assets and income arising thereon are excluded from these consolidated financial statements, as they are not assets of the Group, Note 32.8.

Commissions generated for these activities are included in “Other income” of the consolidated statement of income.

ac) Cash and cash equivalents -

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise balances of cash and non-restricted balances with central banks, overnight deposits, time deposits and amounts due from banks with maturities of three months or less from the date of acquisition, excluding restricted balances See Note 4.

Cash collateral pledged as a part of a repurchase agreement is presented in “Cash collateral, reverse repurchase agreement and securities borrowings” in the consolidated statement of financial position, See Note 5(a).

Cash collateral pledged in the negotiation of derivative financial instrument and others are presented in “Other assets” in the consolidated statement of financial position, See Note 12.

ad) International Financial Reporting Standards issued but not yet effective -

The Group decided not to early adopt the following standards and interpretations that were issued but are not effective as of December 31, 2017:

(i) IFRS 9 “Financial Instruments” -

In July 2014, the IASB issued the complete version of IFRS 9, which combines the phases of classification and measurement, impairment and hedging accounting of the IASB project to replaces IAS 39 “Financial instruments: Measurement and Recognition”.

Classification and measurement:

IFRS 9 establishes three categories of classification: Amortized cost, fair value through other comprehensive income and fair value through profit or loss.

A debt instrument is classified and measured at amortized cost if: a) the objective of the business model is to maintain the financial asset, to collect the contractual cash flows, and b) the contractual cash flows of the instrument only represent the payment of the principal and interest of the debt.

Likewise, a debt instrument is classified and measured at fair value through other comprehensive income if: a) the objective of the business model is to maintain the financial asset, both to collect the contractual cash flows, as well as to sell them, and b) the contractual cash flows of the instrument only represent the payment of the principal and interest of the debt.

All other debt instruments that do not satisfy the above-mentioned conditions must be classified and measured at fair value through profit or loss.

An equity instrument is classified at fair value through profit or loss, unless it is not maintained for trading purposes, in which case, an entity may make an irrevocable choice at its initial recognition, to classify it at fair value through other comprehensive income, without subsequently having to reclassify it to profit or loss.

With regard to liabilities, most pre-existing requirements for classification and measurement previously included in IAS 39, have not changed in IFRS 9.

Impairment:

IFRS 9 introduces a new model of impairment based on expected losses of the credit portfolio and other instruments which differ significantly from the current model “under IAS 39 of credit losses incurred”, and it is expected to result in the early recognition of credit losses.

The financial assets classified or designated at fair value through profit or loss and the capital instruments designated at fair value through other comprehensive income, are not subject to impairment assessment.

Model of impairment of expected credit losses -

Under IFRS 9, provisions for credit losses will be measured at each reporting date, following a three phase model of expected credit losses:

Phase 1: For financial assets of which the credit risk has not deteriorated significantly since its initial recognition, a reserve for losses will be recognized, equivalent to the credit losses which are expected to occur from defaults in the next 12 months.

Phase 2: For financial assets which have presented a significant increase in their credit risk, a reserve for losses will be recognized, equivalent to the credit losses which are expected to occur during the remaining life of the asset.

Phase 3: For financial assets with evidence of impairment at the reporting date a reserve for losses will be recognized, equivalent to the expected credit losses during the entire life of the asset. Interest income will be recognized based on the asset's carrying amount, net of the loss reserve.

The reserves for credit losses of Phase 1 and Phase 2 effectively replace the general reserve determined for loans not yet identified as impaired under IAS 39, although the reserves for credit losses of Phase 3 effectively replace the general reserves determined for impaired loans.

Measurement -

The measurement of expected credit loss is mainly based on the product of the probability of default (PD), the loss given default (LGD) and the exposure at the time of default (EAD), discounted at the reporting date and considering the expected macroeconomic effects, all according to the new regulation.

The fundamental difference between the credit loss considered as Phase 1 and Phase 2 is the horizon of PD. The estimates of Phase 1 use a 12-month horizon, while those in Phase 2 use an expected loss calculated with the remaining term of the asset and it considers the effect of the significant increase in the risk. Finally, in Phase 3, the expected loss will be estimated based on the best estimate (“ELBE” from its initials in English), given the situation of the collection process of each asset.

The above method applies to all the portfolios, with the exception of some portfolios of reduced materiality and of which there is insufficient historical depth and/or loss experience.

In these cases, simplified approaches will be applied, based on the reality of each portfolio and with reasonable supported and documented criteria.

Changes from one phase to another -

The classification of an instrument as phase 1 or phase 2 depends on the concept of “significant impairment” on the reporting date in comparison with the origination date. In this sense, the definition used considers the following criteria:

- An account is classified in phase 2 if it has been more than N days in arrears.

Risk thresholds have been established based on the internal models and on relative thresholds of differences (by portfolio and risk level) in which the instrument originated.

The follow up, warning and monitoring systems of the risk portfolios which depend on the current risk policy in Wholesale and Retail Banking, are integrated.

Additionally, all those accounts which are classified as in default at the reporting date are considered as phase 3. The evaluations of significant risk increase and credit impairment are carried out independently at each reporting date. Assets can move in both directions from one phase to another.

Prospective information -

The measurement of expected credit losses for each phase and the evaluation of significant increases in credit risk must consider information regarding previous events and current conditions, as well as forecasts of future economic events and conditions. For the estimation of the risk parameters (PD, LGD, EAD), used in the calculation of the provision in phases 1 and 2, macroeconomic variables were included which vary between portfolios. These forecasts are for a three-year period and, additionally, there is a long-term forecast.

The estimation of the expected loss for phases 1, 2 and 3 will be a weighted estimate which considers three future macroeconomic scenarios. The basic, optimistic and pessimistic scenarios are based on macroeconomic forecasts provided by the in-house economic studies team and approved by Senior Management. This same team also provides the probability of occurrence of each scenario. It should be pointed out that the scenario design is adjusted at least once a year and this can be done more frequently if the conditions of the environment require it.

Expected life -

For the instruments in Phase 2 or 3, the reserves for losses will cover the expected credit losses during the lifetime of the instrument. For most of the instruments, the expected lifetime is limited to the remaining life of the product, adjusted for expected future payments. In the case of revolving products, an analysis was made in order to determine what would be the expected period of life.

Hedging accounting:

The new model of hedging accounting according to IFRS 9 seeks to simplify hedging accounting, align the accounting of the hedging relationships more closely with the risk management activities of an entity and permit hedging accounting to be applied more widely to a greater variety of hedging instruments and risks suitable for hedging accounting.

IFRS 9 is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted.

The new classification, measurement and impairment requirements will be applied adjusting our consolidated statement of financial position at January 1, 2018, date of initial application, without restating the financial information of the comparative period.

Based on the current estimations, it is expected that the adoption of IFRS 9 will result in a reduction in retained earnings at January 1, 2018 for an amount equivalent that will not exceed 2.0 percent of net equity. The impact is mainly attributed to increases in the reserve for credit losses based on the new impairment requirements.

The Group will continue monitoring and perfecting certain elements of our impairment determination process before our report for the first quarter of 2018.

(ii) IFRS 15 “Revenue from contracts with customer” -

IFRS 15, which was published in May 2014 and amended in April 2016, will replace IAS 18 “Revenue”, and IAS 11 “Construction Contracts”.

The new standard is based on the principle that revenue is recognized when the control of a good or service is transferred to a client, so that the notion of control replaces the existing notion of risks and benefits.

The standard establishes a new five-step model that applies to the recording of revenue from contracts with clients:

- Identify the contracts with clients.
- Identify the separate performance obligation.
- Determine the price of the contractual transaction.
- Assign the price of the transaction to each of the separate performance obligations, and
- Recognize the revenue as each performance obligation is complied with.

Key changes in current practice:

· All the grouped goods and services which are different must be recognized separately and, in general, the discounts or rebates in the contract price must be assigned to the separate elements.

· Revenue can be recognized before it is done under the current standards if the consideration varies for any reason (for example, incentives, rebates, management commissions, royalties, success fee, etc.). If they are not at significant risk of reversal, the minimum amounts must be recognized.

· The point at which revenue may be recognized can change: some revenue that is currently recognized at a given moment at the end of a contract may have to be recognized during the term of the contract and vice versa.

· There are new specific standards regarding licenses, guarantees, non-reimbursable fee advances and consignment agreements, to name a few.

· As with any new standard, there are also greater disclosure requirements.

The Group assessed the impact of IFRS 15, concluding at the date of these financial statements, that there is no significant impact on the Group’s revenue recognition.

IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

(iii) IFRS 16, “Leases” -

IFRS 16, ‘Leases’ replaces the current standards related to the treatment of leases (IAS 17, ‘Leases’ and IFRIC 4, ‘Determining whether an arrangement contains a lease’ and other related interpretations).

IFRS 16 will mainly affect the accounting treatment for lessees, and will result in the recognition of almost all lease contracts in the statement of financial position. The standard eliminates the current distinction between finance and operating leases, and requires the recognition of an asset (right of use of the leased asset) and of a financial liability to make the lease payments, for practically all of the lease contracts. There is an optional exemption for short term and low value leases.

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The income statement will also be affected, since the total expense is normally higher in the initial years of the lease contract and lower in the final years. Furthermore, the operating costs will be replaced with interest and depreciation, therefore key metrics such as EBITDA will change.

Operating cash flows will be greater since cash payments for the principal portion of the lease debt are classified in financing obligations. Only the part of the payments that reflects interest can continue to be presented as operating cash flow.

During the year 2018, the Group will continue to evaluate the impact of IFRS 16; however, at the date of these financial statements, it concludes that the application of this standard will have no material effects on the financial statements.

IFRS 16 applies to annual periods beginning on or after January 1, 2019, with earlier application permitted but not before IFRS 15, Revenue from Contracts with Customers, is also early adopted.

(iv) Amendments to IFRS 2: “Share-based payment” “Income Taxes”: Recognition of the deferred income tax asset for unrealized losses.

The amendments made by the IASB in July 2016 clarify the basis of measurement of the share-based payments in cash and the recording of the amendments which change benefits liquidated in cash into equity instruments.

Moreover, an exception is introduced to the principle of classification. When an employer is obliged to retain a certain amount for a tax obligation of the employee associated with a share-based payment, and he pays that amount to the tax authority, the total benefit will be treated as though it were liquidated in equity instruments, as long as it was liquidated in shares without the benefit of a net liquidation.

Entities with the following agreements may find themselves affected by these changes:

- Benefits liquidated in equity instruments which include net liquidations related to tax obligations
- Share-based payments which include performance conditions, and
- Cash liquidation agreements which are amended to share-based payments liquidated in equity instruments.

The amendment to IFRS 2 applies to annual periods beginning on or after January 1, 2018, permitting its early adoption.

(v) Annual improvements to the IFRS (2014 - 2016 Cycle)

In December 2016, the following improvements were completed:

IFRS 1 “First Time Adoption of IFRS”, which eliminates the short-term exemptions which cover the provisions for transition of IFRS 7, IAS 19 and IFRS 10 which are no longer relevant.

IAS 28 “Investments in Associates and Joint Ventures”. This clarifies that the choice by investment funds, mutual funds, investment trusts and similar entities to measure the investments in associates or joint ventures at fair value through profit or loss must be made separately for each associate or joint venture at initial recognition.

Said improvements are applicable for financial periods from January 1, 2018.

(vi) IFRIC 22 “Foreign Currency Transactions and Advance Consideration” -

This interpretation clarifies how to determine the transaction date for the exchange rate to use in the initial recognition of an asset, expense or income when an entity pays or receives advance consideration for contracts denominated in foreign currency.

For a single payment or collection, the transaction date must be the date on which the entity initially recognizes the non-monetary asset or liability which results from the advance consideration (the advance payment or deferred revenue).

If there are various payments or collections for an item, the transaction date must be determined as indicated above for each payment or collection.

Entities can opt for applying the interpretation:

- Retrospectively for each period presented.
- Prospectively for items within the scope which is recognized for the first time at or after the start of the reporting period in which the interpretation is applied, or
- Prospectively from the start of a prior reporting period presented as comparative information.

(vii) Amendments to IAS 40: “Transfers of Investment Property” –

The amendments clarify that transfers to or from, investment properties can only be made if there has been a change in the use of the property that is supported with evidence. A change in use occurs when the property complies with, or ceases to comply with, the definition of investment property.

A change of intention by itself is not sufficient to support a transfer.

The list of tests for a change of use in the standard is characterized as a non-exhaustive list of examples to help to illustrate the principal.

The IASB provided two examples for the transition:

- Prospectively, with any impact from the reclassification recognized as an adjustment to the initial retained earnings at the date of initial recognition, or
- Retrospectively, only permitted without taking advantage of retrospective information.

Additional disclosures are required if an entity adopts the requirements prospectively.

The amendment to IAS 40 applies to annual periods beginning on or after January 1, 2018, with early adoption permitted.

(viii) IFRS 17 “Insurance Contracts” -

IFRS 17 was issued in May 2017 in replacement of IFRS 4 “Insurance Contracts”. This standard requires a current measurement model in which the estimations are remeasured at each reporting period. The contracts are measured using the components of:

- Discounted probability-weighted cash flows.
- An explicit risk adjustment, and
- A contractual service margin which represents the unearned profit from the contract which is recognized as income during the period of coverage.

The standard permits a choice between recognizing the changes in discount rates, either in the statement of income or directly in other comprehensive income. The choice probably reflects how insurers record their financial assets according to IFRS 9.

There is a modification of the general measurement model denominated “Variable commissions method” for certain contracts of insurers with life insurance in which the insured share the yields from the underlying elements. Upon applying the variable commissions method, the entity’s participation in changes in fair value of the underlying elements is included in the contractual service margin. Therefore, it is probable that the results of the insurers which use this model will be less volatile than under the general model.

The new standards will affect the financial statements and the key performance indicators of all of the entities that issue insurance contracts or investment contracts with discretionary participation characteristics.

IFRS 17 applies to annual periods beginning on or after January 1, 2021. Early adoption is permitted, as long as the Group also applies IFRS 9 and IFRS 15 on the date on which IFRS 17 is applied for the first time.

(ix) IFRIC 23 “Uncertainty over income tax treatments” -

IFRIC 23 clarifies how to apply the requirements of recognition and measurement of IAS 12 “Income Taxes”, when there is uncertainty over income tax treatments. The IFRIC had previously clarified that IAS 12, and not IAS 37 “Provisions, Contingent Liabilities and Contingent Assets”, applies to the recording of uncertain income tax treatments.

IFRIC 23 explains how to recognize and measure deferred and current income tax assets and liabilities when there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity regarding which there is uncertainty as to whether the treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific income element in a tax declaration is an uncertain tax treatment if its acceptability is uncertain based on the tax legislation. IFRIC 23 is applicable to all aspects of income tax accounting when there is uncertainty with regard to the treatment of an element, including tax profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates.

IFRIC 23 applies to annual periods beginning on or after January 1, 2019.

(x) Annual improvements to the IFRS (2015 -17 Cycle)

The improvements are presented below:

- IFRS 3 “Business combinations”, clarifies the measurement of the interest held prior to obtaining control over a joint operation under IFRS 3.
- IFRS 11 “Joint Arrangements”, clarifies the measurement of the interest held prior to obtaining control over a joint operation under IFRS 11.
- IAS 12 “Income Taxes”, mentions the income tax consequences under IAS 12 of payments on financial instruments classified as equity.
- IAS 23 “Borrowing costs”, establishes the borrowing costs eligible for capitalization.

Said improvements are applicable for financial periods from January 1, 2019.

(xi) Amendments to IFRS 10 “Consolidated financial statements” and IAS 28 “Investments in Associates and Joint Ventures”: Sale or contribution of assets between an investor and his associate or joint venture.

The IASB made limited scope amendments to IFRS 10 and IAS 28.

The amendments clarify the accounting treatment of the sales or contribution of assets between an investor and his associates or joint venture. These amendments confirm that the accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute “a business” (as defined in IFRS 3 “Business combinations”).

If the non-monetary assets constitute a business, the investor will recognize the total gain or loss on the sale or contribution of assets. If the assets do not comply with the definition of “business”, the investor will recognize the gain or loss only in proportion to the investor’s investment in the associate or joint venture. The amendments will apply prospectively.

The IASB decided to defer the application date of this amendment until it has completed its research project on the equity method. The Group will apply these modifications when they become effective.

There are no other standards or amendments to standards which have not yet become effective and are expected to have a significant impact on the Company, either in the current or future periods, as well as on expected future transactions.

4 CASH AND CASH EQUIVALENTS

This item consists in the following:

| | 2017 S/(000) | 2016 S/(000) |
|---|-----------------|-----------------|
| Cash and clearing (a) | 5,034,569 | 4,061,766 |
| Deposits with Central Reserve Bank of Peru - BCRP (a) | 15,136,245 | 8,642,656 |
| Deposits with local and foreign banks (b) | 2,828,830 | 3,778,238 |
| Interbank funds | 207,559 | 147,713 |

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| | | |
|---------------------------------|------------|------------|
| Accrued interest | 4,994 | 2,823 |
| Total cash and cash equivalents | 23,212,197 | 16,633,196 |
| Restricted funds | 9,790 | 12,573 |
| Total cash | 23,221,987 | 16,645,769 |

Cash and cash equivalents presented in the consolidated statement of cash flows excludes restricted funds, See Note 3(ac).

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a) Cash and clearing and deposits with Central Reserve Bank of Peru -

These accounts mainly include the legal cash requirements that Credicorp and its Subsidiaries must keep to be able to honor their obligations with the public, which are within the limits established by current legislation. The composition of these funds is as follows:

| | 2017 S/(000) | 2016 S/(000) |
|--|-----------------|-----------------|
| Legal cash requirements (i) | | |
| Deposits with Central Reserve Bank of Peru | 11,768,476 | 8,625,876 |
| Cash in vaults of Bank | 4,425,384 | 3,158,153 |
| Total legal cash requirements | 16,193,860 | 11,784,029 |
| Additional funds | | |
| Overnight deposits (ii) | 3,367,769 | 16,780 |
| Cash in vaults of Bank and others | 609,185 | 903,613 |
| Total additional funds | 3,976,954 | 920,393 |
| Total | 20,170,814 | 12,704,422 |

At December 31, 2017 cash and deposits subject to legal cash requirements in local and foreign currency are subject to an implicit rate of 5.00 percent and 32.40 percent, respectively, on the total balance of obligations subject to legal cash requirements, as required by the BCRP (6.50 percent and 25.89 percent, respectively, at December 31, 2016).

In the same way, at December 31, 2017, the increase in the balances of the legal cash requirement originated from the following factors: i) increase in the rates on the legal cash requirement; ii) increase in the volumes of the total of obligations subject to the legal cash requirement (TOSE from the Spanish acronym); and iii) increase in the volumes of cash due to changes in the banknote export policy.

At December 31, 2017, the Group maintains three “overnight” deposits with the BCRP, two of which are denominated in U.S Dollars for US\$900.0 million (equivalent to S/2,916.9 million) and US\$46.6 million (equivalent to S/150.9 million) and one in soles for S/300.0 million. The “overnight” deposits in dollars and soles earn interest at rates of 1.41 percent and 2.0 percent, respectively, and have maturities at 5 days.

b) Deposits with local and foreign banks -

Deposits with local and foreign banks mainly consist of balances in soles and U.S. dollars; are cash in hand and earn interest at market rates. At December 31, 2017 and 2016 Credicorp and its Subsidiaries do not maintain significant deposits with any bank in particular.

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5 CASH COLLATERAL, REVERSE REPURCHASE AGREEMENTS AND SECURITIES BORROWINGS AND
 PAYABLES FROM REPURCHASE AGREEMENTS AND SECURITY LENDINGS

a) This balance consists of the following:

| | 2017 | 2016 |
|--|-----------|------------|
| | S/(000) | S/(000) |
| Cash collateral on repurchase agreements and security lendings (i) | 6,962,421 | 10,621,045 |
| Cash collateral for short sales | 17,688 | - |
| Reverse repurchase agreement and security borrowings (ii) | 456,145 | 294,558 |
| Receivables for short sales | 44,166 | 4,021 |
| Total | 7,480,420 | 10,919,624 |

- (i) At December 31, 2017, the balance mainly comprises cash collateral for approximately US\$2,061.5 million (equivalent to S/6,681.2 million) delivered to BCRP to secure a borrowing in soles of approximately S/6,578.8 million obtained from the same entity (US\$3,127.1 million, equivalent to S/10,494.7 million, and S/10,008.7 million, respectively at December 31, 2016). Cash collateral bears interest at an average annual effective interest rate according to market rates. The related liability is presented in “Payables from repurchase agreements and security lending” of the consolidated statement of financial position, see paragraph (c) below.

Credicorp, mainly through its subsidiaries Credicorp Capital Colombia and Inversiones IMT, provides financing to (ii) its customers through reverse repurchase agreements and security borrowings, in which a financial instrument serves as collateral. Details of said transactions are as follows:

| | | At December 31, 2017 | | | | | At December 31, 2016 | | | | | |
|--|-----------------|-----------------------|--------------|-------------------|-------------------|-----------------|---------------------------------|-----------------------|--------------|-------------------|-------------------|-----------------|
| Currency | | Average interest rate | Up to 3 days | From 3 to 30 days | More than 30 days | Carrying amount | Fair value of underlying assets | Average interest rate | Up to 3 days | From 3 to 30 days | More than 30 days | Carrying amount |
| | | % | S/(000) | S/(000) | S/(000) | S/(000) | S/(000) | % | S/(000) | S/(000) | S/(000) | S/(000) |
| Instruments issued by the Colombian Government | Colombian pesos | 6.79 | - | 138,552 | 170,106 | 308,658 | 309,574 | 7.30 | 5,661 | 96,924 | 11,408 | 113,000 |
| Instruments issued by the Chilean Government | Chilean pesos | 0.35 | 8,920 | 256 | - | 9,176 | 9,176 | 0.42 | - | 1,255 | - | 1,255 |
| Other instruments | | 2.62 | 23,337 | 70,809 | 44,165 | 138,311 | 137,815 | 4.54 | - | 166,826 | 12,484 | 179,310 |
| | | | 32,257 | 209,617 | 214,271 | 456,145 | 456,565 | | 5,661 | 265,005 | 23,892 | 294,558 |

Credicorp, through its subsidiaries, obtains financing through “Payables from repurchase agreements and security b) lendings” by selling financial instruments and committing to repurchase them at future dates, including interest at a fixed rate. The details of said transactions are as follows:

| | | At December 31, 2017 | | | | | At December 31, 2016 | | | | |
|--|-----------------|-----------------------|--------------|-------------------|-------------------|-----------------|---------------------------------|-----------------------|--------------|-------------------|-----------------|
| Currency | | Average interest rate | Up to 3 days | From 3 to 30 days | More than 30 days | Carrying amount | Fair value of underlying assets | Average interest rate | Up to 3 days | From 3 to 30 days | Carrying amount |
| | | % | S/(000) | S/(000) | S/(000) | S/(000) | S/(000) | % | S/(000) | S/(000) | S/(000) |
| Instruments issued by the Colombian Government | Colombian pesos | 6.62 | - | 1,291,621 | - | 1,291,621 | 1,292,272 | 7.60 | 63,267 | 864,071 | 927,338 |
| Instruments issued by the Chilean Government | Chilean pesos | 0.23 | 249,186 | - | 236 | 249,422 | 249,422 | 0.34 | 231,667 | - | 231,667 |

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| | | | | | | | | | |
|----------------------|---|---------|-----------|------------|------------|------------|------|---------|---------|
| Other instruments | - | - | - | - | - | - | 5.97 | - | 133,494 |
| Debt instruments (c) | | 8,921 | 47,946 | 11,817,933 | 11,874,800 | 12,392,983 | | - | - |
| | | 258,107 | 1,339,567 | 11,818,169 | 13,415,843 | 13,934,677 | | 294,934 | 997,565 |

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At December 31, 2017, and 2016 the Group has repurchase agreements secured with: (i) cash, See Note 5(a), and c)(ii) available-for-sale investments and held-to-maturity investments, See Note 6(b). This item consists of the following:

| Counterparties | Currency | Maturity | At December 31, 2017 | Collateral | Maturity | At December 31, 2016 | Collateral |
|---------------------------------------|-------------|-----------------------------|--|---|-----------------------------|--|---------------------------------------|
| | | | Carrying amount S/(000) | | | Carrying amount S/(000) | |
| BCRP, Note 5(a)(i) | Soles | January 2018 / October 2020 | 6,575,800 | Cash with BCRP | January 2017 / October 2020 | 10,008,700 | Cash with BCRP |
| BCRP | Soles | January 2018 / July 2020 | 2,710,232 | Available-for-sale investments and held-to-maturity investments | January 2017 / June 2017 | 1,256,706 | Available-for-sale investments |
| Natixis S.A. | Soles | August 2020 / August 2028 | 570,000 | Held-to-maturity investments | August 2017 / August 2020 | 600,000 | Held-to-maturity investments |
| Nomura International PLC (i) | U.S. dollar | March 2019 / December 2019 | 486,150 | Held-to-maturity investments and cash | March 2019 / December 2019 | 503,400 | Held-to-maturity investments and cash |
| Barclays PLC | U.S. dollar | January 2018 / Julio 2018 | 293,944 | Available-for-sale investments and held-to-maturity investments | - | - | - |
| Nomura International PLC (ii) | U.S. dollar | August 2020 | 259,280 | Held-to-maturity investments and cash | August 2020 | 268,480 | Held-to-maturity investments and cash |
| Nomura International PLC (iii) | U.S. dollar | August 2020 | 226,870 | Held-to-maturity investments and cash | August 2020 | 234,920 | Held-to-maturity investments and cash |
| Citigroup Global Markets Limited (iv) | U.S. dollar | August 2026 | 145,845 | Available-for-sale investments | August 2026 | 151,020 | Available-for-sale investments |
| Citigroup Global Markets Limited | Soles | August 2020 | 100,000 | Held-to-maturity investments | August 2020 | 100,000 | Held-to-maturity investments |
| Banco Central de Bolivia | Bolivianos | January 2018 | 90,134 | Cash | - | - | - |
| UBS | U.S. dollar | | 83,921 | | | 68,808 | Held-to-maturity investments |

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| | | January 2018 / March 2018 | | Held-to-maturity investments | January 2017 | | |
|------------------------------|-------------|---------------------------------------|------------|-----------------------------------|-----------------|------------|---|
| Natixis S.A. (v) | U.S. dollar | August 2026 | 81,025 | Available-for-sale investments | August 2026 | 83,900 | Available-for-sale investment |
| Credit Suisse Peru | Soles | - | - | - | August 2017 | 300,000 | Held-to-maturity investment and cash |
| Others below S/20 million | - | January 2018 / December 2032 | 46,069 | Investments | - | - | - |
| Yields | | | 205,530 | | | 259,566 | |
| | | | 11,874,800 | | | 13,835,500 | |

At December 31, 2017, said operations accrue interest at fixed and variable rates between 1.00 percent and 7.20 percent and between Libor at 3M + 0.35 percent and Libor at 6M + 1.90 percent, respectively, (between 0.95 percent and 7.20 percent and between Libor at 3M + 0.35 percent and Libor at 6M + 1.90 percent, respectively, at December 31, 2016).

Certain repurchase agreements were hedged using interest rate swaps (IRS) and cross-currency swaps (CCS), as detailed below:

(i) At December 31, 2017, the Group holds IRS which were designated as cash flow hedges of certain repurchase agreements at variable rate for a nominal amount of US\$150.0 million, equivalent to S/486.2 million (US\$150.0 million, equivalent to S/503.4 million, at December 31, 2016). By using these IRS, those repurchase agreements were economically converted to fixed interest rate, See Note 12(b).

(ii) At December 31, 2017, the Group maintains an IRS and a CCS, which were together designated as a cash flow hedge of a repurchase agreement in U.S. dollars at variable interest rate for a nominal amount of US\$80.0 million, equivalent to S/259.3 million (approximately US\$80.0 million, equivalent to S/268.5 million, at December 31, 2016). By means of the IRS and the CCS, said repurchase agreement was economically converted to soles at a fixed interest rate, See Note 12(b).

(iii) At December 31, 2017, the Group maintains a CCS which was designated as a cash flow hedge for a repurchase agreement in U.S. dollars at variable rate for a nominal amount of US\$70 million, equivalent to S/226.9 million (approximately US\$70.0 million, equivalent to S/234.9 million, at December 31, 2016). By means of the CCS, this repurchase agreement was economically converted to a fixed interest rate in soles See Note 12(b).

(iv) December 31, 2017, the Group maintains a CCS which was designated as a cash flow hedge of two repurchase agreements in U.S. dollars at variable rate for a nominal amount of US\$45.0 million, equivalent to S/145.8 million (approximately US\$45.0 million, equivalent to S/151.0 million, at December 31, 2016). By means of the CCS, said repurchase agreements were economically converted to soles, See Note 12(b).

At December 31, 2017, the Group maintains a CCS which was designated as a cash flow hedge of a repurchase agreement in U.S. dollars at variable rate for a nominal amount of US\$25.0 million, equivalent to S/81.0 million (v) (approximately US\$25.0 million, equivalent to S/83.9 million, at December 31, 2016). By means of the CCS, said repurchase agreement was economically converted to sales, See Note 12(b).

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6 INVESTMENTS

a) Investment at fair value through profit or loss and available-for-sale investments consist of the following:

| | 2017 Unrealized gross amount | | | | 2016 Unrealized gross amount | | | |
|---|---------------------------------|---------|----------|----------------------------|---------------------------------|---------|-----------|----------------------------|
| | Amortized cost | Profits | Losses | Estimated fair value | Amortized cost | Profits | Losses | Estimated fair value |
| | S/(000) | S/(000) | S/(000) | S/(000) | S/(000) | S/(000) | S/(000) | S/(000) |
| Investments at fair value through profit or loss (trading) (i) | - | - | - | 4,020,811 | - | - | - | 4,012,184 |
| Interest accrued | - | - | - | 3,926 | - | - | - | 2,835 |
| Total | - | - | - | 4,024,737 | | | | 4,015,019 |
| Available-for-sale investments | | | | | | | | |
| Corporate, leasing and subordinated bonds (ii) | 7,919,202 | 460,826 | (22,838) | 8,357,190 | 7,902,688 | 268,421 | (121,748) | 8,049,361 |
| Certificates of deposit BCRP (iii) | 7,906,747 | 16,960 | - | 7,923,707 | 4,796,142 | 6,466 | - | 4,802,608 |
| Government Treasury Bonds (iv) | 4,308,507 | 336,561 | (4,520) | 4,640,548 | 2,071,110 | 174,567 | (40,315) | 2,205,362 |
| Participation in RAL Fund (v) | 527,405 | - | - | 527,405 | 650,803 | - | - | 650,803 |
| Securitization instruments (vi) | 478,921 | 35,747 | (6,565) | 508,103 | 523,135 | 19,136 | (6,785) | 535,486 |
| Restricted mutual funds (vii) | 186,407 | 230,289 | - | 416,696 | 194,315 | 174,103 | - | 368,418 |
| Participation in mutual funds | 398,308 | 11,458 | (200) | 409,566 | 286,534 | 10,060 | (4,256) | 292,338 |
| Negotiable certificates of deposit | 285,493 | 5,036 | (346) | 290,183 | 57,523 | 2,889 | (8) | 60,404 |
| Multilateral organization | 165,830 | 13,897 | (224) | 179,503 | 194,906 | 3,847 | (2,157) | 196,596 |

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| | | | | | | | | |
|------------------|------------|-----------|----------|------------|------------|-----------|-----------|------------|
| bonds | | | | | | | | |
| Certificates of | | | | | | | | |
| Central Bank of | 94,692 | 33 | - | 94,725 | 14,643 | - | - | 14,643 |
| Bolivia (viii) | | | | | | | | |
| Investment funds | 34,703 | 25,013 | (95) | 59,621 | 34,294 | 23,339 | - | 57,633 |
| Collateralized | | | | | | | | |
| mortgage | | | | | | | | |
| obligation (CMO) | 17,116 | 7,048 | (6) | 24,158 | 21,628 | 7,618 | - | 29,246 |
| (ix) | | | | | | | | |
| Commercial | | | | | | | | |
| paper | 5,185 | - | - | 5,185 | 5,576 | 6 | (30) | 5,552 |
| Hedge funds | 48 | 1,014 | - | 1,062 | 87 | 1,008 | - | 1,095 |
| U.S. Federal | | | | | | | | |
| agency bonds | 799 | 80 | - | 879 | 1,036 | 131 | - | 1,167 |
| | 22,329,363 | 1,143,962 | (34,794) | 23,438,531 | 16,754,420 | 691,591 | (175,299) | 17,270,712 |
| Shares - | | | | | | | | |
| Listed (x) | 254,931 | 496,737 | (1,937) | 749,731 | 541,969 | 711,597 | (3,101) | 1,250,465 |
| Non-listed | 14,770 | 1,093 | - | 15,863 | 6,098 | 637 | - | 6,735 |
| | 269,701 | 497,830 | (1,937) | 765,594 | 548,067 | 712,234 | (3,101) | 1,257,200 |
| Balance before | | | | | | | | |
| accrued interest | 22,599,064 | 1,641,792 | (36,731) | 24,204,125 | 17,302,487 | 1,403,825 | (178,400) | 18,527,912 |
| Accrued interest | | | | 219,766 | | | | 157,755 |
| Total | | | | 24,423,891 | | | | 18,685,667 |

The Management of Credicorp has determined that the unrealized losses of available-for-sale investments at December 31, 2017 and 2016 are of a temporary nature, considering factors such as intended strategy in relation to the identified security or portfolio, its underlying collateral and credit rating of the issuers. During 2017, as a result of the impairment assessment of its available-for-sale investments, the Group recorded an impairment loss of S/0.8 million (S/14.5 million and S/43.8 million during 2016 and 2015, respectively), which is shown in “Impairment loss on available-for-sale investments” in the consolidated statement of income. Also, Management has decided and has the ability to hold each investment for a period of time sufficient to allow for an anticipated recovery in fair value, until the earlier of its anticipated recovery or maturity.

The movement of available-for-sale investments reserves, net of deferred income tax and non-controlling interest, is shown in Note 17(c).

During 2017, the Group has not reclassified instruments from the portfolio available-for-sale investments to investments held to maturity (During the years 2016 and 2015, the Group reclassified instruments from the portfolio available-for-sale investments to held-to-maturity investments which, at the time of the transfer maintained an unrealized profit amounting to S/6.0 million and an unrealized loss amounting to S/12.9 million recorded in equity, respectively). During the years 2017 and 2016, S/2.1 million and S/1.6 million, respectively, were amortized from unrealized results which were recorded in equity, and were transferred to the account “Net gain on sale of securities” of the consolidated statement of income. At December 31, 2017, unrealized profit amounting to S/0.02 million is held in equity, corresponding to the investments which were reclassified in category (unrealized gain amounting to S/2.1 million at December 31, 2016).

At December 31, 2017 and 2016, the maturities and annual market rates of available-for-sale investments are as follows:

| | Maturities | | Annual effective interest rate | | | | | | | | | | | |
|---|---------------------|---------------------|--------------------------------|------|------|------|------------------|------|------|-------|------|-------|------------------|------|
| | 2017 | 2016 | 2017 | | | | | | 2016 | | | | | |
| | | | S/ | | US\$ | | Other currencies | | S/ | | US\$ | | Other currencies | |
| | Min | Max | Min | Max | Min | Max | Min | Max | Min | Max | Min | Max | Min | Max |
| | % | % | % | % | % | % | % | % | % | % | % | % | % | % |
| Corporate, leasing and Subordinated bonds | Jan-2018 / Feb-2065 | Jan-2017 / Feb-2065 | 1.37 | 9.20 | 0.24 | 7.55 | 0.17 | 7.83 | 2.88 | 10.21 | 0.16 | 13.46 | 0.14 | 9.06 |
| Certificates of deposit BCRP | Jan-2018 / Apr-2019 | Jan-2017 / May-2018 | 3.08 | 3.17 | - | - | - | - | 4.27 | 4.55 | - | - | - | - |

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| | | | | | | | | | | | | | | |
|---|---------------------|---------------------|------|-------|------|------|------|------|------|------|------|------|------|------|
| Government Treasury bonds | Feb-2018 / Feb-2055 | Jan-2017 / Feb-2055 | 1.32 | 6.25 | 1.27 | 6.25 | - | - | 1.83 | 7.13 | 0.33 | 7.10 | - | - |
| Securitization instruments | Jan-2018 / Sep-2045 | Jan-2018 / Sep-2045 | 4.09 | 11.75 | 3.06 | 6.16 | 1.68 | 6.00 | 4.75 | 9.30 | 3.27 | 9.76 | 0.50 | 8.44 |
| Certificates of deposits | Jan-2018 / Sep-2018 | Mar-2017 / Jun-2017 | - | - | - | - | 0.50 | 1.15 | - | - | - | - | 0.10 | 0.30 |
| Central Bank of Bolivia | | | | | | | | | | | | | | |
| Negotiable certificates of deposits | Jan-2018 / Mar-2033 | Jan-2017 / Feb-2026 | 0.49 | 4.33 | - | - | 1.18 | 4.90 | 2.10 | 6.54 | 0.95 | 1.98 | 1.30 | 6.25 |
| Multilateral organization bonds | Mar-2018 / Feb-2044 | Jan-2017 / Feb-2044 | 2.13 | 7.04 | 1.83 | 2.44 | - | - | 3.39 | 7.47 | 1.67 | 3.31 | - | - |
| Collateralized mortgage obligations (CMO) | Aug-2020 / Dic-2036 | Aug-2020 / Dec-2036 | - | - | 2.23 | 9.40 | - | - | - | - | 2.12 | 9.79 | - | - |
| U.S. Federal agency bonds | Aug-2035 | Aug-2035 | - | - | 1.66 | 1.66 | - | - | - | - | 1.47 | 1.47 | - | - |

At December 31, 2017 the balance includes mainly BCRP certificates of deposit (securities issued at discount through public auctions, negotiated in the Peruvian secondary market and settled in soles) amounting to S/2,102.3 million, government treasury bonds for an amount of S/1,142.0 million, and multilateral organization bonds for S/260.3 million, corporate and leasing bonds for S/238.4 million, listed shares for S/122.4 million and negotiable certificates of deposit for S/60.7 million (S/2,259.9 million, S/526.5 million, S/243.2 million, S/818.8 million, S/114.2 million and S/37.4 million, respectively, at December 31, 2016).

(ii) At December 31, 2017 the most significant individual unrealized loss amounted to approximately S/2.2 million (S/17.7 million, at December 31, 2016).

(iii) At December 31, 2017 the Group maintains 79,901 BCRP certificates of deposits (49,504 at December 31, 2016).

(iv) At December 31, 2017 and 2016, the balance includes the following Government Treasury Bonds:

| | 2017 | 2016 |
|---------------------------|-----------|-----------|
| | S/(000) | S/(000) |
| Peruvian sovereign bonds | 4,364,172 | 1,820,240 |
| Bolivian sovereign bonds | 106,461 | 52,462 |
| Colombian sovereign bonds | 58,381 | 212,756 |
| U.S. Federal agency bonds | 55,875 | 90,191 |
| Other | 55,659 | 29,713 |
| Total | 4,640,548 | 2,205,362 |

Certain treasury bonds were hedged through CCS and IRS, as detailed bellow:

At December 31, 2017, the Group maintains CCS, which were designated as cash flow hedges of certain corporate bonds and foreign government bonds for nominal amounts totaling S/228.8 million and S/55.1 million, respectively (S/236.3 million and S/167.8 million, respectively, at December 31, 2016), See Note 12(b); by means of said CCS, the bonds were economically converted to soles at fixed rate.

At December 31, 2017, the Group maintains IRS, which have been designated as fair value hedges of certain Peruvian Government, corporate and international financial entity bonds denominated in U.S Dollars at fixed interest rate for a nominal amount of S/659.5 million (S/760.3 million at December 31, 2016), See Note 12(b); through said IRS these bonds were economically converted to variable interest rates.

(v) At December 31, 2017, these funds total approximately S/146.2 million in bolivianos and S/381.2 million in U.S. dollars (S/168.4 million in bolivianos and S/482.4 million in U.S. dollars respectively at December 31, 2016) and comprise the investments made by the Group in the Central Bank of Bolivia as collateral for deposits received from

the public. These funds have restrictions for their use and are required from all banks in Bolivia.

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(vi) At December 31, 2017 and 2016, the balance of securitization instruments includes the following:

| | 2017 | 2016 |
|-------------------------------|---------|---------|
| | S/(000) | S/(000) |
| Inmuebles Panamericana | 156,186 | 94,478 |
| Abengoa Transmisión del Norte | 82,492 | 81,581 |
| Concesionaria La Chira S.A. | 30,182 | 30,661 |
| Hunt Oil Company | 23,244 | 175,282 |
| Others below of S/30 million | 215,999 | 153,484 |
| Total | 508,103 | 535,486 |

At those dates, the bonds have semiannual payments until the year 2025.

The pool of underlying assets, which is traded in the Peruvian secondary market, is mainly made up of accounts receivable from income, revenues for services and from maintenance and marketing contributions (Inmuebles Panamericana), accounts receivable for electrical transmission services from the Carhuamayo - Cajamarca line (Abengoa Transmisión Norte), accounts receivable for collection via banking channels of the charge for drinking water and sanitation service (Concesionaria La Chira) and accounts receivable for the sale of hydrocarbons in Peru (Hunt Oil Company).

The restricted mutual funds comprise the participation quotas in the private pension funds managed by the Group, (vii) and are maintained in compliance with the legal regulations in Peru. Their availability is restricted and the yield received is the same as that received by the private pension funds managed.

(viii) At December 31, 2017 and 2016, certificates of deposit issued by the Central Bank of Bolivia are mainly denominated in Bolivianos.

(ix) Collateralized mortgage obligations correspond to senior tranches ("Senior Tranches")

Between the years 2016 and 2017, the Group sold through Credicorp Capital Corredores de Bolsa, 100.0 percent of (x) the shares that it held of Banco de Crédito e Inversiones de Chile (hereinafter "BCI Chile") and 100.0 percent of the shares that it held of Enel Distribución Perú S.A.A. (formerly Edelnor S.A.A.) We present below the sales made:

On March 7, 2016, Credicorp signed a Memorandum of Understanding (MOU) with BCI Chile, in which, as a -minority shareholder with a 4.06 percent participation in BCI Chile, it stated its intention to sell up to 50.0 percent of said shares.

Credicorp undertook not to sell the remaining 50.0 percent of its shares in BCI Chile during the period of 180 calendar days subsequent to the expiry date of the preferred option of BCI Chile which forms part of the applicable regulations in Chile. The preferred subscription period began on March 21, 2016.

Accordingly, on April 22, 2016, Credicorp sold 50.0 percent of the shares which it held in BCI Chile (2,248,593 shares), at a price of CLP 27,500 (US\$41.6) per share, generating cash for approximately US\$94.0 million, equivalent to S/302 million. Said sale generated a profit net of commissions of approximately S/124.7 million.

On September 15, 2017, Credicorp sold the remaining 50.0 percent of shares which it held in BCI Chile (2,286,328 -shares), at a price of CLP 39,000 (US\$62.3) per share, generating cash for approximately US\$142.4 million, equivalent to S/462.8 million. Said sale generated a profit, net of commissions, of approximately S/281.1 million.

On October 4, 2017, Credicorp sold in the Lima Stock Exchange all of its position in the shares of Enel Distribución -Perú S.A.A. (43,554,445 shares), at a price of S/5.5 per share, generating cash for approximately S/239.5 million.

The operation generated a profit, net of commissions, of approximately S/163.7 million.

At December 31, 2017 the unrealized gain on listed shares arises mainly from investment in Alicorp S.A.A. and Inversiones Centenario S.A.A. and totaled S/234.1 million, and S/226.5 million, respectively (S/109.4 million in Alicorp S.A.A., S/166.5 million in Inversiones Centenario S.A.A., S/141.6 million in Enel Distribución Perú S.A.A., and S/81.2 million in BCI Chile, at December 31, 2016).

b) Held-to-maturity investments consist of the following:

| | 2017 Carrying amount S/(000) | Fair value S/(000) |
|---|---------------------------------------|-----------------------|
| Peruvian sovereign bonds | 3,378,046 | 3,700,535 |
| Bonds of foreign governments | 352,205 | 355,438 |
| Peruvian treasury bonds | 217,187 | 221,799 |
| Corporate bonds | 246,284 | 254,131 |
| Certificates of payment on work progress (CRPAO for its Spanish acronym) (*) | 129,443 | 134,238 |
| | 4,323,165 | 4,666,141 |
| Accrued interest | 90,208 | 90,208 |
| Total | 4,413,373 | 4,756,349 |

| | 2016 Carrying amount S/(000) | Fair value S/(000) |
|---|---------------------------------------|--------------------------|
| Peruvian sovereign bonds | 4,016,340 | 4,099,001 |
| Bonds of foreign governments | 333,133 | 336,397 |
| Peruvian treasury bonds | 234,884 | 240,166 |
| Corporate bonds | 277,998 | 284,028 |
| Certificates of payment on work progress (CRPAO for its Spanish acronym) (*) | 154,449 | 154,496 |
| | 5,016,804 | 5,114,088 |
| Accrued interest | 101,616 | 101,616 |
| Total | 5,118,420 | 5,215,704 |

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At December 31, 2017, said bonds have maturities between January 2018 and February 2042, accruing interest at an annual effective interest rate between 3.19 percent and 6.09 percent on bonds denominated in soles and between 1.39 percent and 4.55 percent on bonds in U.S. dollar (at December 31, 2016 they show maturities between February 2017 and February 2042, bearing interest at an effective annual interest rate of 1.87 percent and 7.12 percent on bonds denominated in soles and between 0.47 percent and 6.03 percent per year on bonds in U.S. dollars).

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At December 31, 2017 and 2016, Credicorp Management has determined that the difference between amortized cost and fair value of held-to-maturity investment is temporary in nature and Credicorp has the intention and ability to hold each of these investments until its maturity.

At December 31, 2017 the Group has entered into repurchase agreements transactions over corporate bonds, multilateral organization bonds and foreign government bonds accounted for as available-for-sale investments for an estimated fair value of S/2,691.8 million (S/1,598.9 million at December 31, 2016), of which the related liability is presented in “Payables from repurchase agreements and security lending” of the consolidated statement of financial position, See Note 5(c).

Also, at December 31, 2017, the Group maintains repurchase agreements transactions over held-to-maturity investments for an estimated fair value of S/2,725.8 million (S/2,061.6 million at December 31, 2016), the related liability of which is presented in “Payables from repurchase agreements and security lendings” of the consolidated statement of financial position, See Note 5(c).

At December 31, 2017 and 2016 there are, 217 and 249 certificates of Annual Recognition of Payment for Work Progress (CRPAO from Spanish acronym), respectively, issued by the Peruvian Government to finance projects and concessions are held, said issuance is a mechanism established in the concession agreement signed between the (*) State and the concessionaire, which allows the latter to obtain financing to continue with the works undertaken. Said investment has maturities between January 2018 and April 2026, accruing interest at an annual effective rate between 3.90 percent and 5.38 percent.

c) The table below shows the balance of investments, by maturity groupings, before accrued interest:

| | 2017 | | |
|-------------------------|-----------|--------------------|------------------|
| | Trading | Available for sale | Held to maturity |
| | S/(000) | S/(000) | S/(000) |
| Until 3 months | 1,476,174 | 4,987,080 | 334,791 |
| From 3 months to 1 year | 1,096,855 | 3,785,935 | 68,690 |
| From 1 to 3 years | 516,919 | 2,407,141 | 1,625,856 |
| From 3 to 5 years | 180,739 | 1,516,653 | 110,746 |
| Over 5 years | 574,293 | 9,327,327 | 2,183,082 |
| Without maturity | 175,831 | 2,179,989 | - |
| Total | 4,020,811 | 24,204,125 | 4,323,165 |

2016

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| | Trading S/(000) | Available for sale S/(000) | Held to maturity S/(000) |
|-------------------------|--------------------|----------------------------------|--------------------------------|
| Up to 3 months | 341,995 | 1,260,163 | 17,655 |
| From 3 months to 1 year | 1,723,578 | 2,835,467 | 807,319 |
| From 1 to 3 years | 1,166,274 | 2,930,790 | 956,812 |
| From 3 to 5 years | 329,590 | 1,361,623 | 1,082,244 |
| Over 5 years | 324,417 | 7,519,715 | 2,152,774 |
| Without maturity | 126,330 | 2,620,154 | - |
| Total | 4,012,184 | 18,527,912 | 5,016,804 |

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7LOANS, NET

a) This item consists of the following:

| | 2017 S/(000) | 2016 S/(000) |
|---|-----------------|-----------------|
| Direct loans | | |
| Loans | 77,712,186 | 71,792,562 |
| Leasing receivables | 7,401,018 | 8,302,898 |
| Credit cards | 6,880,017 | 7,036,975 |
| Discounted Notes | 1,999,099 | 1,921,403 |
| Factoring receivables | 1,722,436 | 1,428,571 |
| Advances and overdrafts in current account | 113,630 | 151,613 |
| Refinanced loans | 915,493 | 844,830 |
| Restructured loans | 121 | 126 |
| Total direct loans | 96,744,000 | 91,478,978 |
| Internal overdue loans and under legal collection loans | 3,020,914 | 2,620,411 |
| | 99,764,914 | 94,099,389 |
| Add (less) - | | |
| Accrued interest | 779,684 | 784,391 |
| Unearned interest | (66,823) | (114,879) |
| Total direct loans | 100,477,775 | 94,768,901 |
| Allowance for loan losses (d) | (4,500,498) | (4,207,133) |
| Total direct loans, net | 95,977,277 | 90,561,768 |
| Indirect loans, Note 20(a) | 19,369,559 | 19,831,985 |

b) Direct loans by class are as follows:

| | 2017 S/(000) | 2016 S/(000) |
|----------------------------|-----------------|-----------------|
| Commercial loans | 58,455,548 | 54,133,871 |
| Residential mortgage loans | 15,452,087 | 14,495,454 |
| Micro-business loans | 13,927,557 | 12,951,628 |
| Consumer loans | 11,929,722 | 12,518,436 |
| Total | 99,764,914 | 94,099,389 |

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

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

| | 2017 | | | | |
|---|--------------------------------|--|------------------------------------|---------------------------|------------------|
| | Commercial loans S/(000) | Residential mortgage loans S/(000) | Micro-business loans S/(000) | Consumer loans S/(000) | Total S/(000) |
| Balances at the beginning of the period | 1,235,970 | 193,385 | 1,353,168 | 1,634,169 | 4,416,692 |
| Provision, net of recoveries | 715,072 | 49,505 | 522,885 | 501,703 | 1,789,165 |
| Recovery of written-off loans | 22,857 | 1,158 | 54,046 | 190,252 | 268,313 |
| Loan portfolio written-off | (217,160) | (10,662) | (437,594) | (760,785) | (1,426,201) |
| Exchange difference and others | (76,613) | (5,099) | (15,927) | (7,322) | (104,961) |
| Balances at the end of the period (*) | 1,680,126 | 228,287 | 1,476,578 | 1,558,017 | 4,943,008 |

| | 2016 | | | | |
|---|--------------------------------|--|------------------------------------|---------------------------|------------------|
| | Commercial loans S/(000) | Residential mortgage loans S/(000) | Micro-business loans S/(000) | Consumer loans S/(000) | Total S/(000) |
| Balances at the beginning of the period | 1,197,713 | 173,879 | 1,372,099 | 1,288,528 | 4,032,219 |
| Provision, net of recoveries | 25,567 | 26,845 | 538,233 | 1,194,850 | 1,785,495 |
| Recovery of written-off loans | 219,986 | 814 | 50,588 | 6,326 | 277,714 |
| Loan portfolio written-off | (143,871) | (7,877) | (606,546) | (853,844) | (1,612,138) |
| Exchange difference and others | (63,425) | (276) | (1,206) | (1,691) | (66,598) |
| Balances at the end of the period (*) | 1,235,970 | 193,385 | 1,353,168 | 1,634,169 | 4,416,692 |

| | 2015 | | | | |
|---|--------------------------------|--|------------------------------------|---------------------------|------------------|
| | Commercial loans S/(000) | Residential mortgage loans S/(000) | Micro-business loans S/(000) | Consumer loans S/(000) | Total S/(000) |
| Balances at the beginning of the period | 556,270 | 165,138 | 1,124,072 | 1,256,616 | 3,102,096 |
| Provision, net of recoveries | 732,834 | (321) | 512,052 | 636,333 | 1,880,898 |
| Recovery of written-off loans | 157,790 | 362 | 7,333 | 5,794 | 171,279 |
| Loan portfolio written-off | (341,067) | (4,936) | (403,993) | (721,326) | (1,471,322) |
| Exchange difference and others | 91,886 | 13,636 | 132,635 | 111,111 | 349,268 |
| Balances at the end of the period (*) | 1,197,713 | 173,879 | 1,372,099 | 1,288,528 | 4,032,219 |

(*) The movement in the allowance for loan losses includes the allowance for direct and indirect loans for approximately S/4,500.5 million and S/442.5 million, respectively, at December 31, 2017 (approximately S/4,207.1

million and S/209.6 million, respectively, at December 31, 2016 and approximately S/3,840.3 million and S/191.9 million, respectively, at December 31, 2015). The allowance for indirect loan losses is included in “Other liabilities” of the consolidated statement of financial position, Note 12(a). In Management’s opinion, the allowance for loan losses recorded as of December 31, 2017, 2016 and 2015 has been established in accordance with IAS 39 and is sufficient to cover incurred losses on the loan portfolio.

e) Part of the loan portfolio is collateralized with guarantees received from clients, which mainly consist of mortgages, trust assignments, financial instruments and industrial and mercantile pledges.

f) The table below shows the gross direct loan portfolio at December 31, 2017 and 2016 by maturity based on the remaining period to repayment due date:

| | 2017 S/(000) | 2016 S/(000) |
|--------------------------|-----------------|-----------------|
| Outstanding loans - | | |
| Up to 1 year | 38,052,430 | 35,455,309 |
| From 1 to 3 years | 20,167,475 | 19,214,591 |
| From 3 to 5 years | 12,082,996 | 11,907,513 |
| Over 5 years | 26,441,099 | 24,901,565 |
| | 96,744,000 | 91,478,978 |
| Internal overdue loans - | | |
| Overdue 90 days | 639,329 | 539,947 |
| Over 90 days | 2,381,585 | 2,080,464 |
| | 3,020,914 | 2,620,411 |
| | 99,764,914 | 94,099,389 |

See credit risk analysis in Note 32.1.

8 FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group issues Investment Link life insurance contracts whereby the policyholder takes the investment risk on the assets held in the Investment Link funds as the policy benefits are directly linked to the value of the assets in the fund. The Group's exposure to market risk is limited to the extent that income arising from asset management charges is based on the value of assets in the fund.

For the years 2017 and 2016, the profit resulting from the difference between cost and estimated fair value for these financial assets amounted to approximately S/67.6 million and S/51.7 million, respectively (loss of S/33.5 million for the year 2015) and is shown in "Net income on financial assets designated at fair value through profit or loss" of the consolidated statement of income ("net loss on financial assets designated at fair value through profit or loss" for the year 2015). The offsetting of this effect is included in gross premiums which are part of "Net premiums earned" of the consolidated statement of income, See Note 23.

9 ACCOUNTS RECEIVABLE AND PAYABLE FROM INSURANCE CONTRACTS

As of December 31, 2017 and 2016, “Premiums and other policies receivable” in the consolidated statement of
a) financial position includes balances for approximately S/656.8 million and S/643.2 million, respectively, which are
primarily of current maturity, have no specific collateral and present no material past due balances.

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b) The movements of the captions “Accounts receivable and payable to reinsurers and coinsurers” are as follows:

Accounts receivable:

| | 2017 S/(000) | 2016 S/(000) | 2015 S/(000) |
|---|-----------------|-----------------|-----------------|
| Balances at the beginning of the period | 454,187 | 457,189 | 468,137 |
| Reported claims of premiums ceded, Note 24 | 483,387 | 145,498 | 119,894 |
| Premiums ceded unearned during the year, Note 23(a)(**) | 21,192 | (9,139) | 6,835 |
| Premiums assumed | 246,205 | 72,448 | 180,321 |
| Settled claims of premiums ceded by facultative contracts | (231,298) | (90,550) | (125,156) |
| Collections and others, net | (257,978) | (121,259) | (192,842) |
| Balances at the end of the period | 715,695 | 454,187 | 457,189 |

Accounts receivable as of December 31, 2017 and 2016, include S/151.6 million and S/139.4 million, respectively, which correspond to the unearned portion of the premiums ceded to the reinsurers.

Accounts Payable:

| | 2017 S/(000) | 2016 S/(000) | 2015 S/(000) |
|--|-----------------|-----------------|-----------------|
| Balances at the beginning of the period | 233,892 | 241,847 | 220,910 |
| Premiums ceded for automatic contracts (mainly excess of loss), Note 23(a)(**) | 257,617 | 201,892 | 145,618 |
| Premiums ceded to reinsurers in facultative contracts, Note 23(a)(**) | 263,378 | 292,555 | 331,329 |
| Coinsurance granted | 5,925 | 5,965 | 5,999 |
| Payments and other, net | (525,627) | (508,367) | (462,009) |
| Balances at the end of the period | 235,185 | 233,892 | 241,847 |

Accounts payable to reinsurers are primarily related to proportional facultative contracts (on an individual basis) for ceded premiums, automatic non-proportional contracts (excess loss) and reinstallation premiums. For facultative contracts the Group transfers to the reinsurers a percentage or an amount of an insurance contract or individual risk, based on the premium and the period of coverage.

10PROPERTY, FURNITURE AND EQUIPMENT, NET

a) The movement of property, furniture and equipment and accumulated depreciation, for the years ended December 31, 2017, 2016, and 2015 was as follows:

| | Land | Buildings and other constructions | Installation | Furniture and fixtures | Computer hardware | Vehicles and equipment | Work in progress | 2017 | 2016 | 2015 |
|---------------------------|---------|--|--------------|------------------------------|----------------------|------------------------------|------------------------|-----------|------------|-----------|
| | S/(000) | S/(000) | S/(000) | S/(000) | S/(000) | S/(000) | S/(000) | S/(000) | S/(000) | S/(000) |
| Cost - | | | | | | | | | | |
| Balance as of January 1 | 402,064 | 1,115,536 | 580,847 | 496,357 | 558,902 | 167,031 | 88,632 | 3,409,369 | 3,455,442 | 3,447,000 |
| Additions | 7,374 | 6,952 | 9,391 | 19,748 | 50,457 | 8,253 | 41,676 | 143,851 | 110,151 | 148,420 |
| Transfers | 56 | 4,685 | 37,758 | 3,368 | 13,839 | (9,379) | (50,327) | - | - | - |
| Disposals and others | 12,145 | 12,743 | (36,547) | (5,937) | (8,139) | (7,297) | (15,962) | (48,994) | (156,224) | (140,000) |
| Balance as of December 31 | 421,639 | 1,139,916 | 591,449 | 513,536 | 615,059 | 158,608 | 64,019 | 3,504,226 | 3,409,369 | 3,455,420 |
| Accumulated depreciation | | | | | | | | | | |
| - | | | | | | | | | | |
| Balance as of January 1 | - | 577,458 | 397,485 | 311,356 | 465,600 | 105,767 | - | 1,857,666 | 1,784,001 | 1,671,500 |
| Depreciation for the year | - | 31,123 | 45,624 | 33,443 | 53,993 | 14,712 | - | 178,895 | 182,845 | 177,620 |
| Disposals and others | - | 7,144 | (18,110) | (8,704) | (9,886) | (12,271) | - | (41,827) | (109,180) | (65,197) |
| Balance as of December 31 | - | 615,725 | 424,999 | 336,095 | 509,707 | 108,208 | - | 1,994,734 | 1,857,666 | 1,784,000 |
| Net carrying amount | 421,639 | 524,191 | 166,450 | 177,441 | 105,352 | 50,400 | 64,019 | 1,509,492 | 1,551,703 | 1,671,420 |

Banks, financial institutions and insurance entities operating in Peru are not allowed to pledge their fixed assets.

During 2017 and 2016 Credicorp and its Subsidiaries, as part of its annual infrastructure investing, has made cash disbursements related mainly to the acquisition, construction and implementation of new agencies for its banking segment, and the refurbishment and conditioning of several agencies and administrative offices. Credicorp's

subsidiaries hold insurance contracts over its main assets in accordance with the policies established by Management.

Management periodically reviews the residual value, useful life and method of depreciation of the Group's property, furniture and equipment to ensure that they are consistent with their actual economic benefits and life expectations. In Management's opinion, as of December 31, 2017 and 2016 there is no evidence of impairment of the Group's property, furniture and equipment.

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11 INTANGIBLE ASSETS AND GOODWILL, NET

a) Intangible assets -

The movement of intangible assets with limited useful life for the years ended December 31, 2017, 2016 and 2015 is as follows:

| Description | Client relationships (i) | Rights of use (ii) | Brand name (ii) | Fund manager contract (iii) | Core deposits and intangible development progress | Software and development progress | Intangible in progress | Other | 2017 | 2016 |
|--------------------------|--------------------------|--------------------|-----------------|-----------------------------|---|-----------------------------------|------------------------|---------|-----------|-----------|
| | S/(000) | S/(000) | S/(000) | S/(000) | S/(000) | S/(000) | S/(000) | S/(000) | S/(000) | S/(000) |
| Cost - | | | | | | | | | | |
| Balances at January 1 | 406,186 | 55,900 | 261,715 | 100,608 | 21,100 | 1,614,338 | 302,747 | 26,841 | 2,789,435 | 2,512,114 |
| Additions | - | - | - | - | - | 88,466 | 182,984 | 272 | 271,722 | 277,346 |
| Transfers | - | - | - | - | - | 180,129 | (180,129) | - | - | - |
| Disposals and others | 1,019 | - | 384 | 877 | - | 26,319 | 609 | - | 29,208 | (25) |
| Balances at December 31 | 407,205 | 55,900 | 262,099 | 101,485 | 21,100 | 1,909,252 | 306,211 | 27,113 | 3,090,365 | 2,789,435 |
| Accumulated depreciation | | | | | | | | | | |
| - | | | | | | | | | | |
| Balance at January 1 | 190,354 | 55,900 | 86,391 | 5,843 | 9,681 | 1,089,884 | - | 26,841 | 1,464,894 | 1,242,843 |
| Depreciation of the year | 30,310 | - | 14,792 | 2,049 | 3,516 | 190,413 | - | - | 241,080 | 224,216 |
| Disposals and others | 10,888 | - | 10,470 | (5,153) | (10) | 25,306 | - | - | 41,501 | (2,165) |
| Balance at December 31 | 231,552 | 55,900 | 111,653 | 2,739 | 13,187 | 1,305,603 | - | 26,841 | 1,747,475 | 1,464,894 |
| Net carrying amount | 175,653 | - | 150,446 | 98,746 | 7,913 | 603,649 | 306,211 | 272 | 1,342,890 | 1,324,541 |

During the year 2017 additions are mainly related to the implementation and development of various IT projects such as Nuevo HomeBanking Alta, opening of savings accounts in Kiosco, Yape, User IT, Retail Credits, Effectiveness in

approval and Portal Via BCP (implementation of a technological platform, which is used for the administration of the insurance segment of the group, and to develop applications related to customer service channels, and implementation of treasury solutions during the year 2016).

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(i) Client relationships -

This item consists of the following:

| | 2017 S/(000) | 2016 S/(000) |
|---------------------------------------|-----------------|-----------------|
| Prima AFP - AFP Unión Vida | 107,018 | 119,367 |
| Mibanco | 39,093 | 51,121 |
| Inversiones IMT | 26,206 | 26,438 |
| Mibanco - Edyficar Perú | 3,336 | 5,155 |
| Credicorp Capital Colombia - Correval | - | 13,751 |
| Net carrying amount | 175,653 | 215,832 |

(ii) Brand name -

This item consists of the following:

| | 2017 S/(000) | 2016 S/(000) |
|---------------------------------------|-----------------|-----------------|
| Mibanco | 145,095 | 151,923 |
| Inversiones IMT | 5,351 | 9,941 |
| Credicorp Capital Colombia - Correval | - | 13,460 |
| Net carrying amount | 150,446 | 175,324 |

(iii) Fund manager contract -

This item consists of the following:

| | 2017 S/(000) | 2016 S/(000) |
|---------------------------------------|-----------------|-----------------|
| Credicorp Capital Colombia - Correval | 52,635 | 49,287 |
| Inversiones IMT | 46,111 | 45,478 |
| Net carrying amount | 98,746 | 94,765 |

Management has assessed at each reporting date that there was no indication that client relationships, rights of use, brand name, fund management contract and software and developments may be impaired.

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b) Goodwill -

Goodwill acquired through business combinations has been allocated to each subsidiary or groups of them, which are also identified as a CGU for the purposes of impairment testing, as follows:

| | 2017 | 2016 |
|---------------------------------------|---------|---------|
| | S/(000) | S/(000) |
| Mibanco - Edyficar Perú | 273,694 | 273,694 |
| Prima AFP – AFP Unión Vida | 124,641 | 124,641 |
| Credicorp Capital Colombia | 77,746 | 80,022 |
| Banco de Crédito del Perú | 52,359 | 52,359 |
| Inversiones IMT | 41,290 | 39,284 |
| Pacífico Seguros | 36,354 | 36,354 |
| Atlantic Security Holding Corporation | 29,795 | 29,795 |
| Crediseguro Seguros Personales | 96 | - |
| Net carrying amount | 635,975 | 636,149 |

The recoverable amount of all of the CGUs has been determined based on the calculations of the fair value less selling costs, which is the present value of the discounted cash flows determined principally with assumptions of projection of revenue and expenses (based on efficiency ratios).

Balances of goodwill from Inversiones IMT and Credicorp Capital Colombia are impacted by the volatility of the exchange rate of the local currency of the countries in which they operate against the exchange rate of Grupo Credicorp's functional currency.

The following table summarizes the key assumptions used for the calculation of fair value less selling costs in 2017 and 2016:

| Description | At December 31, 2017 | |
|-------------------------|----------------------|---------------|
| | Terminal | Discount rate |
| | value | |
| | growth rate | |
| | % | % |
| Mibanco - Edyficar Perú | 3.00 | 12.43 |

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| | | |
|---------------------------------------|------|-----------------|
| Prima AFP – AFP Unión Vida | 1.00 | 9.41 |
| Credicorp Capital Colombia | 3.80 | 12.63 |
| Banco de Crédito del Perú | 5.00 | 11.46 |
| Inversiones IMT | 5.25 | 11.72 |
| Pacífico Seguros (*) | 5.00 | 11.24 and 12.38 |
| Atlantic Security Holding Corporation | 2.00 | 10.31 |

As of December 31, 2017, corresponds to the discount rates used by the Group to determine the recoverable value (*) for the non-life and life insurance business lines cash flows that comprised this CGU as a result of the merger, See Note 2(a).

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| Description | At December 31, 2016 | |
|---------------------------------------|----------------------|---------------|
| | Terminal | |
| | value | Discount rate |
| | growth rate | |
| | % | % |
| Mibanco - Edyficar Perú | 3.00 | 12.48 |
| Prima AFP - AFP Unión Vida | 1.20 | 8.73 |
| Credicorp Capital Colombia | 3.80 | 13.44 |
| Banco de Crédito del Perú | 5.00 | 12.48 |
| Inversiones IMT | 5.25 | 12.41 |
| Pacífico Seguros | 5.00 | 11.66 |
| Atlantic Security Holding Corporation | 2.00 | 11.17 |

Five or ten years of cash flows, depending on the business maturity, were included in the discounted cash flow model. The growth rate estimates are based on past performance and management's expectations of market development. A long-term growth rate to perpetuity has been determined taking into account forecasts included in industry reports.

Discount rates represent the current market assessment of the risks specific to each CGU. The discount rate is derived from the capital asset pricing model (CAPM). The cost of equity is derived from the expected return on investment by the Group's investors, specific risk incorporated by applying individual comparable beta factors adjusted by the debt structure of each CGU and country and market risk specific premiums to each CGU. The beta factors are evaluated annually based on publicly available market data.

During the year 2015, the Group recorded a gross impairment loss amounting to S/82.4 million (S/0.1 million during the year 2016), as a result of the assessment of the recoverable amount of the CGU "Inversiones IMT", amounting to S/234.3 million, decreasing in relation to prior years due to the lower revenues generated compared to those originally budgeted by Management and for the changes expected in the payment of taxes attributable to the parent company resulting from the tax law reform presented in Chile.

The key assumptions described above may change if the conditions of the economy and market change. At December 31, 2017, the Group estimates that reasonably possible changes in these assumptions would not cause the recoverable amount of all CGUs to decline below their carrying amount.

12 OTHER ASSETS AND OTHER LIABILITIES

a) This item consists of the following:

| | 2017 | 2016 |
|---|-----------|-----------|
| | S/(000) | S/(000) |
| Other assets - | | |
| Financial instruments: | | |
| Receivables | 1,676,583 | 1,240,632 |
| Derivatives receivable (b) | 701,826 | 942,602 |
| Operations in process (c) | 82,542 | 45,450 |
| | 2,460,951 | 2,228,684 |
| Non-financial instruments: | | |
| Deferred income tax asset, Note 18(c) | 480,057 | 506,044 |
| Investment in associates (e) | 708,873 | 699,724 |
| Investment properties, net (f) | 458,855 | 504,927 |
| Deferred fees | 431,598 | 504,445 |
| Income tax prepayments, net | 301,863 | 357,149 |
| Seized assets, net | 95,012 | 73,466 |
| VAT (IGV) tax credit | 50,138 | 41,140 |
| Others | 12,651 | 13,334 |
| | 2,539,047 | 2,700,229 |
| Total | 4,999,998 | 4,928,913 |
| Other liabilities - | | |
| Financial instruments: | | |
| Accounts payable | 1,875,153 | 1,512,804 |
| Derivatives payable (b) | 636,762 | 673,015 |
| Salaries and other personnel expenses | 644,234 | 681,853 |
| Allowance for indirect loan losses, Note 7(d) | 442,510 | 209,559 |
| Operations in process (c) | 274,354 | 136,764 |
| | 3,873,013 | 3,213,995 |
| Non-financial instruments: | | |
| Taxes | 480,781 | 286,504 |
| Deferred income tax, Note 18(c) | 150,280 | 172,641 |
| Provision for sundry risks (d) | 275,841 | 296,339 |
| Others | 234,197 | 150,587 |
| | 1,141,099 | 906,071 |
| Total | 5,014,112 | 4,120,066 |

b) The risk in derivative contracts arises from the possibility of the counterparty failing to comply with the terms and conditions agreed and that the reference rates at which the transactions took place change.

The table below shows at December 31, 2017 and 2016 the fair value of derivative financial instruments, recorded as an asset or a liability, together with their nominal amounts and maturities. The nominal amount, recorded gross, is the amount of a derivative's underlying asset and is the basis upon which changes in the value of derivatives are measured.

| Note | 2017 | | | | Maturity | 2016 | | | | Maturity | 2017 y 2016 | Related |
|--|----------|-------------|-----------------|--|-------------|---------|-------------|--|---|----------|-------------|---------|
| | Assets | Liabilities | Notional amount | | | Assets | Liabilities | Notional amount | | | | |
| | S/(000) | S/(000) | S/(000) | | | S/(000) | S/(000) | S/(000) | | | | |
| Derivatives held for trading(i) - Forward foreign exchange contracts | 62,353 | 56,869 | 10,846,203 | Between January 2018 and June 2020 | 73,722 | 55,437 | 9,313,965 | Between January 2017 and June 2020 | - | | | |
| Interest rate swaps | 101,765 | 94,238 | 33,057,283 | Between January 2018 and December 2031 | 87,872 | 55,927 | 25,900,896 | Between January 2017 and December 2031 | - | | | |
| Currency swaps | 332,376 | 349,779 | 8,528,764 | Between January 2018 and December 2027 | 428,928 | 490,475 | 7,518,170 | Between January 2017 and December 2026 | - | | | |
| Foreign exchange options | 2,692 | 980 | 410,982 | Between January 2018 and November 2018 | 21,490 | 17,202 | 2,747,601 | Between January 2017 and December 2017 | - | | | |
| Derivatives held as hedges | 499,186 | 501,866 | 52,843,232 | | 612,012 | 619,041 | 45,480,632 | | | | | |
| Cash flow hedges (ii) | | | | | | | | | | | | |
| - Interest rate swaps | 14(b)(i) | 2,491 | - | 486,150 | August 2019 | - | - | - | - | | | Debt to |
| (IRS) | | | | | | | | | | | | |

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| | | | | | | | | | | |
|----------------------------|------------|--------|--------|---------|--|--------|--------|-----------|---|-----------------|
| Interest rate swaps (IRS) | 14(b)(ii) | 1,864 | - | 486,150 | Between September 2018 and November 2019 | 1,384 | - | 318,820 | Between April 2017 and September 2018 | Debt to |
| Interest rate swaps (IRS) | 14(b)(iv) | 112 | - | 324,100 | January 2018 | - | 218 | 335,600 | January 2018 | Debt to |
| Interest rate swaps (IRS) | 14(b)(v) | 658 | - | 324,100 | March 2018 | 1,614 | - | 335,600 | March 2018 | Debt to |
| Interest rate swaps (IRS) | 16(a)(iii) | - | - | - | - | - | 2,736 | 179,231 | October 2017 | Notes is |
| Interest rate swaps (IRS) | 5(c)(i) | 4,626 | - | 486,150 | Between March 2019 and December 2019 | 3,140 | 294 | 503,400 | Between March 2019 and December 2019 | Repurch agreeme |
| Cross currency swaps (CCS) | 16(a)(xi) | - | 97,440 | 972,300 | October 2019 | - | 25,387 | 1,006,800 | October 2019 | Bonds i |
| Cross currency swaps (CCS) | 5(c)(iii) | 18,889 | - | 226,870 | August 2020 | 35,158 | - | 234,920 | August 2020 | Repurch agreeme |
| Cross currency swaps (CCS) | 5(c)(iv) | - | 26,240 | 145,845 | August 2026 | - | 6,871 | 151,020 | August 2026 | Repurch agreeme |
| Cross currency swaps (CCS) | 5(c)(v) | - | 9,053 | 81,025 | August 2026 | 1,154 | - | 83,900 | August 2026 | Repurch agreeme |
| Cross currency swaps (CCS) | 6(a)(iv) | 24,263 | 1,386 | 228,756 | Between January 2018 and September 2024 | 16,537 | 9,483 | 236,335 | Between January 2017 and September 2024 | Availab investm |
| Cross currency swaps (CCS) | 6(a)(iv) | - | 151 | 55,097 | March 2019 | 1,289 | 7,588 | 167,800 | Between January 2017 and March 2019 | Availab investm |
| Cross currency swaps (CCS) | 14(b)(iii) | 73 | 79 | 324,100 | January 2020 | - | - | - | - | Debt to |
| Cross currency | 5(c)(ii) | 32,719 | - | 259,280 | August 2020 | 54,103 | - | 268,480 | August 2020 | Repurch agreeme |

swaps and
interest
rate swaps
(CCS and
IRS)

Fair value
hedges -

| | | | | | | | | | | |
|---------------------------------|----------|---------|---------|------------|---|---------|---------|------------|---|--------------------|
| Interest rate swaps (IRS) | 16(a) | 110,808 | - | 7,915,886 | Between September 2020 and April 2023 | 212,162 | - | 8,196,765 | Between September 2020 and April 2023 | Bonds i |
| Interest rate swaps (IRS) | 6(a)(iv) | 6,137 | 547 | 659,524 | Between April 2018 and October 2023 | 4,049 | 1,397 | 760,315 | Between January 2017 and October 2023 | Availab investm |
| | | 202,640 | 134,896 | 12,975,333 | | 330,590 | 53,974 | 12,778,986 | | |
| | | 701,826 | 636,762 | 65,818,565 | | 942,602 | 673,015 | 58,259,618 | | |

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- Held-for-trading derivatives are principally negotiated to satisfy clients' needs. On the other hand, the Group may also take positions with the expectation of profiting from favorable movements in prices or rates. Also, this caption (i) includes any derivatives which do not comply with IAS 39 hedging accounting requirements. Fair value of derivatives held for trading classified by contractual maturity is as follows:

| | At December 31, 2017 | | | | | | At December 31, 2016 | | | | | |
|------------------------------------|----------------------|-------------------------|-------------------|-------------------|--------------|---------|----------------------|-------------------------|-------------------|-------------------|--------------|---------|
| | Up to 3 months | From 3 months to 1 year | From 1 to 3 years | From 3 to 5 years | Over 5 years | Total | Up to 3 months | From 3 months to 1 year | From 1 to 3 years | From 3 to 5 years | Over 5 years | Total |
| | S/(000) | S/(000) | S/(000) | S/(000) | S/(000) | S/(000) | S/(000) | S/(000) | S/(000) | S/(000) | S/(000) | S/(000) |
| Forward foreign exchange contracts | 41,995 | 19,238 | 1,120 | - | - | 62,353 | 58,168 | 12,737 | 2,040 | 777 | - | 71,622 |
| Interest rate swaps | 5,487 | 16,971 | 22,705 | 18,464 | 38,138 | 101,765 | 6,763 | 9,480 | 18,550 | 9,591 | 43,488 | 78,372 |
| Currency swaps | 12,190 | 7,803 | 142,370 | 58,391 | 111,622 | 332,376 | 751 | 20,029 | 87,300 | 212,990 | 107,858 | 409,928 |
| Foreign exchange options | 2,468 | 224 | - | - | - | 2,692 | 9,827 | 11,663 | - | - | - | 21,490 |
| Total assets | 62,140 | 44,236 | 166,195 | 76,855 | 149,760 | 499,186 | 75,509 | 53,909 | 107,890 | 223,358 | 151,346 | 602,912 |

| | At December 31, 2017 | | | | | | At December 31, 2016 | | | | | |
|------------------------------------|----------------------|-------------------------|-------------------|-------------------|--------------|---------|----------------------|-------------------------|-------------------|-------------------|--------------|---------|
| | Up to 3 months | From 3 months to 1 year | From 1 to 3 years | From 3 to 5 years | Over 5 years | Total | Up to 3 months | From 3 months to 1 year | From 1 to 3 years | From 3 to 5 years | Over 5 years | Total |
| | S/(000) | S/(000) | S/(000) | S/(000) | S/(000) | S/(000) | S/(000) | S/(000) | S/(000) | S/(000) | S/(000) | S/(000) |
| Forward foreign exchange contracts | 39,888 | 16,603 | 378 | - | - | 56,869 | 46,721 | 8,661 | 43 | 12 | - | 55,437 |
| Interest rate swaps | 6,841 | 14,196 | 24,537 | 17,018 | 31,646 | 94,238 | 4,226 | 8,236 | 17,749 | 4,300 | 21,416 | 55,927 |
| Currency swaps | 22,457 | 27,855 | 171,412 | 17,056 | 110,999 | 349,779 | 64,023 | 37,626 | 133,530 | 178,979 | 76,317 | 499,475 |
| Foreign exchange options | 547 | 433 | - | - | - | 980 | 4,564 | 12,638 | - | - | - | 17,202 |

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| | | | | | | | | | | | | |
|-------------------|--------|--------|---------|--------|---------|---------|---------|--------|---------|---------|--------|---|
| Total liabilities | 69,733 | 59,087 | 196,327 | 34,074 | 142,645 | 501,866 | 119,534 | 67,161 | 151,322 | 183,291 | 97,733 | 6 |
|-------------------|--------|--------|---------|--------|---------|---------|---------|--------|---------|---------|--------|---|

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

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

| At December 31, 2017 | | | | | |
|----------------------------------|----------------------------|---------------------------------|---------------------------------|----------------------------|------------------|
| | Up to 1 year S/(000) | From 1 to 3 years S/(000) | From 3 to 5 years S/(000) | Over 5 years S/(000) | Total S/(000) |
| Cash inflows (assets) | 962,966 | 3,432,756 | 100,247 | 283,896 | 4,779,865 |
| Cash outflows (liabilities) | (1,016,748) | (3,434,333) | (110,355) | (265,716) | (4,827,152) |
| Consolidated statement of income | (1,043) | (26,534) | 1,749 | (7,348) | (33,176) |

| At December 31, 2016 | | | | | |
|----------------------------------|----------------------------|---------------------------------|---------------------------------|----------------------------|------------------|
| | Up to 1 year S/(000) | From 1 to 3 years S/(000) | From 3 to 5 years S/(000) | Over 5 years S/(000) | Total S/(000) |
| Cash inflows (assets) | 524,775 | 2,549,873 | 836,116 | 294,889 | 4,205,653 |
| Cash outflows (liabilities) | (578,526) | (2,575,723) | (732,108) | (255,205) | (4,141,562) |
| Consolidated statement of income | (1,437) | 4,863 | 6,704 | 1,383 | 11,513 |

At December 31, 2017, the accumulated balance of the net unrealized loss from the cash flow hedges is included as other comprehensive income in “Cash flow hedge reserves” and results from the current hedges, which have an unrealized profit for approximately S/33.2 million, and from the revoked hedges, which have an unrealized profit for approximately S/7.4 million (unrealized profit for approximately S/11.5 million and S/13.1 million from current and revoked hedges, respectively at December 31, 2016), which is being recognized in the consolidated statement of income over the remaining term of the underlying financial instrument. Also, the transfer of the unrealized loss on cash flow hedges to the consolidated statement of income is shown in Note 17(c).

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

d) The movement of the provision for sundry risks for the years ended December 31, 2017, 2016 and 2015 was as follows:

| | 2017 S/(000) | 2016 S/(000) | 2015 S/(000) |
|--------------------------------------|-----------------|-----------------|-----------------|
| Balance at the beginning of the year | 296,339 | 196,261 | 158,013 |
| Provision, Note 27 | 29,023 | 28,093 | 38,248 |
| Increase (decrease), net | (49,521) | 71,985 | - |
| Balances | 275,841 | 296,339 | 196,261 |

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

Credicorp's principal associates are Pacífico EPS and Carlyle Peru, the balances of which amount to S/510.9 million e) and S/144.1 million, at December 31, 2017, respectively (S/490.1 million and S/145.8 million at December 31, 2016, respectively).

f) Investment properties -

The movement of cost and accumulated depreciation of investment properties is as follows:

| | 2017 Own assets | | 2016 | |
|--------------------------|--------------------|---------------------|------------------|------------------|
| | Land S/(000) | Building S/(000) | Total S/(000) | Total S/(000) |
| Cost | | | | |
| Balance at January 1 | 289,432 | 261,174 | 550,606 | 462,440 |
| Additions (i) | 4,637 | 4,580 | 9,217 | 88,186 |
| Transfers (ii) | - | 66,856 | 66,856 | - |
| Sales (iii) | (47,987) | (41,910) | (89,897) | - |
| Disposals and others | (27,419) | (10,738) | (38,157) | (20) |
| Balance at December 31 | 218,663 | 279,962 | 498,625 | 550,606 |
| Accumulated depreciation | | | | |
| Balance at January 1 | - | 45,679 | 45,679 | 41,307 |

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| | | | | |
|---------------------------|---------|----------|----------|---------|
| Depreciation for the year | - | 6,440 | 6,440 | 4,369 |
| Sales (iii) | - | (6,277) | (6,277) | - |
| Disposals and others | - | (6,072) | (6,072) | 3 |
| Balance at December 31 | - | 39,770 | 39,770 | 45,679 |
| Net carrying amount | 218,663 | 240,192 | 458,855 | 504,927 |

Land and buildings are mainly used for rental of offices, which are free of all encumbrances.

During the period 2016, subsidiary Pacífico Seguros carried out constructions and acquired a plot of land located at Nicolas Dueñas Avenue 475, Cercado de Lima for an amount of approximately S/21.9 million and another located (i) in Ex-Fundo Marquez, in the vicinity of KM 14.6 of Coronel Nestor Gambeta Avenue, Callao for an amount of approximately S/60.9 million.

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- (ii) In order to consolidate the real estate projects, mainly of offices, during the year 2017, Pacífico Seguros liquidated the trust of the “Panorama” building located at Av. Juan de Arona N° 830 for a total amount of S/66.9 million.

- (iii) The balance of sales for the year 2017 mainly comprises the transfer by Pacífico Seguros of the building located at Av. Guardia Civil 337 – Urb. Corpac, San Borja, which was sold for S/95.7 million. The total net cost of the building amounting to S/68.5 million comprises S/34.5 million in land and S/34.0 million in building (cost of S/38.5 million and depreciation of S/4.5 million).

The Group’s Management has determined that the recoverable value of its investment properties is greater than their net carrying amount.

13 DEPOSITS AND OBLIGATIONS

a) This item consists of the following:

| | 2017 S/(000) | 2016 S/(000) |
|------------------------------|-----------------|-----------------|
| Current accounts | 29,770,276 | 28,506,270 |
| Time deposits (c) | 30,184,314 | 22,531,305 |
| Saving accounts | 28,633,099 | 26,684,134 |
| Severance indemnity deposits | 7,170,934 | 7,117,685 |
| Negotiable bank certificates | 959,051 | 743,726 |
| Total | 96,717,674 | 85,583,120 |
| Interest payable | 452,737 | 333,267 |
| Total | 97,170,411 | 85,916,387 |

The Group has established a policy to remunerate demand deposits and savings accounts according to an interest rate scale, based on the average balance maintained in those accounts; on the other hand, according to its policy, balances that are lower than a specified amount for each type of account do not bear interest. Also, time deposits earn interest at market rates.

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

- b) The amounts of non-interest-bearing and interest-bearing deposits and obligations are presented below:

| | 2017 S/(000) | 2016 S/(000) |
|------------------------|-----------------|-----------------|
| Non-interest-bearing - | | |
| In Peru | 26,786,474 | 24,718,582 |
| In other countries | 2,596,435 | 3,366,109 |
| | 29,382,909 | 28,084,691 |
| Interest-bearing - | | |
| In Peru | 60,372,602 | 52,472,191 |
| In other countries | 6,962,163 | 5,026,238 |
| | 67,334,765 | 57,498,429 |
| Total | 96,717,674 | 85,583,120 |

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c) The balance of time deposits classified by maturity is as follows:

| | 2017 S/(000) | 2016 S/(000) |
|-------------------------|-----------------|-----------------|
| Up to 3 months | 15,152,619 | 11,017,649 |
| From 3 months to 1 year | 8,735,918 | 6,614,180 |
| From 1 to 3 years | 3,478,314 | 2,770,452 |
| From 3 to 5 years | 702,962 | 777,729 |
| Over 5 years | 2,114,501 | 1,351,295 |
| Total | 30,184,314 | 22,531,305 |

As of December 31, 2017 and 2016, Management considers the Group's deposits and obligations are diversified with no significant concentrations.

At December 31, 2017 and 2016, of the total balance of deposits and obligations in Peru, approximately S/30,064.8 million and S/28,239.3 million are secured by the Peruvian "Fondo de Seguro de Depósitos" (Deposit Insurance Fund). At said dates, maximum coverage recognized by "Fondo de Seguro de Depósitos" totaled S/97,529 and S/97,644, respectively.

14DUE TO BANKS AND CORRESPONDENTS

a) This item consists of the following:

| | 2017 S/(000) | 2016 S/(000) |
|------------------------------------|-----------------|-----------------|
| International funds and others (b) | 5,264,545 | 5,253,826 |
| Promotional credit lines (c) | 2,029,989 | 1,793,205 |
| Inter-bank funds | 659,737 | 408,153 |
| | 7,954,271 | 7,455,184 |
| Interest payable | 42,618 | 38,732 |
| Total | 7,996,889 | 7,493,916 |

b) This item consists of the following:

| | 2017 S/(000) | 2016 S/(000) |
|--|-----------------|-----------------|
| Citibank N.A. (i) | 1,166,760 | 385,940 |
| Wells Fargo Bank (ii) | 810,250 | 788,660 |
| Corporación Financiera de Desarrollo (COFIDE) | 600,871 | 456,246 |
| Comunidad Andina de Fomento – (CAF) (iii) | 324,100 | 247,013 |
| Bank of America (iv) | 324,088 | 335,426 |
| JP Morgan Chase Bank, National Association (v) | 324,030 | 335,204 |
| Toronto Dominion Bank | 259,280 | - |
| Standard Chartered Bank | 194,460 | - |
| International Finance Corporation (IFC) | 190,337 | 214,600 |
| Banco del Estado de Chile | 162,195 | - |
| Bank of Montreal | 162,050 | 805,440 |
| Banco de la Nación | 125,000 | - |
| Scotiabank Perú S.A.A | 100,000 | 80,722 |
| Banco Consorcio | 94,157 | 103,969 |
| Deutsche Bank | 581 | 83,900 |
| HSBC Bank PLC | - | 295,328 |
| Bank of New York Mellon | - | 335,600 |
| Canadian Imperial Bank of Commerce Toronto | - | 335,600 |
| Others below S/80 million | 426,386 | 450,178 |
| Total | 5,264,545 | 5,253,826 |

At December 31, 2017, the loans have maturities between January 2018 and March 2032 (between January 2017 and December 2031 at December 31, 2016) and earn interest at rates that fluctuate between 0.5 percent and 9.04 percent (between 0.44 percent and 11.43 percent at December 31, 2016).

At December 31, 2017, the balance includes two variable rate loans obtained in July of 2017, for a total of US\$150.0 million, equivalent to S/486.2 million, the amounts of which are hedged by two IRS for a nominal amount with equal principal and maturity, See Note 12(b). By means of the IRS, the two loans were economically converted to a fixed rate loan.

At December 31, 2017, the balance includes two variable rate loans obtained in June of 2016, and October of 2017 for a total of US\$150.0 million, equivalent to S/486.2 million (two variable rate loans obtained in April and June of 2016 for a total of US\$95.0 million, equivalent to S/318.8 million, at December 31, 2016) hedged with two interest rate swaps (IRS) for a nominal amount equal principal and the same maturity date, See Note 12(b). By means of the IRS, said loans were economically converted to a fixed rate loan.

The variable rate loan obtained in April 2016 for US\$45.0 million, equivalent to S/151.0 million, matured in April 2017.

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(iii) At December 31, 2017, the balance corresponds to a variable rate loan in U.S. Dollars, obtained in December of 2017 for US\$100.0 million, equivalent to S/324.1 million, the amount of which is hedged with a CCS for a nominal amount equal to the principal and the same maturity, See Note 12(b). By means of the CCS, said loan was economically converted to a fixed rate loan in soles.

(iv) At December 31, 2017, the balance corresponds to a variable rate loan obtained in December 2015 for US\$100.0 million, equivalent to S/324.1 million; which is hedged with an IRS for a nominal amount equal to the principal and same maturity date (US\$100.0 million equivalent to S/335.6 million at December 31, 2016), See Note 12(b). By means of the IRS, said loan was economically converted to a fixed rate loan.

(v) At December 31, 2017, the balance corresponds to a variable rate loan obtained in February 2016 for US\$100.0 million, equivalent to S/324.1 million, hedged by an IRS for a nominal amount equal to the principal and with the same maturity date (US\$100.0 million, equivalent to S/335.6 million, at December 31, 2016), See Note 12(b). By means of the IRS, said loan was economically converted to a fixed rate.

Promotional credit lines represent loans granted by Corporación Financiera de Desarrollo and Fondo de Cooperación para el Desarrollo Social (COFIDE and FONCODES for their Spanish acronyms, respectively) to promote the development of Peru, they have maturities between January 2018 and January 2023 at annual interest rates varying between 6.00 percent and 7.75 percent at December 31, 2017 (between January 2017 and January 2022 and with annual interest rates ranging between 6.00 percent and 7.75 percent at December 31, 2016). These credit lines are secured by a loan portfolio totaling S/2,030.0 million and S/1,793.2 million at December 31, 2017 and December 31, 2016, respectively.

d) The table below shows maturities of due to banks and correspondents at December 31, 2017 and 2016 based on the remaining period to the maturity date:

| | 2017 S/(000) | 2016 S/(000) |
|-------------------------|-----------------|-----------------|
| Up to 3 months | 2,169,022 | 2,801,499 |
| From 3 months to 1 year | 2,055,859 | 1,536,609 |
| From 1 to 3 years | 1,715,035 | 1,214,848 |
| From 3 to 5 years | 452,577 | 554,600 |
| Over 5 years | 1,561,778 | 1,347,628 |
| Total | 7,954,271 | 7,455,184 |

e) At December 31, 2017 and 2016, lines of credit granted by several local and foreign financial institutions, available for future operating activities total S/7,294.5 million and S/7,047.0 million, respectively.

f)

Some debts to banks and correspondents include standard “covenants” related to the compliance of financial ratios, the use of the funds and other administrative matters; which, in Management’s opinion, do not limit the Group’s operations and have been complied with at the date of the consolidated financial statements.

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15 TECHNICAL RESERVES AND UNEARNED PREMIUMS

a) This item consists of the following:

| | 2017 Claims reserves | Technical reserves (*) | Total |
|-------------------|------------------------------------|---------------------------|-----------|
| | direct S/(000) | S/(000) | S/(000) |
| Life insurance | 626,871 | 5,599,777 | 6,226,648 |
| General insurance | 484,608 | 513,826 | 998,434 |
| Health insurance | 69,373 | 149,305 | 218,678 |
| Total | 1,180,852 | 6,262,908 | 7,443,760 |

| | 2016 Claims reserves | Technical reserves (*) | Total |
|-------------------|------------------------------------|---------------------------|-----------|
| | direct S/(000) | S/(000) | S/(000) |
| Life insurance | 551,516 | 5,128,974 | 5,680,490 |
| General insurance | 325,748 | 574,435 | 900,183 |
| Health insurance | 60,733 | 144,783 | 205,516 |
| Total | 937,997 | 5,848,192 | 6,786,189 |

(*) At December 31, 2017, the life insurance technical reserves include the mathematical reserves of life annuities amounting to S/3,514.4 million (S/3,241.2 million at December 31, 2016).

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

Insurance claims and technical reserves corresponding to the reinsurers and coinsurers are shown as ceded claims, which are presented in "Accounts receivable from reinsurers and coinsurers" of the consolidated statement of financial position, See Note 9(b).

At December 31, 2017, the reserves for direct claims include reserves for IBNR for life, general and health insurance for an amount of S/282.4 million, S/11.3 million and S/47.6 million, respectively (S/231.4 million, S/9.1 million and S/41.4 million, respectively, at December 31, 2016).

At December 31, 2017 and in previous years, the differences between the estimations for the incurred and non-reported claims and the settled and pending liquidation claims have not been significant. In the case of general risks and health, retrospective analysis indicates that the amounts accrued are adequate and the Management believes that the estimated IBNR reserve is sufficient to cover any liability as of December 31, 2017 and 2016.

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

b) Movement of insurance claims reserves (direct and assumed), occurred during the years 2017 and 2016:

| | 2017 | | | |
|---------------------|----------------|-------------------|------------------|-------------|
| | Life insurance | General insurance | Health insurance | Total |
| | S/(000) | S/(000) | S/(000) | S/(000) |
| Beginning balance | 551,516 | 325,748 | 60,733 | 937,997 |
| Claims, Note 24 | 646,026 | 661,108 | 294,557 | 1,601,691 |
| Payments | (569,108) | (491,108) | (285,899) | (1,346,115) |
| Exchange difference | (1,563) | (11,140) | (18) | (12,721) |
| Ending balance | 626,871 | 484,608 | 69,373 | 1,180,852 |

| | 2016 | | | |
|---------------------|----------------|-------------------|------------------|-------------|
| | Life insurance | General insurance | Health insurance | Total |
| | S/(000) | S/(000) | S/(000) | S/(000) |
| Beginning balance | 478,960 | 335,818 | 64,896 | 879,674 |
| Claims, Note 24 | 618,274 | 351,227 | 274,902 | 1,244,403 |
| Payments | (544,934) | (385,621) | (243,847) | (1,174,402) |
| Exchange difference | (784) | 24,324 | (35,218) | (11,678) |
| Ending balance | 551,516 | 325,748 | 60,733 | 937,997 |

c) Technical reserves occurred during the years 2017 and 2016:

| | 2017 | | | |
|--|----------------|-------------------|------------------|-----------|
| | Life insurance | General insurance | Health insurance | Total |
| | S/(000) | S/(000) | S/(000) | S/(000) |
| Beginning balance | 5,128,974 | 574,435 | 144,783 | 5,848,192 |
| Time course expenses and others | 77,855 | - | - | 77,855 |
| Unearned premium and other technical reserves variation, net | 127 | (28,992) | 4,621 | (24,244) |
| Insurance subscriptions | 491,519 | - | - | 491,519 |
| Exchange difference and others | (98,698) | (31,617) | (99) | (130,414) |
| Ending balance | 5,599,777 | 513,826 | 149,305 | 6,262,908 |

| | 2016 Life insurance S/(000) | General insurance S/(000) | Health insurance S/(000) | Total S/(000) |
|---|--------------------------------------|---------------------------------|--------------------------------|------------------|
| Beginning balance | 4,755,154 | 582,453 | 144,346 | 5,481,953 |
| Time course expenses and others | 58,778 | - | - | 58,778 |
| Unearned premium and other technical reserves variation, net | 365 | (11,578) | 9,881 | (1,332) |
| Insurance subscriptions | 361,966 | - | - | 361,966 |
| Exchange difference and others | (47,289) | 3,560 | (9,444) | (53,173) |
| Ending balance | 5,128,974 | 574,435 | 144,783 | 5,848,192 |

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At December 31, 2017 and 2016 no additional reserves were needed as a result of the liability adequacy test. The main assumptions used in estimation of retirement, disability and survival annuities and individual life (including Investment link insurance contracts) reserves as, of those dates, are the following:

| Mortality | At December 31, 2017 | | At December 31, 2016 | |
|---|----------------------------|--|----------------------------|--|
| | Mortality table | Technical rates | Mortality table | Technical rates |
| Annuities | SPP-S-2017 and SPP-I- 2017 | Between 2.90% - 7.93% / Between 2.50% - 5.25% | TAP 2012 and MI 2006 | Between 4.21% - 7.69% / Between 2.50% - 5.25% |
| Pension insurance –Temporary Regime / SCTR (*) | B-85 and MI-85 | 3.00% soles VAC | B-85 and MI-85 | 3.00% soles VAC |
| Pension insurance –Definitive Regime | B-85 and MI-85 | 3.31% soles VAC / 4.66% Nominal dollars | B-85 and MI-85 | 3.43% soles VAC / 4.65% Nominal dollars |
| Pension insurance –Definitive Regime / SCTR | B-85 adjusted and MI-85 | Between 3.00%, 3.38% soles VAC / 4.66% Nominal dollars / 6.35% soles adjusted / 4.66% dollars adjusted | B-85 adjusted and MI-85 | Between 3.00%, 3.43% soles VAC / 4.65% Nominal dollars / 6.49% soles adjusted / 4.65% dollars adjusted |
| Pension insurance –Temporary Regime /SCTR (Longevity) | SPP-S-2017- and SPP-I-2017 | Between 3.81%, 3.88% soles VAC | SPP-S-2017- and SPP-I-2017 | Between 3.74%, 3.88% soles VAC |
| Individual life | CSO 80 adjusted | Between 4.00% - 5.00% | CSO 80 adjusted | Between 4.00% - 5.00% |

(*) Complementary Work Risk Insurance (SCTR the Spanish acronym).

The sensitivity of the estimates used by the Group to measure its insurance risks is represented primarily by the life insurance risks; the main variables as of December 31, 2017 and 2016, are the interest rates and the mortality tables used. The Group has evaluated the changes of the reserves related to its most significant life insurance contracts included in retirement, disability and survival annuities contracts of +/- 100 bps of the interest rates and of +/- 5 bps of the mortality factors, with the following results:

| Variables | At December 31, 2017 | | | At December 31, 2016 | | |
|-----------|-------------------------------|--------------------------|--------------|-------------------------------|--------------------------|--------------|
| | Amount of the reserve S/(000) | Variation of the reserve | | Amount of the reserve S/(000) | Variation of the reserve | |
| | | Amount S/(000) | Percentage % | | Amount S/(000) | Percentage % |

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| | | | | | | |
|--------------------------------------|-----------|------------|---------|-----------|------------|---------|
| Portfolio in S/- Base amount | 519,317 | - | - | 508,498 | - | - |
| Changes in interest rates: + 100 bps | 473,067 | (46,250) | (8.91) | 462,992 | (45,506) | (8.95) |
| Changes in interest rates: - 100 bps | 574,664 | 55,347 | 10.66 | 563,057 | 54,559 | 10.73 |
| Changes in Mortality tables to 105% | 514,091 | (5,226) | (1.01) | 503,253 | (5,245) | (1.03) |
| Changes in Mortality tables to 95% | 524,801 | 5,484 | 1.06 | 514,003 | 5,505 | 1.08 |
| Portfolio in US\$- Base amount | 2,682,536 | - | - | 2,317,565 | - | - |
| Changes in interest rates: + 100 bps | 2,428,338 | (254,198) | (9.48) | 2,089,212 | (228,352) | (9.85) |
| Changes in interest rates: - 100 bps | 2,993,483 | 310,948 | 11.59 | 2,591,011 | 273,447 | 11.80 |
| Changes in Mortality tables to 105% | 2,660,474 | (22,062) | (0.82) | 2,293,403 | (24,161) | (1.04) |
| Changes in Mortality tables to 95% | 2,705,711 | 23,176 | 0.86 | 2,336,095 | 18,530 | 0.80 |

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16 BONDS AND NOTES ISSUED

a) This item consists of the following:

| | Annual interest rate % | Interest payment | Maturity | Issued amount (000) | 2017 S/(000) | 2016 S/(000) |
|--|---------------------------|------------------|-------------------------------------|------------------------|-----------------|-----------------|
| Senior notes - (i) | 5.38 | Semi-annual | September 2020 | US\$800,000 | 2,612,379 | 2,755,382 |
| Senior notes - (i)(x) | Between 2.75 and 4.25 | Semi-annual | Between January 2018 and April 2023 | US\$596,455 | 1,948,082 | 2,082,913 |
| Senior notes - (ii) | 4.25 | Semi-annual | April 2023 | US\$350,000 | 1,066,904 | 1,086,997 |
| Senior notes - (xi) | 2.25 | Semi-annual | October 2019 | US\$300,000 | 954,131 | 1,005,955 |
| Senior notes | 4.85 | Semi-annual | October 2020 | S/2,000,000 | 1,958,571 | - |
| CCR Inc. MMT | | | | | | |
| 100 - Secured | | | | | | |
| Notes - (iii) | | | | | | |
| 2010 Series C | | | | | | |
| Floating rate certificates | Libor 1M + 44.5 bp | Monthly | July 2017 | US\$350,000 | - | 179,230 |
| 2012 Series A and B Floating rate certificates | | | | | | |
| | Libor 1M + 22.5 bp | Monthly | July 2017 | US\$150,000 | - | 97,884 |
| 2012 Series C Floating rate certificates | | | | | | |
| | 4.75 | Monthly | July 2022 | US\$315,000 | 670,132 | 843,195 |
| | | | | | 670,132 | 1,120,309 |
| Corporate bonds - Second program | | | | | | |
| Third issuance (Series A and B) - BCP | | | | | | |
| | Between 7.47 and 8.50 | Quarterly | Between June and July 2018 | S/200,000 | 194,883 | 200,000 |
| Third program | | | | | | |
| First issuance (Series A and B) - Mibanco | | | | | | |
| | Between 5.38 and 5.41 | Semi-annual | Between May and July 2017 | S/98,800 | - | 20,766 |
| Fourth issuance (Series A) - Mibanco | | | | | | |
| | 4.78 | Semi-annual | December 2017 | S/100,000 | - | 91,505 |
| Fifth issuance (Series A and B) - Mibanco | | | | | | |
| | Between 6.59 and 6.97 | Semi-annual | Between January and March 2017 | S/84,660 | - | 78,815 |

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Fourth program

| | | | | | | |
|--|--------------------------|-------------|--|-----------|---------|---------|
| Tenth issuance (Series A, B and C) - BCP | Between 5.31 and 7.25 | Semi-annual | Between December 2021 and November 2022 | S/550,000 | 530,034 | 549,400 |
|--|--------------------------|-------------|--|-----------|---------|---------|

| | | | | | | |
|---|------|-------------|-----------|-----------|--------|--------|
| First issuance (Series A) - Mibanco | 6.56 | Semi-annual | July 2018 | S/100,000 | 86,513 | 86,950 |
|---|------|-------------|-----------|-----------|--------|--------|

| | | | | | | |
|---|------|-------------|-----------|-----------|--------|--------|
| First issuance (Series B) - Mibanco | 7.16 | Semi-annual | June 2019 | S/100,000 | 89,087 | 85,000 |
|---|------|-------------|-----------|-----------|--------|--------|

Fifth program

| | | | | | | |
|------------------------------------|------|-------------|------------|-----------|---------|---------|
| First issuance (Series A) - BCP | 6.41 | Semi-annual | April 2019 | S/172,870 | 162,096 | 172,391 |
|------------------------------------|------|-------------|------------|-----------|---------|---------|

| | | | | | | |
|------------------------------------|------|-------------|-----------|-----------|---------|---------|
| First issuance (Series B) - BCP | 5.59 | Semi-annual | June 2019 | S/150,000 | 136,311 | 150,000 |
|------------------------------------|------|-------------|-----------|-----------|---------|---------|

| | | | | | | |
|------------------------------------|-------|-------------|---------------|-----------|---------|---------|
| First issuance (Series C) - BCP | 5.625 | Semi-annual | November 2019 | S/138,410 | 123,761 | 138,075 |
|------------------------------------|-------|-------------|---------------|-----------|---------|---------|

| | | | | | | |
|------------------------------------|------|-------------|--------------|-----------|---------|---|
| First issuance (Series D) - BCP | 5.91 | Semi-annual | January 2020 | S/182,410 | 167,500 | - |
|------------------------------------|------|-------------|--------------|-----------|---------|---|

Sixth program

| | | | | | | |
|---|------|-------------|----------|----------|---|--------|
| Third issuance (Series A) - Mibanco | 5.16 | Semi-annual | May 2017 | S/50,000 | - | 46,165 |
|---|------|-------------|----------|----------|---|--------|

| | |
|-----------|-----------|
| 1,490,185 | 1,619,067 |
|-----------|-----------|

| | Annual interest rate % | Interest payment | Maturity | Issued amount | 20 |
|--|---------------------------|------------------|--|------------------|----|
| Subordinated bonds - BCP (iv) | 6.13 | Semi-annual | April 2027 | US\$720,000 | 2, |
| Subordinated bonds - BCP (v) | 6.88 | Semi-annual | September 2026 | US\$350,000 | 1, |
| Junior subordinated bonds - BCP (vi) | 9.75 | Semi-annual | November 2069 | US\$250,000 | 81 |
| Subordinated bonds - First program | | | | | |
| First issuance (Series A) - BCP | 6.22 | Semi-annual | May 2027 | S/15,000 | 15 |
| First issuance (Series A) - Pacífico Seguros | 6.97 | Quarterly | November 2026 | US\$60,000 | 19 |
| Second program | | | | | |
| First issuance (Series A) - Mibanco | 8.5 | Semi-annual | May 2026 | S/100,000 | 10 |
| First issuance (Series B) - Mibanco | 7.22 | Semi-annual | June 2027 | S/30,000 | 29 |
| Third program | | | | | |
| First, second and fourth issuance (Series A) - Mibanco | Between 6.19 and 8.16 | Semi-annual | Between October 2021 and December 2022 | S/110,000 | 39 |
| Fifth issuance (Series A and B) - Mibanco | 7.75 | Semi-annual | July 2024 | S/88,009 | 87 |
| Issuance I - Banco de Crédito de Bolivia | 6.25 | Semi-annual | August 2028 | Bs70,000 | 33 |
| Issuance II - Banco de Crédito de Bolivia | 5.25 | Semi-annual | August 2022 | Bs137,200 | 65 |
| | | | | | 56 |
| Negotiable certificate of deposit - BCP (vii) | 7.17 | Semi-annual | October 2022 | S/483,280 | - |
| Negotiable certificate of deposit - Mibanco | Between 1.8 and 5.9 | Annual | Between January 2017 and December 2019 | S/2,998 | 1, |
| Subordinated negotiable certificates - BCP (viii) | 6.88 | Semi-annual | September 2026 | US\$126,120 | 39 |
| Subordinated negotiable certificates - BCP (viii) | Libor 3M+ 279 bp | Semi-annual | | US\$2,960 | 9, |

| | | | | | |
|---------------------------------|------|-----------|------------------|-----------|----------------------|
| | | | November 2021 | | |
| Leasing bonds | | | | | |
| First program (ix) | | | | | |
| Sixth issuance (Series A) – BCP | 8.72 | Quarterly | August 2018 | S/100,000 | 10 16 19 16 |
| Interest payable | | | | | |
| Total | | | | | |

At December 31, 2017 the Group holds IRS for a nominal amount totaling US\$2,442.4 million, equivalent to S/7,915.9 million (US\$2,442.4 million, equivalent to S/8,196.8 million at December 31, 2016), See Note 12(b), which were designated as fair value hedges of certain corporate bonds, subordinated bonds and Notes denominated in U.S. Dollars at fixed rate; through said IRS, these bonds and Notes were economically converted to variable interest rate.

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

The Group can redeem these notes in whole or in part at any time, with the penalty of the payment of an interest (ii) rate equivalent to that of the American Treasury plus 50 basis points. Payment of principal will take place at the date of maturity or redemption.

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

At December 31, 2016, cash flows of issuances in 2010 with series "C", which are subject to variable interest rates, have been hedged using an IRS designated as cash flows hedges for a nominal amount of S/179.2 million, See Note 12(b); through the IRS, said issuance was converted to a fixed interest rate. The issue matured in July 2017.

From 2022, the Bank will pay a floating interest rate of three month Libor plus 704.3 basis points. Between April 24, 2017 and April 24, 2022, the Bank may redeem all or part of the subordinated bonds with the penalty of the (iv) payment of an interest rate equivalent to that of the American Treasury plus 50 basis points. Additionally, from April 25, 2022 or at any later date of coupon payment, the Bank will be able to redeem all or part of the bonds without penalty. Payment of principal will take place at the date of maturity of bonds or upon redemption.

In January 2014, the Bank, through its Panama Branch increased the issue of its subordinated bonds by an amount of US\$200.0 million in the international market, as occurred in April 2013, when it carried out a first increase for an amount of US\$170.0 million, with the same characteristics of the issue made in April 2012 for US\$350.0 million.

From September 16, 2021, the interest rate becomes a floating rate of three month Libor plus 770.8 basis points. Between September 16, 2016 and September 15, 2021, the Group may redeem all or part of the bonds, with the (v) penalty of the payment of an interest equivalent to the American Treasury plus 50 basis points. Additionally, from September 16, 2021 or at any later date of coupon payment, the Group can redeem all or part of the bonds without penalty. Payment of principal will take place at the date of maturity of bonds or upon redemption.

In November 2019, interest rate will become a variable rate of three month Libor plus 816.7 basis points. On that (vi) date and on any interest payment date the Bank can redeem 100 percent of the bonds without penalty. Payment of principal will take place at the date of maturity or upon redemption.

This issuance, as authorized by the SBS, qualifies as “Tier 1” equity in the determination of the regulatory capital (“patrimonio efectivo”) and has no related guarantees.

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(vii) In October 2017, the interest rate became a variable rate, fixed as the average of at least three valuations of the internal rate of return for sovereign bonds issued by the Peruvian Government (with maturity in 2037), plus 150 basis points, with semiannual payments. The Group, using the powers conferred to it, on October 15, 2017, redeemed 100 percent of the negotiable certificates of deposit, without penalties.

(viii) Until October 2016, said certificates bore interest at the fixed rate of 6.88 percent per annum. From November 2016, the interest rate will change to a floating interest rate, established as three month Libor plus 2.79 percent, with semiannual payments. Furthermore, from said date, the Group can redeem 100 percent of the debt, without penalties. Payment of principal will take place at the date of maturity of bonds or upon redemption.

(ix) Leasing bonds are collateralized by the fixed assets financed by the Group.

(x) In June 2014, the Group offered an exchange to the holders of senior notes, by which the notes were partially replaced with new notes, at market rate, with the same characteristics of the senior notes indicated in (i) above.

(xi) The Group may redeem all or part of the notes at any time, subject to a penalty of a rate of interest equal to that of the U.S. Treasury plus 20 base points. The payment of principal will take place on the maturity date of the notes or when the Group redeems them.

At December 31, 2017, the cash flows of the bond issued in U.S. dollars, subject to exchange rate risk have been hedged by means of three CCS designated as a cash flow hedge for a nominal amount of US\$300.0 million, equivalent to S/972.3 million, (US\$300.0 million, equivalent to S/1,006.8 million at December 31, 2016), See Note 12(b). By means of the CCS, the bond was economically converted to soles.

b) The table below shows the bonds and notes issued, classified by maturity:

| | 2017 S/(000) | 2016 S/(000) |
|-------------------------|-----------------|-----------------|
| Up to 3 months | 36,687 | 251,751 |
| From 3 months to 1 year | 1,236,046 | 407,200 |
| From 1 to 3 years | 6,508,352 | 3,009,004 |
| From 3 to 5 years | 760,102 | 3,271,925 |
| More than 5 years | 7,508,047 | 8,810,587 |
| Total | 16,049,234 | 15,750,467 |

17EQUITY

a) Share capital -

At December 31, 2017, 2016 and 2015 a total of 94,382,317 shares have been issued at US\$5 par value each.

b) Treasury stock -

We present below the treasury stock owned by the Group entities at December 31, 2017, 2016 and 2015:

| | 2017 | 2016 | 2015 |
|---|------------|------------|------------|
| Atlantic Security Holding Corporation | 14,620,845 | 14,620,845 | 14,620,845 |
| Share-based compensation plans, Note 19 | 276,011 | 277,436 | 269,832 |
| Others | 5,152 | 17,256 | 13,156 |
| | 14,902,008 | 14,915,537 | 14,903,833 |

During 2017, 2016 and 2015, the Group bought 132,110, 156,603 and 145,871 shares of Credicorp Ltd., respectively, for a total of US\$21.9 million (equivalent to S/71.0 million), US\$20.0 million (equivalent to S/66.5 million) and US\$21.7 million (equivalent to S/72.9 million), respectively.

c)

Reserves -

Certain of the Group's subsidiaries are required to keep a reserve that equals a percentage of paid-in capital (20, 30 or 50 percent, depending on its activities and country in which production takes place); this reserve must be constituted with annual transfers of not less than 10 percent of net profits. At December 31, 2017, 2016 and 2015, the balance of reserves amounts to approximately S/4,480.3, S/3,987.5 million and S/2,996.7 million, respectively.

At the Board meetings held on February 22, 2017, February 24, 2016 and February 25, 2015, the decision was made to transfer from "Retained earnings" to "Reserves" S/2,355.0 million, S/2,316.4 million and S/1,820.5 million, respectively.

"Other reserves" include unrealized gains (losses) on Available-for-sale investments and on cash flow hedges, net of deferred income tax and non-controlling interest. Movement was as follows:

| | Net unrealized gains (losses): | | | |
|--|---|------------------------------------|------------------------------------|------------|
| | Reserve for available-for-sale investments | Reserve for cash flow hedges | Foreign exchange translation | Total |
| | S/(000) | S/(000) | S/(000) | S/(000) |
| Balances at January 1, 2015 | 1,223,615 | 5,937 | (206,166) | 1,023,386 |
| Decrease in net unrealized gains on Available-for-sale investments | (323,348) | - | - | (323,348) |
| Transfer of net realized gains on Available-for-sale investments to profit or loss, net of realized loss | (191,716) | - | - | (191,716) |
| Transfer of the impairment loss on Available-for-sale investments to profit or loss, Note 6(a) | (55,647) | - | - | (55,647) |
| Change from net unrealized gains on cash flow hedges, Note 12(b)(ii) | - | 50,273 | - | 50,273 |
| Transfer of net realized gains on cash flow hedges to profit or loss, Note 12(b)(ii) | - | (11,160) | - | (11,160) |
| Foreign exchange translation | - | - | 270,907 | 270,907 |
| Balances at December 31, 2015 | 652,904 | 45,050 | 64,741 | 762,695 |
| Increase in net unrealized gains on Available-for-sale investments | 554,869 | - | - | 554,869 |
| Transfer of net realized gains on Available-for-sale investments to profit or loss, net of realized loss | (75,444) | - | - | (75,444) |
| Transfer of the impairment loss on Available-for-sale investments to profit or loss Note 6(a) | 14,459 | - | - | 14,459 |

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| | | | | | | | |
|--|-----------|---------|---|---------|---------|-----------|---|
| Change in net unrealized gains on cash flow hedges, Note 12(b)(ii) | - | (16,724 |) | - | (16,724 |) | |
| Transfer of net realized losses on cash flow hedges to profit or loss, Note 12(b)(ii) | - | (3,676 |) | - | (3,676 |) | |
| Foreign exchange translation | - | - | | (26,448 |) | (26,448 |) |
| Balance at December 31, 2016 | 1,146,788 | 24,650 | | 38,293 | | 1,209,731 | |
| Increase in net unrealized gains on Available-for-sale investments | 873,868 | - | | - | | 873,868 | |
| Transfer of net realized gains on Available-for-sale investments to profit or loss, net of realized loss | (517,006 |) | - | - | | (517,006 |) |
| Transfer of the impairment loss on Available-for-sale investments to profit or loss Note 6(a) | 766 | - | | - | | 766 | |
| Change in net unrealized gains on cash flow hedges, Note 12(b)(ii) | - | (59,709 |) | - | (59,709 |) | |
| Transfer of net realized losses on cash flow hedges to profit or loss, Note 12(b)(ii) | - | 2,278 | | - | | 2,278 | |
| Foreign exchange translation | - | - | | (54,334 |) | (54,334 |) |
| Balance at December 31, 2017 | 1,504,416 | (32,781 |) | (16,041 |) | 1,455,594 | |

d) Components of other comprehensive income -

The consolidated statement of comprehensive income includes other comprehensive income from available-for-sale investments and from derivative financial instruments used as cash flow hedges; their movements are as follows:

| | 2017 S/(000) | 2016 S/(000) | 2015 S/(000) |
|--|-----------------|-----------------|-----------------|
| Available-for-sale investments: | | | |
| Unrealized gains (losses) on available-for-sale investments | 873,868 | 554,869 | (323,348) |
| Transfer of realized gains on available-for-sale investments to profit or loss, net of realized losses | (517,006) | (75,444) | (191,716) |
| Transfer of impairment losses on available-for-sale investments to profit or loss | 766 | 14,459 | (55,647) |
| Sub total | 357,628 | 493,884 | (570,711) |
| Non-controlling interest | 4,120 | 1,799 | (46,529) |
| Income tax | 13,962 | 22,975 | (18,503) |
| | 375,710 | 518,658 | (635,743) |
| Cash flow hedge: | | | |
| Net (loss) gains on cash flow hedges | (59,709) | (16,724) | 50,273 |
| Transfer of net realized losses (gains) on cash flow hedges to profit or loss | 2,278 | (3,676) | (11,160) |
| Sub total | (57,431) | (20,400) | 39,113 |
| Non-controlling interest | (1,219) | 585 | - |
| Income tax | (18,719) | (2,294) | 1,956 |
| | (77,369) | (22,109) | 41,069 |
| Foreign exchange translation: | | | |
| Exchange gains or losses | (54,334) | (26,448) | 270,907 |
| Non-controlling interest | 107 | (123) | - |
| | (54,227) | (26,571) | 270,907 |

e) Dividend distribution -

At December 31, 2017, 2016 and 2015, Credicorp paid cash dividends, net of the effect of treasury shares, for approximately US\$298.1, US\$184.7 and US\$174.4 million, respectively (equivalent to approximately S/980.0, S/653.3 and S/540.0 million, respectively). In this sense, at December 31, 2017, 2016 and 2015, cash dividend payouts per share totaled US\$3.7, US\$2.3 and US\$1.8, respectively.

Furthermore, at the meeting of the Board of Directors held on October 25, 2017, agreed to make an interim dividend payment, net of the effect of treasury stock, for approximately US\$386.5 million (equivalent to S/1,252.3 million) from the reserves. Said dividends were paid in November 2017.

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In accordance with current Peruvian legislation, there is no restriction for overseas remittance of dividends or the repatriation of foreign investment. At December 31, 2017 dividends paid by the Peruvian subsidiaries to Credicorp are subject to a 5.0 percent withholding tax and at December 31, 2016 and 2015, the withholding rate was 6.8 percent.

f) Regulatory capital -

At December 31, 2017 and 2016, the regulatory capital requirement (“patrimonio efectivo” in Peru) applicable to Credicorp subsidiaries engaged in financial services and insurance activities in Peru, determined under the provisions of the Peruvian banking and insurance regulator, SBS, totals approximately S/21,723.0 million and S/21,174.7 million, respectively. At those dates, the Group’s regulatory requirement exceeds by approximately S/3,710.3 million and S/3,915.7 million, respectively, the minimum regulatory capital required by the SBS.

18 TAX SITUATION

a) Credicorp is not subject to income tax or any taxes on capital gains, equity or property in Bermuda. Credicorp’s Peruvian subsidiaries are subject to the Peruvian tax regime.

At December 31, 2017, Peruvian statutory Income Tax rate was 29.5 percent on taxable profit after calculating the workers’ profit sharing, which is determined using a 5 percent rate. At December 31, 2016, Peruvian statutory Income Tax rate was 28.0 percent.

The Bolivian statutory Income Tax rate is 25 percent. Financial entities have an additional rate if the ROE exceeds 6 percent. In that case, an additional 22 percent must be considered, with which the rate becomes 47 percent.

In the case of Chile, the first category income tax rate for domiciled legal entities who have opted for the attributed regime, is 25.0 percent for the year 2017 onwards, and for those under the partially integrated system, it is 25.5 percent for the year 2017 and 27.0 percent for the year 2018 onward. On the other hand, individuals or legal entities non-domiciled in Chile will be subject to an additional tax of 35.0 percent. Credicorp Capital Holding Chile, together with all of its subsidiaries opted for the partially integrated regime.

In the case of Colombia, the income tax rate for the year 2017 was 34.0 percent plus a surcharge of 6.0 percent and at December 31, 2016 it was 25.0 percent. In the year 2018, the rate will be 33.0 percent plus a surcharge of 4.0 percent, and as from the year 2019, the rate will be only 33.0 percent.

Atlantic Security Holding Corporation and its Subsidiaries are not subject to taxes in the Cayman Islands or Panama. For the years ended December 31, 2017, 2016 and 2015, no taxable income was generated from the operations in the United States of America.

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

| | 2017 % | 2016 % | 2015 % |
|--|-----------|-----------|-----------|
| Peruvian statutory income tax rate | 29.50 | 28.00 | 28.00 |
| Increase (decrease) in the statutory tax rate due to: | | | |
| (i) (Decrease) arising from net income of subsidiaries not domiciled in Peru | (1.82) | (0.04) | (0.37) |
| (ii) Non-taxable income, net | (2.69) | (1.23) | (0.17) |
| (iii) Effect of change in Peruvian tax rates | - | (0.53) | - |
| Effective income tax rate | 24.99 | 26.20 | 27.46 |

b) Income tax expense for the years ended December 31, 2017, 2016 and 2015 comprises:

| | 2017 S/(000) | 2016 S/(000) | 2015 S/(000) |
|--|-----------------|-----------------|-----------------|
| Current - | | | |
| In Peru | 1,262,302 | 1,098,125 | 1,217,907 |
| In other countries | 134,540 | 155,095 | 96,495 |
| | 1,396,842 | 1,253,220 | 1,314,402 |
| Deferred - | | | |
| In Peru | (18,264) | 31,472 | 22,667 |
| In other countries | 14,708 | 10,748 | (139,862) |
| Effect of change in Peruvian tax rates | - | (13,992) | - |
| | (3,556) | 28,228 | (117,195) |
| Total | 1,393,286 | 1,281,448 | 1,197,207 |

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

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

| | 2017 S/(000) | 2016 S/(000) |
|---|-----------------|-----------------|
| Deferred income tax asset, net | | |
| Deferred asset | | |
| Allowance for loan losses | 604,828 | 545,716 |
| Tax loss carry forward | 13,332 | 38,856 |
| Provision for sundry expenses | 44,885 | 38,326 |
| Unrealized loss due to valuation of cash flow hedge derivatives | 22,039 | 2,105 |
| Provision for sundry risks | 20,173 | 17,731 |
| Impairments in buildings for rent depreciation | 17,489 | 18,641 |
| Unrealized loss on hedged bonds | 3,047 | 43,252 |
| Unrealized loss due to valuation of available-for-sale investments | 2,563 | 6,001 |
| Others | 40,447 | 35,344 |
| Deferred liability | | |
| Intangibles, net | (132,553) | (86,746) |
| Buildings depreciation | (70,515) | (73,322) |
| Adjustment for difference in exchange of SUNAT and SBS | (35,660) | (40,096) |
| Unrealized gain due to valuation of derivative financial instruments for hedging purposes | (8,431) | (7,216) |
| Unrealized gain due to valuation of available-for-sale investments | (8,095) | (6,142) |
| Deferred acquisitions costs - DAC | (12,855) | (8,597) |
| Buildings revaluation | (5,917) | (6,589) |
| Others | (14,720) | (11,220) |
| Total | 480,057 | 506,044 |
| Deferred income tax liability, net | | |
| Deferred asset | | |
| Carry forward tax losses | 14,039 | - |
| Provision for sundry risks, net | 8,750 | 4,560 |
| Deferred income due to commission - DIL | 8,326 | 8,829 |
| Others | 12,900 | 23,607 |
| Deferred liability | | |
| Intangibles, net | (48,797) | (74,975) |
| Unrealized gain due to valuation of investments available for sale. | (41,910) | (36,721) |
| Gain generated in the reorganization of Pacífico EPS | (39,515) | (39,515) |
| Deferred acquisitions costs - DAC | (30,322) | (12,945) |
| Catastrophic insurance reserve | (9,561) | (10,062) |
| Leasing operations related to loans | (5,063) | (5,311) |
| Buildings revaluation | (2,578) | (4,664) |
| Others | (16,549) | (25,444) |

| | | |
|-------|-----------|-----------|
| Total | (150,280) | (172,641) |
|-------|-----------|-----------|

At December 31, 2017, 2016 and 2015, Credicorp and its Subsidiaries have recorded deferred income tax balance of S/33.8 million, S/42.0 million and S/30.9 million, respectively, resulting from unrealized gains and losses on available-for-sale investments and cash flow hedges.

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The Peruvian Tax Authority have the right to review and, if necessary, amend the annual income tax returns filed by d) Peruvian subsidiaries up to four years after their filing date. Income tax returns of the major subsidiaries open for examination by the tax authorities are as follows:

| | |
|---|--------------|
| Banco de Crédito del Perú | 2012 to 2017 |
| Mibanco | 2014 to 2017 |
| Prima AFP | 2013 to 2017 |
| Pacífico Compañía de Seguros y Reaseguros | 2013 to 2017 |
| Pacífico Peruano Suiza | 2013 to 2017 |

On December 28, 2017 and January 18, 2018, the Peruvian Tax Authority notified the initial Presentation and Requirement Letters for the examination of the income tax returns of Banco de Crédito for fiscal years 2012 and 2013, respectively.

Furthermore, in December 2017, the Peruvian tax Authority notified Prima AFP of the examination of its income tax returns for fiscal 2015.

The Bolivian, Chilean and Colombian Tax Authorities have the power to review and, if applicable, make a new determination for the income tax calculated by the subsidiaries located in said countries in the previous 8 years, 3 years and 3 years, respectively, upon presentation of their Income Tax declarations. Additionally, in the case of Colombia, a period of 6 years was established for the taxpayers obliged to apply Transfer Prices or taxpayers who report tax losses. The annual income tax declarations pending examination by the overseas tax authorities are the following:

| | |
|-----------------------------|--------------|
| Banco de Crédito de Bolivia | 2009 to 2017 |
| Credicorp Capital Colombia | 2014 to 2017 |
| Inversiones IMT S.A. | 2014 to 2017 |

Since tax regulations are subject to interpretation by the different Tax Authorities where Credicorp's subsidiaries are located, it is not possible to determine at the present date whether any significant additional liabilities may arise from any eventual tax examinations of the Credicorp's subsidiaries. Any resulting unpaid taxes, tax penalties or interest that may arise will be recognized as expenses in the year in which they are determined. However, Management of Credicorp and its Subsidiaries and their legal counsel consider that any additional tax assessments would not have a significant impact on the consolidated financial statements as of December 31, 2017 and 2016.

19 SHARE-BASED COMPENSATION PLANS

As indicated in Note 3(x), in March of each year, the Group grants its own shares to certain key employees. The awarded shares are liberated in the three following years for up to 33.3 percent of the shares granted in each of the three previous years. The Group assumes the payment of the related income tax on behalf of its employees, which corresponds to 30 percent of the benefit.

At December 31, 2017, 2016 and 2015, the Group has granted 140,812, 140,498 and 124,601, Credicorp shares, of which 276,011, 277,436 and 269,832 shares were pending delivery as of December 31, 2017, 2016 and 2015, respectively. During those years, the recorded expense amounted to approximately S/62.0 million, S/73.9 million and S/65.5 million, respectively.

20 OFF-BALANCE SHEET ACCOUNTS

a) This item consists of the following:

| | 2017 S/(000) | 2016 S/(000) |
|---|-----------------|-----------------|
| Contingent credits – indirect loans (b), Note 7(a) | | |
| Guarantees and standby letters | 17,688,087 | 18,000,311 |
| Import and export letters of credit | 1,681,472 | 1,831,674 |
| | 19,369,559 | 19,831,985 |
| Responsibilities under credit line agreements (c) | 23,553,406 | 25,812,963 |
| Total | 42,922,965 | 45,644,948 |

Reference values of operations with derivatives are recorded in off-balance sheet accounts in the committed currency, as shown in Note 12(b).

In the normal course of their business, the Group's banking subsidiaries are party to transactions with off-balance sheet risk. These transactions expose them to credit risk in addition to the amounts recognized in the consolidated statement of financial position.

Credit risk for contingent credits is defined as the possibility of sustaining a loss because one of the parties to a financial instrument fails to comply with the terms of the contract. The risk of credit losses is represented by the contractual amounts specified in the related contracts. The Group applies the same credit policies in making contingent commitments and other obligations as it does for on-balance sheet instruments (Note 7(a)), including the requirement to obtain collateral when it is deemed necessary.

Collateral held varies, but may include deposits in financial institutions, securities or other assets. Many of the contingent transactions reach maturity without any performance being required; therefore, the total committed amounts do not necessarily represent future cash requirements.

c) Lines of credit conceded include consumer loans and other consumer loan facilities (credit card receivables) granted to clients and are cancelable upon related notice to the customer.

21 INTEREST, SIMILAR INCOME AND SIMILAR EXPENSES

This item consists of the following:

| | 2017 S/(000) | 2016 S/(000) | 2015 S/(000) |
|---|-----------------|-----------------|-----------------|
| Interest and similar income | | | |
| Interest on loans | 9,546,454 | 9,479,867 | 8,706,372 |
| Interest on available-for-sale investments | 951,981 | 828,004 | 716,786 |
| Interest on held-to-maturity investments | 234,380 | 190,466 | 136,579 |
| Interest on trading securities | 113,484 | 86,568 | 68,538 |
| Interest on due from banks | 88,359 | 48,626 | 32,818 |
| Dividends received | 52,906 | 51,831 | 55,594 |
| Other interest and similar income | 43,119 | 87,693 | 67,402 |
| Total | 11,030,683 | 10,773,055 | 9,784,089 |
| Interest and similar expense | | | |
| Interest on deposits and obligations | (1,132,041) | (1,062,751) | (859,797) |
| Interest on bonds and notes issued | (835,255) | (805,351) | (753,174) |
| Interest on due to banks and correspondents | (763,436) | (822,514) | (758,396) |
| Other interest and similar expense | (228,464) | (224,098) | (155,766) |
| Total | (2,959,196) | (2,914,714) | (2,527,133) |

22

COMMISSIONS AND FEES

This item consists of the following:

| | 2017 S/(000) | 2016 S/(000) | 2015 S/(000) |
|---|-----------------|-----------------|-----------------|
| Maintenance of accounts, transfers and credit and debit card services | 1,251,935 | 1,146,082 | 1,128,067 |
| Funds management | 505,215 | 467,558 | 476,277 |
| Contingent loans and foreign trade fees | 279,211 | 260,704 | 214,501 |
| Collection services | 235,369 | 331,885 | 344,375 |
| Commissions for banking services | 290,855 | 202,863 | 215,478 |
| Brokerage, securities and custody services | 142,288 | 166,581 | 70,437 |
| Others | 206,535 | 195,888 | 195,056 |
| Total | 2,911,408 | 2,771,561 | 2,644,191 |

23 NET PREMIUMS EARNED

This item consists of the following:

| | Gross premiums (*) | Premiums ceded to reinsurers, net (**) | Assumed from other companies, net | Net premiums earned | Percentage of assumed net premiums |
|-------------------|--------------------|--|---|------------------------|--|
| | S/(000) | S/(000) | S/(000) | S/(000) | % |
| 2017 | | | | | |
| Life insurance | 949,515 | (108,378) |) - | 841,137 | - |
| Health insurance | 434,808 | (13,568) |) - | 421,240 | - |
| General insurance | 920,595 | (377,857) |) 3,225 | 545,963 | 0.59 |
| Total | 2,304,918 | (499,803) |) 3,225 | 1,808,340 | 0.18 |
| 2016 | | | | | |
| Life insurance | 876,315 | (37,725) |) - | 838,590 | - |
| Health insurance | 415,152 | (10,011) |) 188 | 405,329 | 0.05 |
| General insurance | 1,005,426 | (455,850) |) 5,620 | 555,196 | 1.01 |
| Total | 2,296,893 | (503,586) |) 5,808 | 1,799,115 | 0.32 |
| 2015 | | | | | |
| Life insurance | 857,576 | (36,971) |) - | 820,605 | - |
| Health insurance | 388,002 | (9,186) |) 700 | 379,516 | 0.18 |
| General insurance | 948,177 | (423,955) |) 9,635 | 533,857 | 1.80 |
| Total | 2,193,755 | (470,112) |) 10,335 | 1,733,978 | 0.60 |

(*) Includes the annual variation of the unearned premiums and other technical reserves.

(**) "Premiums ceded to reinsurers, net" include:

| | 2017 S/(000) | 2016 S/(000) | 2015 S/(000) |
|---|-----------------|-----------------|-----------------|
| Premiums ceded for automatic contracts (mainly excess of loss), Note 9(b) | (257,617) | (201,892) | (145,618) |
| Premiums ceded for facultative contracts, Note 9(b) | (263,378) | (292,555) | (331,329) |
| Annual variation for unearned premiums ceded reserves, Note 9(b) | 21,192 | (9,139) | 6,835 |
| | (499,803) | (503,586) | (470,112) |

b) Gross premiums earned by insurance type and their participation in total gross premiums are described below:

| | 2017 S/(000) | % | 2016 S/(000) | % | 2015 S/(000) | % |
|-------------------------|-----------------|--------|-----------------|--------|-----------------|--------|
| Life insurance (i) | 949,515 | 41.20 | 876,315 | 38.16 | 857,576 | 39.09 |
| Health insurance (ii) | 434,808 | 18.86 | 415,152 | 18.07 | 388,002 | 17.69 |
| General insurance (iii) | 920,595 | 39.94 | 1,005,426 | 43.77 | 948,177 | 43.22 |
| Total | 2,304,918 | 100.00 | 2,296,893 | 100.00 | 2,193,755 | 100.00 |

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

| | 2017 | | 2016 | | 2015 | |
|--|---------|--------|---------|--------|---------|--------|
| | S/(000) | % | S/(000) | % | S/(000) | % |
| Credit life | 436,443 | 45.96 | 366,623 | 41.83 | 343,643 | 40.07 |
| Group life | 117,580 | 12.38 | 118,634 | 13.54 | 187,857 | 21.91 |
| Disability and survival (*) | 237,559 | 25.02 | 214,310 | 24.46 | 116,251 | 13.56 |
| Annuities | 26,093 | 2.75 | 28,799 | 3.29 | 16,853 | 1.96 |
| Individual life and personal accidents | 131,840 | 13.89 | 147,949 | 16.88 | 192,972 | 22.50 |
| Total life insurance gross premiums | 949,515 | 100.00 | 876,315 | 100.00 | 857,576 | 100.00 |

(*) This item includes Complementary Work Risk Insurance (“SCTR” from its Spanish acronym).

Health insurance gross premium includes medical assistance which amounts to S/386.3 million at December 31, (ii) 2017, (S/371.2 and S/348.8 at December 31, 2016 and 2015, respectively) and represents 88.83 percent of this line of business at 2017 (89.42 and 89.9 percent at 2016 and 2015, respectively).

(iii) General insurance gross premiums consists of the following:

| | 2017 | | 2016 | | 2015 | |
|-------------------------------------|---------|--------|-----------|--------|---------|--------|
| | S/(000) | % | S/(000) | % | S/(000) | % |
| Automobile | 308,910 | 33.56 | 335,790 | 33.39 | 319,130 | 33.66 |
| Fire and allied lines | 241,498 | 26.23 | 274,206 | 27.27 | 212,197 | 22.38 |
| Theft and robbery | 81,699 | 8.87 | 79,588 | 7.92 | 73,305 | 7.73 |
| Technical lines (*) | 62,724 | 6.81 | 70,640 | 7.03 | 74,182 | 7.82 |
| Transport | 46,534 | 5.05 | 51,697 | 5.14 | 61,424 | 6.48 |
| Third party liability | 44,536 | 4.84 | 42,968 | 4.27 | 41,815 | 4.41 |
| Marine Hull | 27,317 | 2.97 | 27,954 | 2.78 | 21,851 | 2.30 |
| Aviation | 25,185 | 2.74 | 55,149 | 5.49 | 64,380 | 6.79 |
| SOAT (Mandatory automobile line) | 24,573 | 2.67 | 20,830 | 2.07 | 23,608 | 2.49 |
| Others | 57,619 | 6.26 | 46,604 | 4.64 | 56,285 | 5.94 |
| Total life insurance gross premiums | 920,595 | 100.00 | 1,005,426 | 100.00 | 948,177 | 100.00 |

(*) Technical lines include Contractor's All Risk (CAR), Machinery breakdown, All Risk (EAR), Electronic equipment (EE), All Risk Contractor's Equipment (ARCE).

24NET CLAIMS INCURRED FOR LIFE, GENERAL AND HEALTH INSURANCE CONTRACTS

This item consists of the following:

| | 2017 | | | |
|--------------------------|-----------|------------|-----------|------------|
| | Life | General | Health | Total |
| | insurance | insurance | insurance | |
| | S/(000) | S/(000) | S/(000) | S/(000) |
| Gross claims, Note 15(b) | 646,026 | 661,108 | 294,557 | 1,601,691 |
| Ceded claims, Note 9(b) | (79,845) | (391,263) | (12,279) | (483,387) |
| Net insurance claims | 566,181 | 269,845 | 282,278 | 1,118,304 |

| | 2016 | | | |
|--------------------------|-----------|------------|-----------|------------|
| | Life | General | Health | Total |
| | insurance | insurance | insurance | |
| | S/(000) | S/(000) | S/(000) | S/(000) |
| Gross claims, Note 15(b) | 618,274 | 351,227 | 274,902 | 1,244,403 |
| Ceded claims, Note 9(b) | (28,128) | (106,450) | (10,920) | (145,498) |
| Net insurance claims | 590,146 | 244,777 | 263,982 | 1,098,905 |

| | 2015 | | | |
|-------------------------|-----------|-----------|-----------|------------|
| | Life | General | Health | Total |
| | insurance | insurance | insurance | |
| | S/(000) | S/(000) | S/(000) | S/(000) |
| Gross claims | 546,645 | 341,470 | 263,438 | 1,151,553 |
| Ceded claims, Note 9(b) | (26,490) | (85,109) | (8,295) | (119,894) |
| Net insurance claims | 520,155 | 256,361 | 255,143 | 1,031,659 |

25SALARIES AND EMPLOYEES BENEFITS

This item consists of the following:

| 2017 | 2016 | 2015 |
|---------|---------|---------|
| S/(000) | S/(000) | S/(000) |

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| | | | |
|--|-----------|-----------|-----------|
| Salaries | 1,662,327 | 1,622,065 | 1,594,538 |
| Vacations, medical assistance and others | 361,511 | 316,345 | 309,096 |
| Bonuses | 237,192 | 233,163 | 221,654 |
| Workers' profit sharing | 220,967 | 194,851 | 230,701 |
| Social security | 205,714 | 172,090 | 172,909 |
| Additional Participation | 188,870 | 200,120 | 160,336 |
| Severance indemnities | 132,396 | 130,179 | 123,552 |
| Share-based payment plans | 62,043 | 73,930 | 65,532 |
| Total | 3,071,020 | 2,942,743 | 2,878,318 |

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26 ADMINISTRATIVE EXPENSES

This item consists of the following:

| | 2017 S/(000) | 2016 S/(000) | 2015 S/(000) |
|----------------------------------|-----------------|-----------------|-----------------|
| Repair and maintenance | 414,784 | 423,219 | 387,222 |
| Publicity | 304,119 | 300,401 | 273,881 |
| Taxes and contributions | 259,523 | 270,932 | 249,474 |
| Rental | 230,257 | 226,301 | 214,012 |
| Consulting and professional fees | 206,224 | 183,751 | 177,145 |
| Transport and communications | 176,273 | 188,444 | 195,118 |
| Sundry supplies | 49,935 | 45,878 | 46,027 |
| Others (*) | 517,708 | 455,752 | 452,923 |
| Total | 2,158,823 | 2,094,678 | 1,995,802 |

(*) The balance is made up mainly of security and protection, cleaning service, representation expenses, light and water, insurance expenses, subscription expenses, Agentes BCP commission expenses.

27 OTHER INCOME AND EXPENSES

This item consists of the following:

| | 2017 S/(000) | 2016 S/(000) | 2015 S/(000) |
|---|-----------------|-----------------|-----------------|
| Other income | | | |
| Income from premiums commissions and technical insurance income | 127,729 | 136,919 | 133,828 |
| Rental income | 43,118 | 37,324 | 26,357 |
| Recoveries of other accounts receivable and other assets | 14,824 | 4,660 | 1,481 |
| Net gain from sale of seized and recovered assets | 2,494 | 1,377 | 4,195 |
| Others (*) | 208,518 | 164,180 | 159,805 |
| Total other income | 396,683 | 344,460 | 325,666 |
| Other expenses | | | |
| Commissions from insurance activities | 277,878 | 272,949 | 231,521 |
| Sundry technical insurance expenses | 119,355 | 102,670 | 95,857 |
| Losses due to operational risk | 55,477 | 37,407 | 21,439 |
| Expenses on improvements in building for rent | 42,083 | 43,775 | 45,266 |

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| | | | |
|---|---------|---------|---------|
| Provision for sundry risks, Note 12(d) | 29,023 | 28,093 | 38,248 |
| Provision for other accounts receivable | 19,316 | 8,239 | 12,516 |
| Administrative and tax penalties | 8,387 | 16,374 | 5,581 |
| Put option write on non-controlling interests | - | 11,890 | 8,972 |
| Loss from sale adjudicated assets | - | 1,426 | 783 |
| Others | 84,028 | 86,252 | 74,189 |
| Total other expenses | 635,547 | 609,075 | 534,372 |

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The balance mainly comprises property sales, liquidation for sale of shares of Credicorp, penalty for breach of contract, commissions for recovery in civil and judicial lawsuits of Personal Credits and Credit Card products; also, collection of commission for relocation, vehicle taxes, municipal property taxes, fines and penalties to clients related to the Leasing product.

28 EARNINGS PER SHARE

The net earnings per ordinary share were determined based on the net income attributable to equity holders of the Group as follows:

| | 2017 S/000 | 2016 S/000 | 2015 S/000 |
|--|---------------|---------------|---------------|
| Net income attributable to equity holders of Credicorp (in thousands of soles) | 4,091,753 | 3,514,582 | 3,092,303 |
| Number of stock | | | |
| Ordinary stock, Note 17(a) | 94,382,317 | 94,382,317 | 94,382,317 |
| Less – beginning balance of treasury stock | (14,915,537) | (14,903,833) | (14,894,664) |
| Acquisition of treasury stock, net | 3,088 | (8,778) | (6,877) |
| Weighted average number of ordinary shares for basic earnings | 79,469,868 | 79,469,706 | 79,480,776 |
| Plus - dilution effect - stock awards | 220,296 | 143,903 | 128,373 |
| Weighted average number of ordinary shares adjusted for the effect of dilution | 79,690,164 | 79,613,609 | 79,609,149 |
| Basic earnings per share (in soles) | 51.49 | 44.23 | 38.91 |
| Diluted earnings per share (in soles) | 51.35 | 44.15 | 38.84 |

29 OPERATING SEGMENTS

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

Banking -

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

Insurance -

Principally comprising the issue of insurance policies to cover losses in commercial property, transportation, marine vessels, automobile, life, health and pension funds.

Pension funds -

Providing services of private pension fund management to affiliated pensioners.

Investment banking -

Provide investment brokerage and management to a broad and diverse clientele, including corporations, institutional investors, governments and foundations. Also the structuring, and placement of issues in the primary market, as well as the execution and negotiation of operations in the secondary market. Additionally, it structures securitization processes for companies and manages mutual funds.

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

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

No revenue from transactions with a single external customer or counterparty amounted to 10 percent or more of the Group's total revenue in the years 2017, 2016 and 2015.

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The table below shows (in millions of soles) a breakdown of the Group's total income, operating income and (i) non-current assets; classified by location of customers and assets, respectively for the years ended December 31, 2017, 2016 and 2015:

| 2017 | Total income (*) | Operating income (**) | Allowance for loan losses, net of recoveries | Depreciation and amortization | Impairment of available for sale assets | Income before income tax | Income tax | Net profit | Capital expenditures intangibles and goodwill | Total assets | Total liabilities |
|--------------------|------------------|-----------------------|--|-------------------------------|---|--------------------------|------------|------------|---|--------------|-------------------|
| Banking | 14,071 | 8,154 | (1,789) | (326) | (8) | 4,886 | (1,266) | 3,620 | 339 | 145,999 | 128,324 |
| Insurance | 2,474 | 619 | - | (49) | - | 353 | (28) | 325 | 59 | 10,988 | 8,409 |
| Pension funds | 392 | 1 | - | (23) | - | 206 | (66) | 140 | 10 | 798 | 243 |
| Investment banking | 791 | (12) | - | (22) | 7 | 130 | (33) | 97 | 8 | 12,687 | 11,243 |
| Total consolidated | 17,728 | 8,762 | (1,789) | (420) | (1) | 5,575 | (1,393) | 4,182 | 416 | 170,472 | 148,219 |
| 2016 | Total income (*) | Operating income (**) | Allowance for loan losses, net of recoveries | Depreciation and amortization | Impairment of available for sale assets | Income before income tax | Income tax | Net profit | Capital expenditures intangibles and goodwill | Total assets | Total liabilities |
| Banking | 13,059 | 7,890 | (1,785) | (319) | (16) | 4,175 | (1,127) | 3,048 | 326 | 142,775 | 125,998 |
| Insurance | 2,577 | 666 | - | (45) | 1 | 355 | (51) | 304 | 44 | 9,789 | 7,646 |
| Pension funds | 411 | 1 | - | (21) | - | 225 | (70) | 155 | 8 | 757 | 245 |
| Investment banking | 712 | 2 | - | (22) | 1 | 136 | (33) | 103 | 9 | 3,114 | 2,430 |
| Total consolidated | 16,759 | 8,559 | (1,785) | (407) | (14) | 4,891 | (1,281) | 3,610 | 387 | 156,435 | 136,319 |
| 2015 | Total income (*) | Operating income (**) | Allowance for loan losses, net of recoveries | Depreciation and amortization | Impairment of available for sale assets | Income before income tax | Income tax | Net profit | Capital expenditures intangibles and goodwill | Total assets | Total liabilities |
| Banking | 12,395 | 7,328 | (1,881) | (232) | (57) | 3,692 | (1,032) | 2,659 | 272 | 142,963 | 129,189 |

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| | | | | | | | | | | | |
|-----------------------|--------|-------|----------|--------|-------|-------|----------|-------|-----|---------|---------|
| Insurance | 2,439 | 630 | - | (42) | 13 | 424 | (74) | 350 | 144 | 9,059 | 7,270 |
| Pension funds | 403 | (1) | - | (19) | - | 228 | (66) | 162 | 2 | 766 | 247 |
| Investment banking | 528 | 2 | - | (103) | - | 17 | (25) | (8) | 7 | 2,692 | 2,047 |
| Total consolidated | 15,765 | 7,959 | (1,881) | (396) | (44) | 4,361 | (1,197) | 3,163 | 425 | 155,480 | 138,753 |

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The following table presents (in millions of soles) the distribution of the external revenue, operating revenue and (ii) non-current assets of the Group; all assigned based on the location of the clients and assets, respectively, at December 31, 2017, 2016 and 2015:

| | At December 31, 2017 | | | | At December 31, 2016 | | | | At December 31, 2015 | | | |
|-----------------------------|------------------------|-----------------------------|-------------------------------|----------------------|------------------------|-----------------------------|-------------------------------|----------------------|------------------------|-----------------------------|-------------------------------|----------------------|
| | Total income (*) | Operating income (**) | on current assets (***) | Total liabilities | Total income (*) | Operating income (**) | on current assets (***) | Total liabilities | Total income (*) | Operating income (**) | on current assets (***) | Total liabilities |
| Perú | 11,668 | 8,199 | 2,976 | 130,953 | 11,388 | 8,051 | 2,994 | 119,813 | 10,907 | 7,533 | 3,070 | 121,870 |
| Panama | 4,274 | 37 | 121 | 933 | 3,791 | 27 | 124 | 1,254 | 3,491 | 23 | 104 | 2,233 |
| Cayman Islands | 512 | 183 | 5 | 5,250 | 466 | 147 | 5 | 5,695 | 490 | 129 | 5 | 5,940 |
| Bolivia | 813 | 338 | 102 | 8,490 | 682 | 321 | 79 | 7,246 | 507 | 267 | 79 | 6,672 |
| Colombia | 286 | 10 | 145 | 1,573 | 264 | 17 | 172 | 1,396 | 233 | 12 | 172 | 1,500 |
| United States of America | 8 | - | - | 2 | 8 | - | - | 2 | 5 | - | - | 3 |
| Chile | 167 | (5) | 139 | 1,018 | 160 | (4) | 138 | 913 | 132 | (5) | 142 | 535 |
| Total | | | | | | | | | | | | |
| Consolidated total | 17,728 | 8,762 | 3,488 | 148,219 | 16,759 | 8,559 | 3,512 | 136,319 | 15,765 | 7,959 | 3,572 | 138,753 |

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

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

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

30 TRANSACTIONS WITH RELATED PARTIES

a) The Group's consolidated financial statements at December 31, 2017 and 2016 include transactions with related companies, the Board of Directors, the Group's key executives (defined as the Management of Credicorp) and the companies which are controlled by these individuals through their majority shareholding or their role as Chairman or CEO.

b) The table below shows the main transactions with related parties as of December 31, 2017 and 2016:

| | 2017 S/000 | 2016 S/000 |
|---|---------------|---------------|
| Statement of financial situation - | | |
| Direct loans | 1,468,211 | 1,181,648 |
| Available-for-sale investments and trading securities | 715,490 | 433,517 |
| Deposits | (1,022,462) | (264,564) |
| Trading derivatives | (2,674) | 1,074 |
| Statement of income | | |
| Interest income related to loans – income | 23,992 | 28,872 |
| Interest expenses related to deposits – expense | (8,342) | (8,001) |
| Other income | 7,247 | 9,098 |
| Off balance sheet | | |
| Contingent credits | 385,360 | 236,106 |

All transactions with related parties are made in accordance with normal market conditions available to other customers. At December 31, 2017, direct loans to related companies are secured by collaterals, had maturities between January 2018 and July 2028 at an annual average interest rate of 6.01 percent (at December 31, 2016 they had maturities between January 2017 and September 2026 and bore an annual average interest rate of 7.15 percent). Also, at December 31, 2017 and 2016, the Group maintains an allowance for loan losses to related parties amounting to S/7.2 million and S/6.4 million, respectively.

d) At December 31, 2017 and 2016, directors, officers and employees of the Group have been involved, directly and indirectly, in credit transactions with certain subsidiaries of the Group, as permitted by Peruvian Banking and Insurance Law N°26702, which regulates and limits certain transactions with employees, directors and officers of a bank or an insurance company. At December 31, 2017 and 2016, direct loans to employees, directors, key management and family members amounted to S/957.2 million and S/1,015.9 million, respectively; they are repaid monthly and earn interest at market rates.

e)

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The Group's key executives' compensation (including the related income taxes assumed by the Group) as of December 31, 2017, 2016 and 2015 was as follows:

| | 2017 S/000 | 2016 S/000 | 2015 S/000 |
|-----------------|---------------|---------------|---------------|
| Salaries | 41,211 | 43,177 | 37,255 |
| Directors' fees | 7,105 | 7,351 | 6,692 |
| Total | 48,316 | 50,528 | 43,947 |

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Additionally, approximately S/32.1 million of stock awards vested at December 31, 2017 (S/30.1 million and S/22.3 million at December 31, 2016 and 2015, respectively). The related income tax is assumed by the Group.

At December 31, 2017 and 2016 the Group holds interests in various mutual funds and hedge funds managed by f) certain of the Group's Subsidiaries; those interests are classified as trading securities or available-for-sale investments.

The details of the mutual funds classified as available-for-sale are presented below:

| | 2017 S/000 | 2016 S/000 |
|---|----------------|----------------|
| Held-for-trading and available-for-sale investments | | |
| Mutual funds – Soles | 125,056 | 2,741 |
| Mutual funds – Bolivianos | 77,804 | 88,838 |
| Mutual funds – U.S. Dollars | 40,588 | 38,436 |
| Mutual funds – Colombian pesos | 21,525 | 1,747 |
| Mutual funds – Chilean pesos | 14,267 | 13,501 |
| Total | 279,240 | 145,263 |
| Restricted Mutual Funds | 416,696 | 368,418 |

31 FINANCIAL INSTRUMENTS CLASSIFICATION

The table below shows the carrying amounts of the financial assets and liabilities captions in the consolidated statement of financial position, by categories as defined under IAS 39:

| | At December 31, 2017 Financial assets and liabilities measured at fair value | | | | | | | At December 31, 2016 Financial assets and liabilities measured at fair value |
|--|---|------------------------------------|----------------------------------|---|---|--|------------------|---|
| | Held for trading or hedging S/(000) | Designated at inception S/(000) | Loans and receivables S/(000) | Investments available for-sale S/(000) | Investments held-to-maturity S/(000) | Liabilities at amortized cost S/(000) | Total S/(000) | Held for trading or hedging S/(000) |
| Assets | | | | | | | | |
| Cash and due from banks | - | - | 23,221,987 | - | - | - | 23,221,987 | - |
| Cash collateral, reverse repurchase agreements and securities borrowings | - | - | 7,480,420 | - | - | - | 7,480,420 | - |
| Trading securities | 4,024,737 | - | - | - | - | - | 4,024,737 | 4,015,019 |
| Available-for-sale investments | - | - | - | 24,423,891 | - | - | 24,423,891 | - |
| Held-to-maturity Investments | - | - | - | - | 4,413,373 | - | 4,413,373 | - |
| Loans, net | - | - | 95,977,277 | - | - | - | 95,977,277 | - |
| Financial assets designated at fair value through profit or loss | - | 537,685 | - | - | - | - | 537,685 | - |
| Premiums and other policies receivable | - | - | 656,829 | - | - | - | 656,829 | - |
| Accounts receivable from reinsurers and coinsurers | - | - | 715,695 | - | - | - | 715,695 | - |
| Due from customers on | - | - | 532,034 | - | - | - | 532,034 | - |

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| | | | | | | | | | |
|---|-----------|---------|-------------|------------|-----------|-------------|-------------|-----------|--|
| acceptances | | | | | | | | | |
| Other assets, Note 12 | 701,826 | - | 1,759,125 | - | - | - | 2,460,951 | 942,602 | |
| | 4,726,563 | 537,685 | 130,343,367 | 24,423,891 | 4,413,373 | - | 164,444,879 | 4,957,621 | |
| Liabilities | | | | | | | | | |
| Deposits and obligations | - | - | - | - | - | 97,170,411 | 97,170,411 | - | |
| Payables from repurchase agreements and security lendings | - | - | - | - | - | 13,415,843 | 13,415,843 | - | |
| Due to banks and correspondents Bankers' | - | - | - | - | - | 7,996,889 | 7,996,889 | - | |
| acceptances outstanding | - | - | - | - | - | 532,034 | 532,034 | - | |
| Financial liabilities at fair value through profit or loss | 168,089 | - | - | - | - | - | 168,089 | 209,520 | |
| Accounts payable to reinsurers and coinsurers | - | - | - | - | - | 235,185 | 235,185 | - | |
| Bonds and Notes issued | 7,986,539 | - | - | - | - | 8,255,718 | 16,242,257 | 8,412,515 | |
| Other liabilities, Note 12 | 636,762 | - | - | - | - | 3,236,251 | 3,873,013 | 673,015 | |
| | 8,791,390 | - | - | - | - | 130,842,331 | 139,633,721 | 9,295,050 | |

32 FINANCIAL RISK MANAGEMENT

The Group's activities involve principally the use of financial instruments, including derivatives. The Group accepts deposits from customers at both fixed and floating rates, for various periods, and invests these funds in high-quality assets. Additionally, it places these deposits at fixed and variable rates with legal entities and individuals, considering the finance costs and expected profitability.

The Group also trades in financial instruments where it takes positions in traded and over-the-counter instruments, including derivatives, to take advantage of market movements in equities, bonds, currencies and interest rates.

Given the Group's activities, it has a framework for risk appetite, a corner stone of our management. Our risk management processes involve continuous identification, measurement and monitoring. The Group is exposed, principally, to operating risk, credit risk, liquidity risk and market risk, strategic risk and insurance technical risk. Finally, we report on a consolidated basis the risks to which the Group is exposed.

a) Risk management structure -

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

(i) Board of Directors Credicorp -

The Board of Directors is responsible for the overall risk management approach and for the approval of the levels of risk appetite that the Group is prepared to assume. Furthermore, it approves the guidelines and policies for Integral Risk Management. On the other hand, the Board establishes an organizational culture which emphasizes the importance of risk management, oversees the internal control system and ensures the adequate performance of the compliance function.

Board of Group Companies –

The Board of each of the Group companies is responsible for aligning the risk management established by the Board of Credicorp with the context of each one of them. For that, it establishes a framework for risk appetite, policies and guidelines.

(ii)

Risk Committee -

It represents the Board of Credicorp in risk management decision-making. This Committee defines the strategies used for the adequate management of the different types of risks and the supervision of risk appetite. In addition to establishing principles, policies and general limits.

The Risk Committee is presided by a Board member of Credicorp, it is also consists of a CEOsecond member of the Board of Credicorp, a Board member of BCP, the General Manager of BCP, the Central Manager of Planning and Finance of BCP, the Central Risk Manager of BCP and the Manager of Risk Management of BCP CFO.

In addition to effectively managing all the risks, the Risk Committee is supported by the following committees which report on a monthly basis all relevant changes or issues relating to the risks being managed:

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Credit Risk Committees -

The Credit Risk Committee is responsible for reviewing the tolerance level of the credit risk appetite and the limits of exposure. As well as also proposing credit risk management norms and policies within the framework of governance and the organization for the integral management of credit risk. Furthermore, it proposes the approval of any changes to the functions described above and important findings to the Risk Committee.

Treasury and ALM (Asset Liability Management) Risk Committee -

The Treasury and ALM Risk Committee is responsible for analyzing and proposing the risk appetite and exposure level of the Treasury. It also proposes the guidelines and policies for the Treasury Risk Management and ALM, within the framework of governance and organization for the integral management of market risks. Furthermore, it is responsible for proposing the approval of any changes in the functions described above and for reporting any finding to the Risk Committee.

Operational Risk Committee -

The Operational Risk Committee is responsible for reviewing the tolerance level, the appetite for operational risk and the limits of exposure. It also proposes the norms and policies for the management of operational risks and the mechanisms for the implementation of corrective actions within the governance framework. Furthermore, it proposes the approval of any changes to the functions described above and reports any finding to the Risk Committee.

(iii)

Central Risk Management -

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

The Central Risk Management is divided into the following areas:

Credit Division -

The Credit Division is responsible for ensuring the quality of the wholesale banking portfolio in accordance with the Group's risk strategy and appetite on the basis of an efficient management of the lending process relying on well-defined lending policies and highly trained personnel with best lending practices.

Risk Management Division -

The Risk Management Division is responsible for ensuring that policies and risk management policies established by the Board of Directors are complied with and monitored. Supervise the process of risk management and coordinate the risk response with the companies of Credicorp involved in the whole process. It also has the task of informing Senior Management regarding: global exposure and by type of risk, as well as the specific exposure of each of the Group's companies.

The Risk Management Division consists of the following units: The Operational Risk and Insurance Risk Management Department, the Credit and Corporate Management Risk Department, Market Risk Management Department, Global Risk Management, Internal Validation and Risk Management Methodology and Modelling.

Retail Banking Risk Division -

This division is responsible for ensuring the quality of the retail portfolio and the development of credit policies that are consistent with the overall guidelines and policies set by the Board of Credicorp.

Treasury Risk Management –

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

(iv) Internal Audit Division and Compliance Division -

The Audit Division is in charge of monitoring on an ongoing basis the effectiveness of the risk management function of the Group, verifying compliance with laws and regulations, as well as the policies, objectives and guidelines set by the Board of Directors. On the other hand, it evaluates the sufficiency and level of integration of the Group's information and database systems. Finally, it ensures that independence is maintained between the functions of the risk management and business units, for each of the Group's companies.

The Compliance Division is responsible for ensuring applicable laws and regulations and the internal Code of Ethics are adhered to.

b) Risk measurement and reporting systems -

Credicorp has independent databases that are subsequently integrated through corporate reports. These reports enable it to monitor at an aggregate and detailed level, the different types of risks to which each company is exposed. The system provides it the ability to comply with the needs for revision of the risk appetite requested by the above-mentioned committees and areas; as well as also complying with regulatory requirements.

c) Risk mitigation -

Depending on the type of risk, the Group uses mitigating instruments to reduce its exposure, such as guarantees, derivatives, controls, insurance, among others. Furthermore, it has policies linked to risk appetite and established procedures for each type of risk.

The Group actively uses guarantees to reduce its credit risks.

d)

Risk appetite -

In the different subsidiaries of the Group, the respective Boards approve the risk appetite framework to define the maximum level of risk that the organization is willing to take in seeking to accomplish its strategic and financial objectives. This Risk Appetite framework is based on primary and secondary objectives:

Primary objectives are intended to preserve the strategic pillars of the organization, defined as solvency, liquidity, profit and growth, stability of results and balance structure.

Secondary objectives are intended to monitor on a qualitative and quantitative basis the various risks to which the Group is exposed, as well as defining a tolerance threshold of each of those risks, so the risk profile set by the Board is preserved and any risk focus is anticipated on a more granular basis.

Risk appetite is instrumented through the following elements:

- Risk appetite statement: It makes explicit the general principles and the qualitative declarations which complement the Bank's risk strategy.
- Metrics scorecard: These are used to define the levels of risk exposure in the different strategic pillars.
- Limits: Allows to take over the risk-taking process within the tolerance established by the Board. They also provide accountability for the risk-taking process and define guidelines regarding the target risk profile.
- Government of the risk appetite process: Seeks to guarantee compliance of the framework through the different roles and responsibilities assigned to the units involved.

e) Risk concentration -

Concentrations arise when a reduced and representative number of all of the counterparties of the Group are engaged in similar business activities, or activities in the same geographic region, or have similar economic, political or other conditions.

In order to avoid excessive concentrations of risk, the policies and procedures include specific guidelines to guarantee a diversified portfolio.

32.1 Credit risk -

- a) The Group takes on exposure to credit risk, which is the probability of suffering losses caused by debtors or counterparties failing to comply with payment obligations in on or off the balance sheet exposures.

Credit risk is the most important risk for the Group's business; therefore, Management carefully manages its exposure to credit risk. Credit exposures arise principally from lending activities that lead to direct loans; they also result from investment activities. There is also credit risk in off-balance sheet financial instruments, such as contingent credits (indirect loans), which expose Credicorp to similar risks to direct loans. Likewise, credit risk arises from derivative financial instruments showing positive fair values. Finally, all exposure to credit risk (direct or indirect) is mitigated by the control processes and policies.

As part of the management of this type of risk, Credicorp assigns impairment provisions for its loan portfolio at the date of the statement of financial position.

The Group defines the levels of credit risk assumed based on risk exposure limits, which are frequently monitored. Said limits are established in relation to one borrower or group of borrowers, geographical and industry segments. Furthermore, the risk limits by product, industry sector and by geographical segment are approved by the Risk Committee.

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

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(i) Collateral -

The Group employs a range of policies and practices to mitigate credit risk. The most traditional of these is collateralize with guarantees part of the loan portfolio. The Group implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The main types of collateral obtained are as follows:

For loans and advances, collaterals include, among others, mortgages over residential properties; liens over business -assets such as plant building, inventory and accounts receivable; and liens over financial instruments such as debt securities and equity securities.

Long-term loans and financing to corporate entities, are generally not guaranteed. Loans to micro business generally -have no collateral. In order to minimize credit loss, the Group will seek additional collateral from the counterparty as soon as impairment indicators arise.

For repurchase agreements and securities lending, the collateral are represented by fixed income instruments and cash.

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

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

(ii) Derivatives -

The amount subject to credit risk is limited to the current and potential fair value of instruments that are favorable to the Group (fair value is positive). In the case of derivatives this is only a small fraction of the contract, or notional values used to express the volume of instruments outstanding. This credit risk exposure is managed as part of the total credit limits with customers, together with potential exposures from market movements. Collateral or other security is not usually obtained for this type of risk exposure. With respect to derivatives agreed with non-financial customers, collaterals have been granted to secure the overall amount; with respect to financial counterparties, collaterals granted are those required under the clearing provisions issued by the International Swaps and Derivatives Association Inc. (ISDA) or the local framework agreement.

(iii)

Credit-related commitments -

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

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

For enhanced risk identification, the Group has internal credit scoring models, which have been prepared and implemented for the main business segments. Each model is related to a defined group of scoring bands. Clients who are inside a band are characterized by having a similar risk level (within the band); however, they are different compared to the other band. For retail clients, these scoring models are highly related to management (admission, follow-up, campaigns, etc.) from different portfolios. On the other hand, for non-retail clients, ratings mainly serve as support for making credit decisions in admission, follow-up and price allocation, etc.

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

The maximum exposure to credit risk at December 31, 2017 and 2016, before the effect of mitigation through any collateral, is the carrying amount of each class of financial assets indicated in note 32.7(a), 32.7(b) and the contingent credits detailed in note 20(a).

The Management is confident of its ability to continue to controlling and maintaining minimal exposure of credit risk to the Group resulting from both its loan and securities portfolio.

c) Credit risk management for loans -

Credit risk management is mainly based on the rating and scoring of the internal models of each of the Group companies. In Credicorp, a quantitative and qualitative analysis of each customer is carried out, its financial condition and the conditions of the market in which those customers operate; for that purpose it classifies its loan portfolio into one of five pre-defined risk categories, depending upon the degree of risk of default of each debtor.

The categories used are: (i) normal - A, (ii) potential problems - B, (iii) substandard - C, (iv) doubtful - D and (v) loss - E, which have the following characteristics:

Normal (Class A):

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

Potential problems (Class B):

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

Substandard (Class C):

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

Doubtful (Class D):

Debtors of commercial loans included in this category present characteristics that make doubtful the recovery of the loan. Although the loan recovery is doubtful, if there is a reasonable possibility that in the near future the creditworthiness of the debtor might improve, a Class D categorization is appropriate. These credits are distinguished from Class E credits by the requirement that the debtor remains in operation, generates cash flow, and makes payments on the loan, although at a rate less than that specified in its contractual obligations. In addition, commercial loans are classified in this category when payments are between 121 and 365 days late. Consumer and micro-business loans are classified as Class D if payments are between 61 and 120 days late. Residential mortgage loans are Class D when payments are between 121 and 365 days late.

Loss (Class E):

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

The Group constantly reviews the loan portfolio in order to assess the completion and accuracy of its classifications.

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

Individually assessed allowance -

The methodology is applied to all of the impaired clients (classified as deficient, doubtful or loss) of Wholesale Banking and consists of estimating the loss generated by each client after deducting the present value of the future payments that he could pay and the recovery value of the guarantees, equally brought to present value.

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

Collectively assessed allowance -

The methodology is applied for the unimpaired clients of Wholesale Banking and for Retail Credits (Consumer Credits, Small and Medium Enterprise Credits and Mortgage Loans). Allowance requirements are assessed collectively for losses on loans and advances that are not individually significant (including consumer, micro-business and residential mortgages) and for individually significant loans and advances where there is not yet objective evidence of individual impairment (included in categories A and B).

Impairment losses are estimated by taking into consideration the following information: historical losses on the portfolio, and current economic conditions. The impairment allowance is then reviewed by Management to ensure alignment with the Group's overall policy.

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 the effects of changes in the economic environment.

The process to select the best estimate within the range is based on management's best judgment, complemented by historical loss experience and the Company's strategy (e.g. penetration in new segments).

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

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

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

When a loan is uncollectible, it is written off against the related provision for loan impairment. Said loans are written off after all the necessary legal procedures have been completed.

The subsequent recovery of written off loans decreases the amount of the provision for loan losses, in the consolidated statement of income.

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The following is a summary of the direct credits classified into three important groups and their respective allowance for each of the types of loans:

- (i) Loans neither past due nor impaired, comprising those direct loans having presently no delinquency characteristics and related to clients ranked as normal or potential problems;
- (ii) Past due but not impaired loans, comprising past due loans of clients classified as normal or with potential problems and
- (iii) Impaired loans, those past due loans of clients classified as substandard, doubtful or loss;

| | At December 31, 2017 | | | | | | | At December 31, 2016 | | |
|---|--------------------------------|---|--|------------------------------|------------------|----------|--|--------------------------------|---|--|
| | Commercial loans S/(000) | Residential mortgage loans S/(000) | Micro- business loans S/(000) | Consumer loans S/(000) | Total S/(000) | % | | Commercial loans S/(000) | Residential mortgage loans S/(000) | Micro- business loans S/(000) |
| Neither past due nor impaired | | | | | | | | | | |
| Normal | 55,043,920 | 14,003,445 | 12,048,576 | 10,685,098 | 91,781,039 | 96.34 % | | 50,984,455 | 13,052,249 | 11,300,000 |
| Potential problem | 1,081,497 | 61,482 | 240,063 | 104,359 | 1,487,401 | 1.56 % | | 1,367,997 | 76,585 | 182,000 |
| Past due but not impaired | | | | | | | | | | |
| Normal | 714,511 | 411,309 | 341,422 | 235,324 | 1,702,566 | 1.79 % | | 329,448 | 503,168 | 274,000 |
| Potential problem | 43,041 | 110,241 | 37,861 | 27,119 | 218,262 | 0.23 % | | 38,703 | 101,805 | 40,000 |
| Impaired | | | | | | | | | | |
| Substandard | 586,112 | 143,241 | 239,035 | 196,930 | 1,165,318 | 1.22 % | | 468,745 | 143,610 | 224,000 |
| Doubtful | 297,712 | 248,215 | 345,397 | 387,220 | 1,278,544 | 1.34 % | | 355,146 | 231,872 | 309,000 |
| Loss | 688,755 | 474,154 | 675,203 | 293,672 | 2,131,784 | 2.24 % | | 589,377 | 386,165 | 628,000 |
| Gross | 58,455,548 | 15,452,087 | 13,927,557 | 11,929,722 | 99,764,914 | 104.72 % | | 54,133,871 | 14,495,454 | 12,900,000 |
| Less Allowance for loan losses | 1,237,616 | 228,287 | 1,476,578 | 1,558,017 | 4,500,498 | 4.72 % | | 1,026,411 | 193,385 | 1,300,000 |
| Total, net | 57,217,932 | 15,223,800 | 12,450,979 | 10,371,705 | 95,264,416 | 100.00 % | | 53,107,460 | 14,302,069 | 11,600,000 |

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In accordance with IFRS 7, the entire loan balance is considered past due when debtors have failed to make a payment when contractually due.

At December 31, 2017, the renegotiated credits amount to approximately S/915.6 million, of which S/339.6 million are classified as not past due nor impaired, S/165.3 million as past due but not impaired and S/410.7 million as impaired but not past due (S/845.0 million, S/304.5 million, S/201.2 million and S/339.3 million, respectively, at December 31, 2016).

| | At December 31, 2017 | | | | | At December 31, 2016 | | | | |
|---------------------------------|--------------------------------|---|--|------------------------------|------------------|--------------------------------|---|--|------------------------------|------------------|
| | Commercial loans S/(000) | Residential mortgage loans S/(000) | Micro- business loans S/(000) | Consumer loans S/(000) | Total S/(000) | Commercial loans S/(000) | Residential mortgage loans S/(000) | Micro- business loans S/(000) | Consumer loans S/(000) | Total S/(000) |
| Impaired loans | 1,572,579 | 865,610 | 1,259,635 | 877,822 | 4,575,646 | 1,413,268 | 761,647 | 1,162,295 | 874,196 | 4,211,406 |
| Fair value of collateral | 1,692,544 | 734,397 | 34,702 | 118,472 | 2,580,115 | 1,542,874 | 639,186 | 69,503 | 93,232 | 2,344,795 |
| Allowance for loan losses | 835,786 | 119,945 | 1,045,694 | 468,342 | 2,469,767 | 813,844 | 116,796 | 1,018,242 | 456,047 | 2,404,939 |

On the other hand, the breakdown of loans classified by maturity is shown below, according to the following criteria:

- (i) Current loans comprise those loans with no current indicators of delinquency and related to customers ranked as normal and with potential problems.
- (ii) Loans current but impaired, comprising those direct loans with no current indicators of delinquency but related to customers ranked as substandard, doubtful or loss.
Loans with delays in payment of one day or more but which are not past due under our internal policies,
- (iii) comprising those direct loans related to customers ranked as normal, with potential problems, substandard, doubtful or loss.
- (iv) Internally overdue loans that are past due under our internal policies related to customers ranked as normal, with potential problems, substandard, doubtful or loss
- (v) The sum of items: loans with delays in payment from first day and the internal past due loans reflect the entire amount of “past due” loans in accordance with IFRS 7.

| | As of December 31, 2017 | | | | | As of December 31, 2016 | | | | |
|-------------------------------|-------------------------|----------------------|---|------------------------|------------|-----------------------------|---------------|----------------------|---|--|
| | Current loans | Current but impaired | Loans with delays in payments of one day or more but not internal overdue loans | Internal overdue loans | Total | Total past due under IFRS 7 | Current loans | Current but impaired | Loans with delays in payments of one day or more but not internal overdue loans | |
| | S/(000) | S/(000) | S/(000) | S/(000) | S/(000) | S/(000) | S/(000) | S/(000) | S/(000) | |
| Neither past due nor impaired | | | | | | | | | | |
| Normal | 91,781,038 | - | - | - | 91,781,038 | - | 86,434,694 | - | - | |
| Potential problems | 1,487,402 | - | - | - | 1,487,402 | - | 1,717,505 | - | - | |
| Past due but not impaired | | | | | | | | | | |
| Normal | - | - | 1,662,913 | 39,653 | 1,702,566 | 1,702,566 | - | - | 1,512,321 | |
| Potential problems | - | - | 176,861 | 41,401 | 218,262 | 218,262 | - | - | 162,730 | |
| Impaired debt | | | | | | | | | | |

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| | | | | | | | | | |
|-------------|------------|---------|-----------|-----------|------------|-----------|------------|---------|-----------|
| Substandard | - | 412,582 | 386,177 | 366,560 | 1,165,319 | 752,737 | - | 349,529 | 495,719 |
| Doubtful | - | 203,952 | 393,463 | 681,128 | 1,278,543 | 1,074,591 | - | 299,196 | 294,905 |
| Loss | - | 118,048 | 121,564 | 1,892,172 | 2,131,784 | 2,013,736 | - | 30,927 | 181,452 |
| Total | 93,268,440 | 734,582 | 2,740,978 | 3,020,914 | 99,764,914 | 5,761,892 | 88,152,199 | 679,652 | 2,647,127 |

The classification of loans by type of banking and maturity is as follows:

| | As of December 31, 2017 | | | | | As of December 31, 2016 | | | | |
|----------------------------|-------------------------|----------------------|--|------------------------|------------|-------------------------|----------------------|--|------------------------|--|
| | Current loans | Current but impaired | Loans with delay in payments of one day or more but not internal overdue loans | Internal overdue loans | Total | Current loans | Current but impaired | Loans with delay in payments of one day or more but not internal overdue loans | Internal overdue loans | |
| | S/(000) | S/(000) | S/(000) | S/(000) | S/(000) | S/(000) | S/(000) | S/(000) | S/(000) | |
| Commercial loans | 56,125,417 | 211,918 | 790,739 | 1,327,475 | 58,455,548 | 51,108,503 | 230,366 | 1,317,893 | 1,477,100 | |
| Residential mortgage loans | 14,064,927 | 185,853 | 693,482 | 507,825 | 15,452,087 | 13,266,248 | 193,819 | 626,045 | 409,342 | |
| Micro-business loans | 12,288,639 | 207,548 | 774,435 | 656,934 | 13,927,557 | 12,451,403 | 18,072 | 180,871 | 301,282 | |
| Consumer loans | 10,789,457 | 129,262 | 482,323 | 528,680 | 11,929,722 | 11,326,045 | 237,395 | 522,318 | 432,678 | |
| | 93,268,440 | 734,581 | 2,740,979 | 3,020,914 | 99,764,914 | 88,152,199 | 679,652 | 2,647,127 | 2,620,400 | |

d) Credit risk management on reverse repurchase agreements and security borrowings -

Most of these operations are performed by Credicorp Capital Colombia and Inversiones IMT. The Group has implemented credit limits for each counterparty and most of the transactions are collateralized with investment grade financial instruments issued by Colombian and Chilean entities and financial instruments issued by the Colombian and Chilean Governments.

e) Credit risk management on investments in trading securities, available-for-sale and held-to-maturity investments -

The Group evaluates the credit risk identified of each of the financial instruments in these categories, considering the risk rating granted to them by a risk rating agency. For investments traded in Peru, the risk ratings used are those provided by the three most prestigious Peruvian rating agencies (authorized by the Peruvian government regulator) and for investments traded abroad, the risk-ratings used are those provided by the three most prestigious international rating agencies.

In the event that any subsidiary uses a risk-rating prepared by any other risk rating agency, said risk-ratings are standardized with those provided by the afore-mentioned institutions.

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

| | At December 31, 2017 | | At December 31, 2016 | |
|--------------------------------|----------------------|------|----------------------|------|
| | S/(000) | % | S/(000) | % |
| Instruments rated in Peru: | | | | |
| AAA | 1,254,943 | 3.8 | 1,412,290 | 5.1 |
| AA- to AA+ | 1,313,967 | 4.0 | 1,060,347 | 3.8 |
| A- to A+ | 6,850,118 | 20.9 | 5,483,403 | 19.7 |
| BBB- to BBB+ | 2,279,478 | 7.0 | 1,919,853 | 6.9 |
| BB- to BB+ | 469,679 | 1.4 | 314,913 | 1.1 |
| Lower than +B | 4,960 | - | 22,129 | 0.1 |
| Unrated | | | | |
| BCRP certificates of deposit | 10,026,038 | 30.5 | 7,066,653 | 25.4 |
| Listed and unlisted securities | 702,384 | 2.1 | 796,961 | 2.9 |
| Restricted mutual funds | 425,300 | 1.3 | 368,418 | 1.3 |
| Mutual funds | 167,607 | 0.5 | 50,314 | 0.2 |
| Other instruments | 29,181 | 0.1 | 90,407 | 0.3 |

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| | | | | |
|----------|------------|------|------------|------|
| Subtotal | 23,523,655 | 71.6 | 18,585,688 | 66.8 |
|----------|------------|------|------------|------|

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| | At December 31, 2017 | | At December 31, 2016 | |
|---|----------------------|-------|----------------------|-------|
| | S/(000) | % | S/(000) | % |
| Instruments rated abroad: | | | | |
| AAA | 467,654 | 1.4 | 1,385,911 | 5.0 |
| AA- to AA+ | 1,040,411 | 3.2 | 677,042 | 2.4 |
| A- to A+ | 1,434,598 | 4.4 | 1,298,815 | 4.8 |
| BBB- to BBB+ | 4,179,102 | 12.7 | 3,069,547 | 11.0 |
| BB- to BB+ | 1,258,752 | 3.8 | 1,011,463 | 3.6 |
| Lower than B+ | 19,869 | 0.1 | 148,212 | 0.5 |
| Unrated: | | | | |
| Rated and unrated instruments | 211,487 | 0.6 | 586,953 | 2.1 |
| Certificates of deposit of Bolivia Central Bank | 95,042 | 0.3 | 14,644 | 0.1 |
| Participations of RAL funds | 527,729 | 1.6 | 650,804 | 2.3 |
| Mutual funds | 98,911 | 0.3 | 245,730 | 0.9 |
| Hedge funds | 1,062 | - | 1,095 | - |
| Other instruments | 3,729 | - | 143,202 | 0.5 |
| Subtotal | 9,338,346 | 28.4 | 9,233,418 | 33.2 |
| Total | 32,862,001 | 100.0 | 27,819,106 | 100.0 |

f) Concentration of financial instruments exposed to credit risk -

As of December 31, 2017 and 2016 financial instruments with exposure to credit risk were distributed considering the following economic sectors:

| | 2017 Designated at fair value through profit for loss Held for trading and hedging S/(000) | At inception S/(000) | Loans and receivables S/(000) | Investments available-for- sale S/(000) | Investments held-to- maturity S/(000) | Total S/(000) | 2016 Designated at fair value through profit for loss Held for trading and hedging S/(000) | At inception S/(000) | Loa rece S/(0 |
|--|---|----------------------------|-------------------------------------|--|--|------------------|---|----------------------------|---------------------|
| Central Reserve Bank of Peru | 2,102,330 | - | 21,630,506 | 7,925,997 | - | 31,658,833 | 2,122,662 | - | 18, |
| Financial services | 1,057,679 | 320,619 | 11,644,317 | 4,700,343 | 98,866 | 17,821,824 | 2,051,650 | 321,298 | 10, |
| Manufacturing | 23,277 | 29,508 | 14,363,997 | 1,529,261 | 13,135 | 15,959,178 | 9,886 | 12,026 | 13, |
| Mortgage loans | - | - | 14,638,363 | - | - | 14,638,363 | - | - | 13, |
| Consumer loans | - | - | 10,816,588 | - | - | 10,816,588 | - | - | 11, |
| Micro-business loans | - | - | 12,897,206 | - | - | 12,897,206 | - | - | 5,1 |
| Commerce | 52,453 | 45,130 | 11,682,985 | 248,396 | 17,950 | 12,046,914 | 35,022 | 3,693 | 14, |
| Government and public administration | 1,287,212 | 40,480 | 450,174 | 5,220,054 | 4,164,128 | 11,162,048 | 221,754 | 11,199 | 24, |
| Electricity, gas and water | 79,825 | 52,521 | 4,148,658 | 1,918,317 | 56,331 | 6,255,652 | 26,068 | 41,877 | 4,5 |
| Community services | - | - | 4,408,494 | 34,495 | - | 4,442,989 | - | - | 4,1 |
| Communications, storage and transportation | 8,285 | - | 3,991,424 | 1,182,783 | 34,477 | 5,216,969 | 8,043 | 6,659 | 4,1 |
| Mining | 7,728 | 29,249 | 3,031,376 | 329,773 | - | 3,398,126 | 40,441 | 32,380 | 2,3 |
| Construction | 51,812 | 17,820 | 1,790,431 | 400,386 | 9,333 | 2,269,782 | 45,030 | 27,033 | 1,9 |
| Agriculture | 3,342 | - | 2,272,312 | 5,447 | - | 2,281,101 | 14,992 | - | 2,2 |
| Insurance | 6,664 | - | 404,691 | - | - | 411,355 | 24,376 | - | 1,2 |
| Education, health and others services | 5,279 | 2,358 | 1,494,635 | 213,181 | - | 1,715,453 | 9,956 | 2,934 | 91, |
| | 10,391 | - | 5,306,353 | 77,161 | - | 5,393,905 | 17,359 | - | 7,1 |

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Real Estate and

Leasing

| | | | | | | | | | |
|---------|-----------|---------|-------------|------------|-----------|-------------|-----------|---------|-----|
| Fishing | 1,689 | - | 394,287 | - | - | 395,976 | 7,521 | - | 40 |
| Others | 28,597 | - | 4,976,570 | 638,297 | 19,153 | 5,662,617 | 322,861 | - | 4,2 |
| Total | 4,726,563 | 537,685 | 130,343,367 | 24,423,891 | 4,413,373 | 164,444,879 | 4,957,621 | 459,099 | 12 |

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As of December 31, 2017 and 2016 financial instruments with exposure to credit risk were distributed by the following geographical areas:

| | 2017 Designated at fair value through profit for loss Held for | | | | | | 2016 Designated at fair value through profit for loss Held for | | | |
|--------------------------|--|----------------------------|-------------------------------------|--|--|------------------|--|----------------------------|-------------------------------------|--|
| | trading and hedging S/(000) | At inception S/(000) | Loans and receivables S/(000) | Investments available-for- sale S/(000) | Investments held-to- maturity S/(000) | Total S/(000) | trading and hedging S/(000) | At inception S/(000) | Loans and receivables S/(000) | |
| Peru | 2,394,575 | 118,396 | 114,046,024 | 17,324,374 | 3,900,388 | 137,783,757 | 2,661,743 | 174,771 | 107,315 | |
| United States of America | 195,955 | 291,295 | 1,757,745 | 3,049,957 | 111,122 | 5,406,074 | 235,036 | 223,223 | 1,722,3 | |
| Bolivia | 13,372 | - | 7,516,991 | 1,213,397 | - | 8,743,760 | - | - | 6,992,9 | |
| Colombia | 1,324,999 | 28,510 | 1,619,679 | 590,387 | 138,941 | 3,702,516 | 1,245,998 | - | 1,157,1 | |
| Panama | 4,909 | - | 498,512 | 48,531 | - | 551,952 | 65 | - | 660,191 | |
| Chile | 411,276 | 22,154 | 1,906,346 | 379,465 | 72,004 | 2,791,245 | 342,613 | 29,315 | 1,597,4 | |
| Brazil | 22,476 | - | 193,120 | 44,062 | 111,168 | 370,826 | - | - | 283,056 | |
| México | 19,570 | 30,148 | 80,844 | 329,679 | 70,072 | 530,313 | - | 7,654 | 83,792 | |
| Canada | 14,804 | - | 39,477 | 74,533 | - | 128,814 | 5,819 | - | 28,295 | |
| Europe: | | | | | | | | | | |
| United Kingdom | 231,336 | - | 112,869 | 172,932 | 3,132 | 520,269 | 364,433 | - | 111,019 | |
| Others in Europe | 2,215 | - | 131,983 | 269,958 | - | 404,156 | 1,605 | - | 133,373 | |
| France | 90,845 | - | 12,883 | 48,649 | 1,639 | 154,016 | 98,556 | - | 23,465 | |
| Spain | - | - | 204,100 | 5,048 | 3,269 | 212,417 | - | - | 205,334 | |
| Switzerland | 231 | - | 89,718 | 47,027 | - | 136,976 | - | - | 171,335 | |
| The Netherlands | - | - | - | 54,251 | - | 54,251 | - | - | - | |
| Others | - | 47,182 | 2,133,076 | 771,641 | 1,638 | 2,953,537 | 1,753 | 24,136 | 516,325 | |
| Total | 4,726,563 | 537,685 | 130,343,367 | 24,423,891 | 4,413,373 | 164,444,879 | 4,957,621 | 459,099 | 121,001 | |

g) Offsetting financial assets and liabilities -

The disclosures set out in the tables below include financial assets and liabilities that:

- Are offset in the Group's consolidated statement of financial position; or
- Are subject to an enforceable master netting arrangement or similar agreement that covers similar financial statements, irrespective of whether they are offset in the statement of financial position.

The similar agreements include derivative clearing agreements, master repurchase agreements, and master securities lending agreements. Similar financial instruments include derivatives, Accounts receivable from reverse repurchase agreements and security borrowings, payables from repurchase agreements and security lendings and other financial assets and liabilities. Financial instruments such as loans and deposits are not disclosed in the tables below unless they are offset in the statement of financial position.

The offsetting framework agreement issued by the International Swaps and Derivatives Association Inc. ("ISDA") and similar master netting arrangements do not meet the criteria for offsetting in the statement of financial position, because said agreements were created in order for both parties to have an enforceable offsetting right in cases of default, insolvency or bankruptcy of the Group or the counterparties or following other predetermined events. In addition, the Group and its counterparties do not intend to settle said instruments on a net basis or to realize the assets and settle the liabilities simultaneously.

The Group receives and gives collateral in the form of cash and marketable securities in respect of the following transactions:

- Derivatives;
- Accounts receivable from reverse repurchase agreements and security borrowings;
- Payables from repurchase agreements and security lendings; and
- Other financial assets and liabilities

Such collateral adheres to standard industry terms including, when appropriate, an ISDA Credit Support Annex. This means that securities received/given as collateral can be pledged or sold during the term of the transaction but have to be returned on maturity of the transaction. The terms also give each party the right to terminate the related transactions upon the counterparty's failure to return the respective collateral.

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements:

| As of December 31, 2017 | | | | | | |
|---|--|--|---|---|---|--------------------------|
| Description | Gross amounts recognized financial assets S/(000) | Gross amounts of recognized financial liabilities and offset in the consolidated statement of financial positions S/(000) | Net of financial assets presented in the consolidated statements of financial position S/(000) | Related amounts not offset in the consolidated statement of financial position | | |
| | | | | Financial instruments S/(000) | Cash collateral received S/(000) | Net amount S/(000) |
| Receivables from derivatives | 701,826 | - | 701,826 | (86,292) | (80,140) | 535,394 |
| Cash collateral, reverse repurchase agreements and securities borrowings | 7,480,420 | - | 7,480,420 | (19,485) | (6,660,170) | 800,765 |
| Available-for-sale and held-to-maturity investments pledged as collateral | 5,278,763 | - | 5,278,763 | (4,387,330) | - | 891,433 |
| Total | 13,461,009 | - | 13,461,009 | (4,493,107) | (6,740,310) | 2,227,592 |

| As of December 31, 2016 | | | | | | |
|-------------------------|--|--|---|---|---|--------------------------|
| Description | Gross amounts recognized financial assets S/(000) | Gross amounts of recognized financial liabilities and offset in the consolidated statement of financial positions S/(000) | Net of financial assets presented in the consolidated statements of financial position S/(000) | Related amounts not offset in the consolidated statement of financial position | | |
| | | | | Financial instruments S/(000) | Cash collateral received S/(000) | Net amount S/(000) |

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| | | | | | | |
|---|------------|---|------------|--------------|--------------|-----------|
| Receivables from derivatives | 942,602 | - | 942,602 | (416,084) | (30,573) | 495,945 |
| Cash collateral, reverse repurchase agreements and securities borrowings | 10,919,624 | - | 10,919,624 | (2,022,625) | (7,642,111) | 1,254,888 |
| Available-for-sale and held-to-maturity investments pledged as collateral | 3,849,558 | - | 3,849,558 | (3,719,047) | - | 130,511 |
| Total | 15,711,784 | - | 15,711,784 | (6,157,756) | (7,672,684) | 1,881,344 |

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Financial liabilities subject to offsetting, enforceable master agreements for offsetting and similar agreements:

| As of December 31, 2017 | | | | | | |
|--|--|--|---|-----------------------|-------------------------|------------|
| Description | Gross amounts recognized financial liabilities | Gross amounts of recognized liabilities and offset in the consolidated statement of financial position | Net amounts of financial liabilities presented in the consolidated statements of financial position | Financial instruments | Cash collateral pledged | Net amount |
| | S/(000) | S/(000) | S/(000) | S/(000) | S/(000) | S/(000) |
| Payables from derivatives | 636,762 | - | 636,762 | (86,292 |) (149,846 |) 400,624 |
| Payables from repurchase agreements and security | 13,415,843 | - | 13,415,843 | (5,900,903 |) (6,962,421 |) 552,519 |
| lendings | | | | | | |
| Total | 14,052,605 | - | 14,052,605 | (5,987,195 |) (7,112,267 |) 953,143 |

| As of December 31, 2016 | | | | | | |
|--|--|--|---|-----------------------|-------------------------|------------|
| Description | Gross amounts recognized financial liabilities | Gross amounts of recognized liabilities and offset in the consolidated statement of financial position | Net amounts of financial liabilities presented in the consolidated statements of financial position | Financial instruments | Cash collateral pledged | Net amount |
| | S/(000) | S/(000) | S/(000) | S/(000) | S/(000) | S/(000) |
| Payables from derivatives | 673,015 | - | 673,015 | (416,084 |) (175,788 |) 81,143 |
| Payables from repurchase agreements and security | 15,127,999 | - | 15,127,999 | (4,476,984 |) (10,621,045 |) 29,970 |
| lendings | | | | | | |
| Total | 15,801,014 | - | 15,801,014 | (4,893,068 |) (10,796,833 |) 111,113 |

The gross amounts of financial assets and liabilities and their net amounts disclosed in the above tables have been measured in the statement of financial position on the following basis:

- Derivative assets and liabilities are measured at fair value.
- Cash collateral and reverse repurchase agreements and security borrowing and payables from repurchase agreements and security lendings are measured at amortized cost.
- Financial liabilities are measured at fair value.

The difference between the carrying amount in the consolidated statement of financial position and the amounts presented in the tables above for derivatives (presented in other assets Note 12(b)), cash collateral and reverse repurchase agreement and security borrowing and payables from repurchase agreements and security and financial liabilities measured at fair value through profit or loss are financial instruments outside of the scope of offsetting disclosure.

32.2.

Market risk -

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

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

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

a)

Trading Book -

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

(i)

Value at Risk (VaR) -

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

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

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

The time horizon used to calculate VaR is one day; however, the one-day VAR is amplified to a 10-day time frame and calculated multiplying the one-day VaR by the square root of 10. This adjustment will be accurate only if the changes in the portfolio in the following days have a normal distribution identical and independent; because of that, the result is multiplied by a non-normality adjustment factor. The limits and consumptions of the VaR are established on the basis of the risk appetite and the trading strategies of each subsidiary.

The assessment of past movements has been based on historical one-year data and 124 market risk factors, which are composed as follows: 25 market curves, 78 stock prices, 12 mutual funds values, 1 volatility series and 8 survival probability curves. The Group applies these historical changes in rates directly to its current positions (a method known as historical simulation). The Management of the Group believes the market risk factors incorporated into its VaR model are adequate to measure the market risk to which the Group’s trading book is exposed.

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

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

VaR results are used to generate economic capital estimates by market risk, which are periodically monitored and are part of the overall risk appetite of each subsidiary. Furthermore, at Group level, there is also a limit to the risk appetite of the trading portfolio, which is monitored and informed to the Credicorp Treasury Risks and ALM Committee.

In VaR calculation, the effects of the exchange rate are not included because said effects are measured in the net monetary position, see note 32.2 (b)(ii).

The consolidated VaR showed a reduction during the year 2017, due to a lower exposure to the rate risk and price factor, as a result of the reduction in the positions of fixed income, variable income and swaps. The VaR was maintained within the risk appetite limits approved by the Risk Committee of each company of the group, as well as by the Corporate Risk Committee.

As of December 31, 2017 and 2016 the Group's VaR by type of asset is as follows:

| | 2017 | 2016 |
|-----------------------------------|---------|----------|
| | S/(000) | S/(000) |
| Equity investments | 2,757 | 9,624 |
| Debt investments | 4,504 | 19,371 |
| Swaps | 7,661 | 13,045 |
| Forwards | 2,111 | 2,470 |
| Options | 251 | 1,160 |
| Diversification effect | (9,884) | (19,748) |
| Consolidated VaR by type of asset | 7,400 | 25,922 |

As of December 31, 2017 and 2016, the Group's VaR by risk type is as follows:

| | 2017 | 2016 |
|----------------------------------|----------|----------|
| | S/(000) | S/(000) |
| Interest rate risk | 7,836 | 22,553 |
| Price risk | 2,759 | 9,623 |
| Volatility risk | - | 319 |
| Diversification effect | (3,195) | (6,573) |
| Consolidated VaR by type of risk | 7,400 | 25,922 |

b)

ALM Book -

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

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(i)

Interest rate risk -

The Banking Book-related interest rate risk arises from eventual changes in interest rates that may adversely affect the expected gains (risk gains) or market value of financial assets and liabilities reported on the balance sheet (Net economic value). The Group assumes the exposure to the interest rate risk that may affect their fair value as well as the cash flow risk of future assets and liabilities.

The Risk Committee sets the guidelines regarding the level of unmatched repricing of interest rates that can be tolerated, which is periodically monitored through ALCO.

Corporate policies include guidelines for the management of the Group's exposure to the interest rate risk. These guidelines are implemented considering the features of each segment of business in which the Group entities operate.

In this regard, Group companies that are exposed to the interest rate risk are those that have yields based on interest, such as credits, investments and technical reserves. Interest rate risk management in BCP Peru, BCP Bolivia, MiBanco, Atlantic Security Bank and Pacífico Grupo Asegurador is carried out by performing a repricing gap analysis, sensitivity analysis of the financial margin (GER) and sensitivity analysis of the net economic value (VEN). These calculations consider different rate shocks in stress scenarios.

Analysis of repricing gap -

The repricing gap analysis is intended to measure the interest rate risk exposure when the bank's interest-sensitive liabilities exceed its interest-sensitive assets. By this analysis, management can identify the tranches in which the interest rate variations may have a potential impact.

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

| | At December 31, 2017 | | | | | | |
|--|-----------------------------|-----------------------------|------------------------------|-------------------------|---------------------------------|----------------------------------|------------------|
| | Up to 1 month S/(000) | 1 to 3 months S/(000) | 3 to 12 months S/(000) | 1 to 5 years S/(000) | More than 5 years S/(000) | Non-interest bearing S/000 | Total S/(000) |
| Assets | | | | | | | |
| Cash and due from banks, Cash collateral, reverse repurchase agreements and securities borrowings | 11,473,580 | 1,859,361 | 4,638,314 | 6,222,420 | 79,788 | 6,428,944 | 30,702,407 |
| Investments | 1,642,823 | 3,789,292 | 4,013,113 | 6,208,053 | 11,072,700 | 2,111,283 | 28,837,264 |
| Loans, net | 12,192,582 | 15,509,563 | 23,933,640 | 32,989,209 | 12,108,217 | (755,934) | 95,977,277 |
| Financial assets designated at fair value through profit or loss | - | - | - | - | - | 537,685 | 537,685 |
| Premiums and other policies | 626,392 | 22,088 | 6,500 | 1,849 | - | - | 656,829 |
| Accounts receivable | | | | | | | |
| Accounts receivable from reinsurers and coinsurers | 163,425 | 309,669 | 208,531 | 34,070 | - | - | 715,695 |
| Other assets (*) | 180,725 | 24,927 | 9,736 | 5,946 | 577,129 | 8,221,926 | 9,020,389 |
| Total assets | 26,279,527 | 21,514,900 | 32,809,834 | 45,461,547 | 23,837,834 | 16,543,904 | 166,447,546 |
| Liabilities | | | | | | | |
| Deposits and obligations | 26,156,669 | 9,513,156 | 17,056,114 | 36,200,975 | 6,213,829 | 2,029,668 | 97,170,411 |
| Payables from repurchase agreements, security lending and due to banks and correspondents and banker's acceptances outstanding | 4,070,558 | 1,949,926 | 6,931,824 | 6,056,395 | 2,153,396 | 250,633 | 21,412,732 |

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| | | | | | | | |
|---|--------------|--------------|------------|--------------|------------|--------------|--------------|
| Accounts payable to reinsurers | 51,814 | 141,708 | 31,726 | 9,937 | - | - | 235,185 |
| Technical, insurance claims reserves and reserves for unearned premiums | 200,307 | 118,642 | 443,141 | 1,918,617 | 3,922,902 | 840,151 | 7,443,760 |
| Financial liabilities at fair value through profit or loss | - | - | - | - | - | 168,089 | 168,089 |
| Bonds and notes issued | 791,247 | 1,656 | 395,125 | 11,998,887 | 2,973,831 | 81,511 | 16,242,257 |
| Other liabilities (**) | 155,851 | 211,103 | 2,434 | - | - | 5,176,758 | 5,546,146 |
| Equity | - | - | - | - | - | 22,253,703 | 22,253,703 |
| Total liabilities and equity | 31,426,446 | 11,936,191 | 24,860,364 | 56,184,811 | 15,263,958 | 30,800,513 | 170,472,283 |
| Off-balance-sheet accounts | | | | | | | |
| Derivative financial assets | 1,397,860 | 2,023,671 | 426,309 | 6,993,576 | 2,393,197 | - | 13,234,613 |
| Derivative financial liabilities | 4,153,574 | 4,460,947 | 181,534 | 3,944,123 | 494,435 | - | 13,234,613 |
| | (2,755,714) | (2,437,276) | 244,775 | 3,049,453 | 1,898,762 | - | - |
| Marginal gap | (7,902,633) | 7,141,433 | 8,194,245 | (7,673,811) | 10,472,638 | (14,256,609) | (4,024,737) |
| Accumulated gap | (7,902,633) | (761,200) | 7,433,045 | (240,766) | 10,231,872 | (4,024,737) | - |

(*) Includes property, furniture and equipment, net, intangible and goodwill, net, due from customers on acceptances and other assets.

(**) Includes banker's acceptances outstanding and other liabilities.

Investments accounted for at fair value through profit or loss and trading derivatives are not taken into account, due to the fact that these instrument are part of the trading book and the Value at Risk methodology is used to measure their market risks.

| | At December 31, 2016 | | | | | | |
|--|-----------------------------|-----------------------------|------------------------------|-------------------------|-------------------------------|----------------------------------|----------------|
| | Up to 1 month S/(000) | 1 to 3 months S/(000) | 3 to 12 months S/(000) | 1 to 5 years S/(000) | More than 5 years S/000 | Non-interest bearing S/000 | Total S/000 |
| Assets | | | | | | | |
| Cash and due from banks, Cash collateral, reverse repurchase agreements and securities borrowings | 7,467,818 | 1,845,264 | 3,709,882 | 9,890,459 | 109,340 | 4,542,630 | 27,565,393 |
| Investments | 1,574,831 | 465,421 | 3,913,328 | 6,261,652 | 8,908,298 | 2,680,557 | 23,804,087 |
| Loans, net | 10,525,263 | 16,135,337 | 22,739,878 | 30,353,995 | 11,170,586 | (363,291) | 90,561,768 |
| Financial assets designated at fair value through profit or loss | - | - | - | - | - | 459,099 | 459,099 |
| Premiums and other policies Accounts receivable Accounts receivable from reinsurers and coinsurers | 623,005 | 16,533 | 2,898 | 788 | - | - | 643,224 |
| Other assets (*) | 110,263 | 202,610 | 120,159 | 21,155 | - | - | 454,187 |
| Total assets | 373,946 | 5,590 | 12,537 | 7,024 | - | 8,533,348 | 8,932,445 |
| | 20,675,126 | 18,670,755 | 30,498,682 | 46,535,073 | 20,188,224 | 15,852,343 | 152,420,203 |
| Liabilities | | | | | | | |
| Deposits and obligations Payables from repurchase agreements, security lending and due to banks and correspondents to banks and correspondents | 22,908,852 | 8,273,520 | 15,162,216 | 32,654,763 | 4,970,689 | 1,946,347 | 85,916,387 |
| Accounts payable to reinsurers | 2,765,720 | 2,031,097 | 5,747,611 | 10,146,210 | 1,825,048 | 106,229 | 22,621,915 |
| Technical, insurance claims reserves and reserves for | 32,963 | 158,957 | 36,633 | 5,339 | - | - | 233,892 |
| | 185,671 | 104,065 | 396,609 | 1,730,011 | 3,637,198 | 732,635 | 6,786,189 |

| | | | | | | | |
|----------------------|--------------|--------------|--------------|--------------|------------|--------------|--------------|
| unearned premiums | | | | | | | |
| Financial | | | | | | | |
| liabilities at fair | | | | | | | |
| value through | - | - | - | - | - | 209,520 | 209,520 |
| profit or loss | | | | | | | |
| Bonds and notes | 52,366 | 40,792 | 639,238 | 8,492,272 | 6,226,773 | 488,162 | 15,939,603 |
| issued | | | | | | | |
| Other liabilities | 446,131 | 1,577 | 218,539 | 190,300 | - | 3,754,658 | 4,611,205 |
| (**) | | | | | | | |
| Equity | - | - | - | - | - | 20,116,511 | 20,116,511 |
| Total liabilities | 26,391,703 | 10,610,008 | 22,200,846 | 53,218,895 | 16,659,708 | 27,354,062 | 156,435,222 |
| and equity | | | | | | | |
| Off-balance-sheet | | | | | | | |
| accounts | | | | | | | |
| Derivative | 461,724 | 2,118,173 | 498,864 | 5,738,651 | 3,961,574 | - | 12,778,986 |
| financial assets | | | | | | | |
| Derivative | 1,682,988 | 4,308,673 | 2,609,747 | 3,461,322 | 716,256 | - | 12,778,986 |
| financial | | | | | | | |
| liabilities | (1,221,264) | (2,190,500) | (2,110,883) | 2,277,329 | 3,245,318 | - | - |
| Marginal gap | (6,937,841) | 5,870,247 | 6,186,953 | (4,406,493) | 6,773,834 | (11,501,719) | (4,015,019) |
| Accumulated gap | (6,937,841) | (1,067,594) | 5,119,359 | 712,866 | 7,486,700 | (4,015,019) | - |

(*) Includes property, furniture and equipment, net, intangible and goodwill, net, due from customers on acceptances and other assets.

(**) Includes banker's acceptances outstanding and other liabilities.

Investments accounted for at fair value through profit or loss and trading derivatives are not taken into account, due to the fact that these instruments are part of the trading book and the Value at Risk methodology is used to measure their market risks.

Sensitivity to changes in interest rates –

The sensitivity analysis of a reasonable possible change in interest rates on the Banking Book comprises an assessment of the sensibility of the financial margins that seeks to measure the potential changes in the interest accruals over a period of time and the expected movement of the interest rate curves as well as the sensibility of the net economic value, which is a long-term metric measured as the difference arising between the Net book value of net assets and liabilities before and after a variation in interest rates.

The sensitivity of the financial margin is the effect of the assumed changes in interest rates on the net interest income before income tax and non-controlling interest for one year, based on the floating rate of non-trading financial assets and financial liabilities held at December 31, 2017 and 2016, including the effect of derivative instruments. The sensitivity of Net Economic Value is calculated by revaluing interest rate from available-for-sale fixed income and held to maturity financial assets, before income tax and non-controlling interest, including the effect of any associated hedges, and derivative instruments designated as cash flow hedges. In managing the interest rate risk, no distinction is made by accounting category of the investments comprising the Banking Book, including instruments classified as available for sales and held to maturity investments.

The results of the sensitivity analysis regarding changes in interest rates at December 31, 2017 and 2016 are shown below:

| Currency | At December 31, 2017 | | | |
|----------------------|-----------------------|------------------------------|--------|----------------------------------|
| | Changes | | | |
| | in basis points | Sensitivity of net profit | | Sensitivity of economic value |
| | | S/(000) | | S/(000) |
| At December 31, 2017 | | | | |
| Soles | +/- 50 | -/+ | 1,451 | -/+ 354,899 |
| Soles | +/- 75 | -/+ | 2,176 | -/+ 532,348 |
| Soles | +/- 100 | -/+ | 2,901 | -/+ 709,798 |
| Soles | +/- 150 | -/+ | 4,352 | -/+ 1,064,696 |
| U.S. Dollar | +/- 50 | +/- | 8,068 | -/+ 129,876 |
| U.S. Dollar | +/- 75 | +/- | 12,103 | -/+ 194,813 |
| U.S. Dollar | +/- 100 | +/- | 16,137 | -/+ 259,751 |
| U.S. Dollar | +/- 150 | +/- | 24,205 | -/+ 389,627 |

At December 31, 2016

| Currency | Changes in | | Sensitivity of net | Sensitivity of | |
|----------------------|-----------------|-----|--------------------|----------------|---------|
| | basis points | | profit | economic value | |
| | | | | | |
| | | | S/(000) | | S/(000) |
| At December 31, 2016 | | | | | |
| Soles | +/- 50 | -/+ | 8,851 | -/+ | 285,263 |
| Soles | +/- 75 | -/+ | 13,276 | -/+ | 427,895 |
| Soles | +/- 100 | -/+ | 17,701 | -/+ | 570,526 |
| Soles | +/- 150 | -/+ | 26,552 | -/+ | 855,790 |
| U.S. Dollar | +/- 50 | +/- | 12,613 | +/- | 146,292 |
| U.S. Dollar | +/- 75 | +/- | 18,919 | +/- | 219,438 |
| U.S. Dollar | +/- 100 | +/- | 25,226 | +/- | 292,584 |
| U.S. Dollar | +/- 150 | +/- | 37,838 | +/- | 438,876 |

The interest rate sensitivities set out in the table above are only illustrative and are based on simplified scenarios. The figures represent the effect of the pro-forma movements in the net interest income based on the projected yield curve scenarios and the Group's current interest rate risk profile. This effect, however, does not incorporate actions that would be taken by Management to mitigate the impact of this interest rate risk.

In addition, the Group seeks proactively to change the interest rate risk profile to minimize losses and optimize net revenues. The projections above also assume that the interest rate of all maturities moves by the same amount and, therefore, do not reflect the potential impact on net interest income of some rates changing while others remain unchanged. The projections make other simplifying assumptions too, including that all positions run to maturity.

Available-for-sale investments in equity securities, mutual funds and hedge funds are not considered as part of the investment securities for interest rate sensitivity calculation purposes; however, a 10, 25 and 30 percent of changes in market prices is conducted to these price-sensitivity securities and the effect on expected unrealized gain or loss in comprehensive income, before income tax, as of December 31, 2017 and 2016 is presented below.

| Market price sensitivity | Change in market prices | 2017 | 2016 |
|---------------------------------|--------------------------------|----------------|----------------|
| | % | S/(000) | S/(000) |
| Equity securities | +/-10 | 81,664 | 130,750 |
| Equity securities | +/-25 | 204,161 | 326,875 |
| Equity securities | +/-30 | 244,993 | 392,250 |
| Mutual funds | +/-10 | 40,937 | 29,234 |
| Mutual funds | +/-25 | 102,343 | 73,085 |
| Mutual funds | +/-30 | 122,811 | 87,701 |
| Hedge funds | +/-10 | 106 | 110 |
| Hedge funds | +/-25 | 266 | 274 |
| Hedge funds | +/-30 | 319 | 329 |

(ii)

Foreign exchange risk -

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

At December 31, 2017, the free market exchange rate for buying and selling transactions for each United States Dollar, the main foreign currency held by the Group, was S/3.241 (S/3.356 at December 31, 2016).

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Foreign currency transactions are made at the free market exchange rates of the countries where Credicorp's Subsidiaries are established. As of December 31, 2017 and 2016, the Group's assets and liabilities by currencies were as follows:

| | At December 31, 2017 | | | | At December 31, 2016 | | | |
|--|----------------------|--------------|------------------|--------------|----------------------|--------------|------------------|---------|
| | Soles | U.S. Dollar | Other currencies | Total | Soles | U.S. Dollar | Other currencies | To |
| | S/(000) | S/(000) | S/(000) | S/(000) | S/(000) | S/(000) | S/(000) | S/(000) |
| Monetary assets | | | | | | | | |
| Cash and due from banks | 3,149,300 | 18,578,798 | 1,493,889 | 23,221,987 | 2,675,238 | 12,131,203 | 1,839,328 | 10 |
| Cash collateral, reverse repurchase agreements and securities borrowings | 119,976 | 6,915,937 | 444,507 | 7,480,420 | 4,021 | 10,621,045 | 294,558 | 10 |
| Borrowings | | | | | | | | |
| Trading securities | 2,222,061 | 209,543 | 1,593,133 | 4,024,737 | 2,433,444 | 172,999 | 1,408,576 | 4 |
| Available-for-sale investments | 13,804,121 | 7,697,970 | 810,517 | 22,312,608 | 8,326,735 | 7,301,306 | 367,248 | 13 |
| Held-to-maturity investments | 3,453,790 | 959,583 | - | 4,413,373 | 4,102,739 | 1,015,681 | - | 5 |
| Loans, net | 56,226,385 | 33,580,636 | 6,170,256 | 95,977,277 | 53,118,275 | 32,215,401 | 5,228,092 | 90 |
| Financial assets at fair value through profit or loss | 48,454 | 489,231 | - | 537,685 | 85,333 | 373,766 | - | 4 |
| Other assets | 1,219,985 | 2,268,659 | 876,864 | 4,365,508 | 1,456,407 | 1,993,385 | 538,039 | 3 |
| Total | 80,244,072 | 70,700,357 | 11,389,166 | 162,333,595 | 72,202,192 | 65,824,786 | 9,675,841 | 14 |
| Monetary liabilities | | | | | | | | |
| Deposits and obligations | (43,334,026) | (45,875,469) | (7,960,916) | (97,170,411) | (37,468,123) | (41,514,198) | (6,934,066) | (8 |
| Payables from repurchase agreements and security Lendings | (10,155,790) | (1,582,783) | (1,677,270) | (13,415,843) | (12,522,337) | (1,313,163) | (1,292,499) | (1 |
| Due to bank and correspondents | (3,229,753) | (4,463,659) | (303,477) | (7,996,889) | (2,630,256) | (4,644,838) | (218,822) | (7 |
| Financial liabilities at fair value through profit or loss | (3,094) | (26,057) | (138,938) | (168,089) | - | (6,052) | (203,468) | (2 |

| | | | | | | | | |
|--|--------------|--------------|--------------|---------------|--------------|--------------|-------------|----|
| Insurance claims reserves and technical reserves and unearned premiums | (3,632,896) | (3,809,742) | (1,122) | (7,443,760) | (3,134,680) | (3,650,466) | (1,043) | (6 |
| Bonds and Notes issued | (3,869,494) | (12,271,451) | (101,312) | (16,242,257) | (2,544,031) | (13,291,371) | (104,201) | (1 |
| Other liabilities | (2,737,797) | (2,030,093) | (1,013,441) | (5,781,331) | (2,434,407) | (1,492,911) | (917,779) | (4 |
| Total | (66,962,850) | (70,059,254) | (11,196,476) | (148,218,580) | (60,733,834) | (65,912,999) | (9,671,878) | (1 |
| | 13,281,222 | 641,103 | 192,690 | 14,115,015 | 11,468,358 | (88,213) | 3,963 | 1 |
| Forwards position, net | 859,439 | (824,434) | (19,186) | 15,819 | 508,304 | (529,352) | (93,844) | (1 |
| Currency swaps position, net | 370,697 | (371,301) | 3,776 | 3,172 | 245,063 | (245,098) | 35 | - |
| Cross currency swaps position, net | (1,725,567) | 1,814,960 | (92,565) | (3,172) | (1,340,985) | 1,433,012 | (92,027) | - |
| Options, net | 60,704 | (60,704) | - | - | (86,059) | 86,059 | - | - |
| Net monetary position | 12,846,495 | 1,199,624 | 84,715 | 14,130,834 | 10,794,681 | 656,408 | (181,873) | 1 |

The Group manages foreign exchange risk by monitoring and controlling the currency position values exposed to changes in exchange rates. The Group measures its performance in soles. (since 2014 considering its change in functional currency, before it was measured in U.S. Dollars), so if the net foreign exchange position (U.S. Dollar) is an asset, any depreciation of soles with respect to this currency would positively affect the Group's consolidated statement of financial position. The current position in a foreign currency comprises exchange rate-linked assets and liabilities in that currency. An institution's open position in individual currencies comprises assets, liabilities and off-balance sheet items denominated in the respective foreign currency for which the institution itself bears the risk; any appreciation/depreciation of the foreign exchange would affect the consolidated statement of income.

The Group's net foreign exchange position is the sum of its positive open non-soles positions (net long position) less the sum of its negative open non-soles positions (net short position). Any depreciation/appreciation of the foreign exchange position would affect the consolidated statement of income. A currency mismatch would leave the Group's consolidated statement of financial position vulnerable to a fluctuation of the foreign currency (exchange rate shock).

The table below shows the sensitivity analysis of the U.S. Dollar, the currency to which the Group had significant exposure as of December 31, 2017 and 2016 in its non-trading monetary assets and liabilities and its forecast cash flows. The analysis calculates the effect of a reasonably possible movement of the currency rate against Soles with all other variables held constant on the consolidated statement of income, before income tax. A negative amount in the table reflects a potential net reduction in the consolidated statement of income, while a positive amount reflects a net potential increase:

| Currency rate sensitivity | Change in currency rates % | 2017 S/(000) | 2016 S/(000) |
|---------------------------|----------------------------------|-----------------|-----------------|
| Depreciation - | | | |
| U.S. Dollar | 5 | (57,125) | (31,257) |
| U.S. Dollar | 10 | (109,057) | (59,673) |
| Appreciation - | | | |
| U.S. Dollar | 5 | 63,138 | 34,548 |
| U.S. Dollar | 10 | 133,292 | 72,934 |

32.3 Liquidity risk

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

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

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

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

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

Corporate policies have been implemented for liquidity risk management by the Group. These policies are consistent with the particular characteristics of each operating segment in which each of the Group companies operate. Risk Management heads set up limits and autonomy models to determine the adequate liquidity indicators to be managed.

Commercial banking:

Liquidity risk exposure in BCP Peru, BCP Bolivia, Mibanco and Atlantic Security Bank is based on indicators such as the Internal Liquidity Coverage Ratio (RCLI, the Spanish acronym) which measures the amount of liquid assets available to meet cash outflows needs within a given stress scenario for a period of 30 days and the Internal Ratio of Stable Net Funding (RFNEI, the Spanish acronym), which is intended to guarantee that long-term assets are financed at least with a minimum number of stable liabilities within a prolonged liquidity crisis scenario; the latter works as a minimum compliance mechanism that supplements the RCLI. The core limits of these indicators are 100% and any excess is presented in the Credicorp Treasury Risk Committee, Credicorp Risk Committee and ALM of the respective subsidiary.

Insurance:

Liquidity risk management in Pacífico Grupo Asegurador follows a particular approach given the nature of the business. For annually renewable businesses, mainly “Pacífico Seguros”, the emphasis of liquidity is focused on the quick availability of resources in the event of a systemic event (e.g. earthquake); for this purpose, there are minimum investment indicators in place relating to local cash/time deposits and foreign fixed-income instruments of high quality and liquidity.

For long-term businesses such as Pacífico Seguros, given the nature of the products offered and the contractual relationship with customers (the liquidity risk is not material); the emphasis is on maintaining sufficient flow of assets and matching their maturities with maturities of obligations (mathematical technical reserves); for this purpose there are indicators that measure the asset/liability sufficiency and adequacy as well as calculations or economic capital subject to interest rate risk, a methodology of Credicorp.

AFPs:

Liquidity risk management in AFP Prima is carried out in a differentiated manner between the fund administrator and the funds being managed. Liquidity management regarding the fund administrator is focused on meeting periodic operating expense needs, which are supported with the collection of commissions. The fund administering entity does not record unexpected outflows of liquidity.

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Investment banking:

Liquidity risk in the Grupo Credicorp Capital (Credicorp Capital Colombia, IM Trust y Credicorp Capital Perú) principally affects the security brokerage. In managing this risk, limits of use of liquidity have been established as well as matching maturities by dealing desk; follow-up on liquidity is performed on a daily basis for a short-term horizon covering the coming settlements. If short-term unmatched maturities are identified, repos are used. On the other hand, structural liquidity risk of Credicorp Capital is not significant given the low levels of debt, which is monitored regularly using financial planning tools.

Companies perform a liquidity risk management using the liquidity Gap or contractual maturity Gap.

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

| | As of December 31, 2017 | | | | | | As of December 31, 2018 | |
|---|-----------------------------|----------------------------------|-----------------------------------|---------------------------------|---------------------------|------------------|-----------------------------|----------------------------------|
| | Up to a month S/(000) | From 1 to 3 months S/(000) | From 3 to 12 months S/(000) | From 1 to 5 years S/(000) | Over 5 Year S/(000) | Total S/(000) | Up to a month S/(000) | From 1 to 3 months S/(000) |
| Financial assets | 32,069,384 | 23,845,192 | 39,885,238 | 60,073,343 | 36,536,832 | 192,409,989 | 26,177,608 | 19,909,311 |
| Financial liabilities by type - | | | | | | | | |
| Deposits and obligations | 28,360,646 | 10,523,572 | 18,803,383 | 34,738,531 | 8,662,213 | 101,088,345 | 24,982,659 | 8,678,311 |
| Payables from reverse purchase agreements and security | 3,658,434 | 1,801,493 | 6,363,038 | 6,597,765 | 6,352,357 | 24,773,087 | 3,015,441 | 2,014,111 |
| lendings and due to banks and correspondents | | | | | | | | |
| Accounts payable to reinsurers and coinsurers | 51,426 | 140,648 | 31,489 | 9,862 | - | 233,425 | 38,678 | 157,686 |
| Financial liabilities designated at fair value through profit or loss | 168,089 | - | - | - | - | 168,089 | 209,520 | - |
| Bonds and Notes issued | 833,517 | 130,988 | 1,059,795 | 13,471,851 | 2,905,297 | 18,401,448 | 125,777 | 176,115 |
| Other liabilities | 1,997,270 | 293,864 | 298,986 | 5,310 | 1,341,955 | 3,937,385 | 3,941,629 | 133,844 |
| Total liabilities | 35,069,382 | 12,890,565 | 26,556,691 | 54,823,319 | 19,261,822 | 148,601,779 | 32,313,704 | 11,160,000 |
| Derivative financial liabilities - | | | | | | | | |
| Contractual amounts | 150,149 | 123,114 | 464,466 | 1,770,499 | 790,843 | 3,299,071 | 576,992 | 150,223 |

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| | | | | | | | | | |
|-------------------|------------|------------|------------|-----------|-----------|--------------|---------|----------|--|
| receivable | | | | | | | | | |
| (Inflows) | | | | | | | | | |
| Contractual | | | | | | | | | |
| amounts | | | | | | | | | |
| payable | 1,117,375 | 362,073 | 628,800 | 1,791,667 | 862,514 | 4,762,429 | 301,709 | 305,279 | |
| (outflows) | | | | | | | | | |
| Total liabilities | (967,226) | (238,959) | (164,334) | (21,168) | (71,671) | (1,463,358) | 275,283 | (155,056 | |

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32.4 Operational risk -

Operational risk is the possibility of the occurrence of losses arising from inadequate processes, human error, failure of information technology, relations with third parties or external events. Operational risks can, lead to financial losses and have legal or regulatory compliance consequences, but exclude strategic or reputational risk.

Operational Risks are grouped into internal fraud, external fraud, labor relations and job security, relations with clients, business products and practices, Damages to material assets, business and systems interruption, and Failures in process execution.

One of the Group's pillars, is to develop an efficient risk culture, and to achieve this, it records operational risks and their respective process controls. The risk map permits their monitoring, prioritization and proposed treatment according to established governance. The group uses a decentralized management and a model based on the lines of defense (3LD in Spanish acronym)

32.5 Risk of the insurance activity -

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

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

Life insurance contracts -

The main risks that the Group is exposed to are mortality, morbidity, longevity, investment yield and flow, losses arising from policies due to the expense incurred being different than expected, and the policyholder decision; all of

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

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

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

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

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

Non-life insurance contracts (general insurance and healthcare) -

The Group mainly issues the following types of non-life general insurance contracts: automobile, home, business and healthcare insurances. Healthcare contracts provide medical expense cover to policyholders. Risks under non-life insurance policies usually cover 12 months.

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

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

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

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

Credit risk of the insurance activity –

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

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

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

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

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

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

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

32.6 Capital management -

The Group maintains an actively managed capital base to cover risks inherent in its business. The adequacy of the Group's capital is monitored using, among other measures, the rules and ratios established by the SBS, the supervising authority of its major subsidiaries and for consolidation purposes. Furthermore, capital management responds to market expectations in relation to the solvency of the Group and to support the growth of the businesses considered in the strategic planning. In this way, the capital maintained by the Group enables it to assume unexpected losses in normal conditions and conditions of severe stress.

The Group's objectives when managing capital are: (i) to comply with the capital requirements set by the regulators of the markets where the entities within the Group operate; (ii) to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and (iii) to maintain a strong capital base to support the development of its business, in line with the limits and tolerances established in the declaration of Risk Appetite.

As of December 31, 2017 and 2016, the regulatory capital for the subsidiaries engaged in financial and insurance activities amounted to approximately S/21,723.0 million and S/21,174.7 million, respectively. The regulatory capital has been determined in accordance with SBS regulations in force as of said dates. Under the SBS regulations, the Group's regulatory capital exceeds by approximately S/3,710.3 million the minimum regulatory capital required as of December 31, 2017 (approximately S/3,915.7 million as of December 31, 2016).

32.7 Fair values -

a) Financial instruments recorded at fair value and fair value hierarchy -

The following table analyses financial instruments measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorized. The amounts are based on the values recognized in the consolidated statement of financial position:

| | Note | As of December 31, 2017 | | | | As of December 31, 2016 | | | |
|---|-------|-------------------------|------------------|------------------|----------------|-------------------------|------------------|------------------|----------------|
| | | Level 1 S/000 | Level 2 S/000 | Level 3 S/000 | Total S/000 | Level 1 S/000 | Level 2 S/000 | Level 3 S/000 | Total S/000 |
| Financial assets | | | | | | | | | |
| Derivative financial instruments: | | | | | | | | | |
| Forward foreign exchange contracts | | - | 62,353 | - | 62,353 | - | 73,722 | - | 73,722 |
| Interest rate swaps | | - | 228,461 | - | 228,461 | - | 310,221 | - | 310,221 |
| Cross currency swaps | | - | 75,944 | - | 75,944 | - | 108,241 | - | 108,241 |
| Currency swaps | | - | 332,376 | - | 332,376 | - | 428,928 | - | 428,928 |
| Foreign exchange options | | - | 2,692 | - | 2,692 | - | 21,490 | - | 21,490 |
| | 12(b) | - | 701,826 | - | 701,826 | - | 942,602 | - | 942,602 |
| Trading securities | | 1,611,952 | 2,410,315 | 2,470 | 4,024,737 | 843,939 | 3,162,322 | 8,758 | 4,015,019 |
| Financial assets at fair value through profit or loss | 8 | 484,930 | 52,755 | - | 537,685 | 377,552 | 79,988 | 1,559 | 459,099 |
| Available-for-sale investments: | | | | | | | | | |
| Debt instruments | | | | | | | | | |
| Certificates of deposit BCRP | | - | 7,923,706 | - | 7,923,706 | - | 4,802,608 | - | 4,802,608 |
| Corporate bonds, leases and subordinate | | 3,988,785 | 4,489,275 | 1,461 | 8,479,521 | 3,830,740 | 4,209,173 | 109,493 | 8,149,406 |
| | | 4,074,302 | 658,461 | - | 4,732,763 | 1,688,930 | 558,693 | - | 2,247,623 |

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| | | | | | | | | | |
|--|-------|------------|------------|---------|------------|-----------|------------|---------|-----------|
| Government treasury bonds | | | | | | | | | |
| Mutual funds | | 745,546 | - | 79,533 | 825,079 | 55,052 | 466,574 | 139,140 | 660,766 |
| Other instruments | | 105,787 | 1,002,557 | 537,065 | 1,645,409 | 26,571 | 804,192 | 36,613 | 867,376 |
| Equity instruments | | 317,020 | 417,703 | 82,690 | 817,413 | 1,197,358 | 665,158 | 95,372 | 1,957,888 |
| | 6(a) | 9,231,440 | 14,491,702 | 700,749 | 24,423,891 | 6,798,651 | 11,506,398 | 380,618 | 18,685,66 |
| Total financial assets | | 11,328,322 | 17,656,598 | 703,219 | 29,688,139 | 8,020,142 | 15,691,310 | 390,935 | 24,102,38 |
| Financial liabilities | | | | | | | | | |
| Derivatives financial instruments: | | | | | | | | | |
| Interest rate swaps | | - | 94,785 | - | 94,785 | - | 60,572 | - | 60,572 |
| Forward foreign exchange contracts | | - | 56,869 | - | 56,869 | - | 55,437 | - | 55,437 |
| Cross currency swaps | | - | 134,349 | - | 134,349 | - | 49,329 | - | 49,329 |
| Currency swaps | | - | 349,779 | - | 349,779 | - | 490,475 | - | 490,475 |
| Foreign exchange options | | - | 980 | - | 980 | - | 17,202 | - | 17,202 |
| | 12(b) | - | 636,762 | - | 636,762 | - | 673,015 | - | 673,015 |
| Bonds and Notes issued at fair value | | - | 7,986,539 | - | 7,986,539 | - | 8,412,515 | - | 8,412,515 |
| Financial liabilities at fair value through profit or loss | | - | 168,089 | - | 168,089 | - | 209,520 | - | 209,520 |
| Total financial liabilities | | - | 8,791,390 | - | 8,791,390 | - | 9,295,050 | - | 9,295,050 |

Financial instruments included in the Level 1 category are those that are measured on the basis of quotations obtained in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

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

Following is a description of how fair value is determined for the main Group's financial instruments where valuation techniques were used with inputs based on market data which incorporate Credicorp's estimates on the assumptions that market participants would use for measuring these financial instruments:

- Valuation of derivative financial instruments -

Interest rate swaps, currency swaps and forward exchange contracts are measured by using valuation techniques where inputs are based on market data. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs, including the credit quality of counterparties, foreign exchange, forward rates and interest rate curves. Options are valued using well-known, widely accepted valuation models.

A credit valuation adjustment (CVA) is applied to the "Over-The-Counter" derivative exposures to take into account the counterparty's risk of default when measuring the fair value of the derivative. CVA is the mark-to market cost of protection required to hedge credit risk from counterparties in this type of derivatives portfolio. CVA is calculated by multiplying the probability of default (PD), the loss given default (LGD) and the expected exposure (EE) at the time of default.

A debit valuation adjustment (DVA) is applied to include the Group's own credit risk in the fair value of derivatives (that is the risk that the Group might default on its contractual obligations), using the same methodology as for CVA.

As of December 31, 2017, the balance of receivables and payables corresponding to derivatives amounted to S/701.8 million and S/636.8 million, respectively, See Note 12(b), generating DVA and CVA adjustments for approximately S/12.6 million and S/16.3 million, respectively. The net impact of both items in the consolidated statement of income

amounted to S/1.4 million. As of December 31, 2016, the balance of receivables and payables corresponding to derivatives amounted to S/942.6 million and S/673.0 million, respectively, See Note 12(b), generating DVA and CVA adjustments for approximately S/8.0 million and S/15.0 million, respectively. Also, the net impact of both items in the consolidated statement of income amounted to S/9.3 million.

- Valuation of debt securities available for sale classified in level 2 -

Valuation of BCRP certificates of deposit, corporate, leasing, subordinated bonds and Government treasury bonds are measured calculating their Net Present Values (NPV) through discounted cash flows, using appropriate and relevant zero coupon rate curves to discount cash flows in the respective currency and considering observable current market transactions.

BCRP certificates of deposit (CD BCRP) are securities issued at a discount in order to regulate the liquidity of the financial system. They are placed mainly through public auction or direct placement, are freely negotiable by their holders in the Peruvian secondary market and may be used as collateral in Repurchase agreements transactions of securities with the BCRP. During 2017, the average daily placement of (CD BCRP) was S/205.0 million, with maturities between 1 and 18 months.

Other debt instruments are measured using valuation techniques based on assumptions supported by prices from observable current market transactions, obtained via pricing services. Nevertheless, when prices have not been determined in an active market, fair values are based on broker quotes and assets that are valued using models whereby the majority of assumptions are market observable.

Financial instruments included in the Level 3 category are those that are measured using valuation techniques based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data.

In this regard, no significant differences were noted between the estimated fair values and the respective carrying amounts.

As of December 31, 2017 and 2016, the net unrealized gain of Level 3 financial instruments amounted to S/39.1 million and S/40.6 million, respectively. During 2017 and 2016, changes in the carrying amount of Level 3 financial instruments have not been significant since there were no purchases, issuances, settlements or any other significant movements or transfers from level 3 to Level 1 or Level 2 or vice versa. Also, there have been no transfers between Level 1 and Level 2.

b) Financial instruments not measured at fair value -

Set out below is the disclosure of the comparison between the carrying amounts and fair values of the financial instruments, which are not measured at fair value, presented in the consolidated statement of financial position by level of the fair value hierarchy:

| | As of December 31, 2017 | | | | As of December 31, 2016 | | | | |
|--|-------------------------|-------------|---------|-------------|-------------------------|-----------|-------------|---------|-------------|
| | Level 1 | Level 2 | Level 3 | Fair value | Book value | Level 1 | Level 2 | Level 3 | Fair value |
| | S/000 | S/000 | S/000 | S/000 | S/000 | S/000 | S/000 | S/000 | S/000 |
| Assets | | | | | | | | | |
| Cash and due from banks | - | 23,221,987 | - | 23,221,987 | 23,221,987 | - | 16,645,769 | - | 16,645,769 |
| Cash collateral, reverse repurchase | - | 7,480,420 | - | 7,480,420 | 7,480,420 | - | 10,919,624 | - | 10,919,624 |
| Held-to-maturity investments | 4,088,520 | 561,562 | - | 4,650,082 | 4,413,373 | 5,215,704 | - | - | 5,215,704 |
| Loans, net | - | 115,346,836 | - | 115,346,836 | 115,346,836 | - | 110,137,973 | - | 110,137,973 |
| Premiums and other policies receivable | - | 656,829 | - | 656,829 | 656,829 | - | 643,224 | - | 643,224 |
| Accounts receivable from reinsurers and coinsurers | - | 715,695 | - | 715,695 | 715,695 | - | 454,187 | - | 454,187 |
| Bank acceptances | - | 532,034 | - | 532,034 | 532,034 | - | 491,139 | - | 491,139 |
| Other assets | - | 1,759,125 | - | 1,759,125 | 1,759,125 | - | 1,286,082 | - | 1,286,082 |
| Total | 4,088,520 | 150,274,488 | - | 154,363,008 | 154,126,299 | 5,215,704 | 140,577,998 | - | 145,793,702 |
| Liabilities | | | | | | | | | |
| Deposits and obligations | - | 97,170,411 | - | 97,170,411 | 97,170,411 | - | 85,916,387 | - | 85,916,387 |
| Payables from repurchase agreements | - | 13,415,843 | - | 13,415,843 | 13,415,843 | - | 15,127,999 | - | 15,127,999 |
| Due to Banks and correspondents and other entities | - | 8,034,990 | - | 8,034,990 | 7,996,889 | - | 7,615,935 | - | 7,615,935 |
| Bank acceptances | - | 532,034 | - | 532,034 | 532,034 | - | 491,139 | - | 491,139 |

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| | | | | | | | | | |
|--------------------------------------|---|-------------|---|-------------|-------------|---|-------------|---|-------------|
| Payable to reinsurers and coinsurers | - | 235,185 | - | 235,185 | 235,185 | - | 233,892 | - | 233,892 |
| Bond and Notes issued | - | 8,830,070 | - | 8,830,070 | 8,255,718 | - | 8,137,945 | - | 8,137,945 |
| Other liabilities | - | 3,270,714 | - | 3,270,714 | 3,270,714 | - | 2,540,980 | - | 2,540,980 |
| Total | - | 131,489,247 | - | 131,489,247 | 130,876,794 | - | 120,064,277 | - | 120,064,277 |

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

Long-term fixed-rate and variable-rate loans are evaluated by the Group based on parameters such as interest rates, specific country risk factors, and individual creditworthiness of the customer and the risk characteristics of the (i) financed project. Based on this evaluation, allowances are taken into account for the incurred losses of these loans. As of December 31, 2017 and 2016, the carrying amounts of loans, net of allowances, were not materially different from their calculated fair values.

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

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

32.8 Fiduciary activities, management of funds and pension funds -

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

As of December 31, 2017 and 2016, the assigned value of the financial assets under administration off the balance sheet (in millions of soles) is as follows:

| | 2017 | 2016 |
|------------------|--------|--------|
| Pension funds | 48,868 | 42,871 |
| Investment funds | 37,567 | 51,484 |

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| | | |
|----------------|---------|---------|
| Equity managed | 12,874 | 12,417 |
| Bank trusts | 3,435 | 3,482 |
| Total | 102,744 | 110,254 |

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33 COMMITMENTS AND CONTINGENCIES

Legal claim contingencies –

(i) Madoff Trustee Litigations -

On September 22, 2011, the Trustee for the liquidations of Bernard L. Madoff Investment Securities LLC (BLMIS), and the substantively consolidated state of Bernard L. Madoff (“the Madoff Trustee”) filed a complaint against Credicorp’s subsidiary Atlantic Security Bank (ASB) in U.S. Bankruptcy Court Southern District of New York, for an amount of approximately US\$120.0 million (“the Complaint”), equivalent to approximately S/388.9 million, which corresponds to the funds that ASB managed in Atlantic US Blue Chip Fund and that were redeemed between the end of 2004 and the beginning of 2005 from Fairfield Sentry Limited Fund in Liquidation (hereafter “Fairfield”), a fund that invested in BLMIS.

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

On July 7, 2014, the District Court of New York issued an opinion indicating that the Bankruptcy Laws of the United States are not applicable extraterritorially to permit the recovery of subsequent transfers made outside of the United States, between foreign entities. Furthermore, the District Court returned the case to the Bankruptcy Court, which, on November 22, 2016, issued a verdict establishing that certain subsequent transfers made overseas could not be recovered under the Bankruptcy Laws of the United States and rejected the demands presented by the Trustee of Madoff against the foreign entities; among them, the ASB. On March 16, 2017, the Trustee appealed this decision, additionally seeking that the appeal be heard before the Second Circuit of the Court of Appeal of the United States. On September 27, 2017, the Court of Appeals admitted the hearing of the Trustee’s appeal directly before said Court. On January 10, 2018, the Trustee presented to the Court the written arguments that support his appeal.

Management believes that ASB has valid defense arguments against the Madoff Trustee’s claims alleged in the Complaint and intends to contest these claims vigorously. Management considers, among other substantial defenses, that the Complaint considers only the amounts withdrawn, without taking into account the amounts invested in Fairfield. Furthermore, ASB after redeeming said funds from Fairfield, re-invested them in BLMIS through another vehicle, resulting in a net loss in the funds that ASB managed on behalf of its clients for approximately US\$78.0

million (equivalent to approximately S/252.8 million) as of December, 2008.

(ii)

Fairfield Liquidator Litigation -

On April 13, 2012, Fairfield and its representative, Kenneth Krys (the “Fairfield Liquidator”), filed an adversary proceeding against ASB pursuant to Chapter 15 of the U.S. Bankruptcy Code, in the U.S Bankruptcy Court for the Southern District of New York, styled as Fairfield Sentry Limited (In Liquidation) v. Atlantic Security Bank, Adv. Pro. N° 12-01550 (BRL) (Bankr. S.D.N.Y.) (“Fairfield v. ASB Adversary Proceeding”). The complaint sought to recover the amount of approximately US\$115.0 million, reflecting ASB’s redemptions of certain investments in Fairfield Sentry Limited, together with investment returns thereon. These are essentially the same moneys that the Madoff Trustee seeks to recover in the Madoff Litigation described above.

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Thereafter, the Fairfield v. ASB Adversary Proceeding was procedurally consolidated by the Bankruptcy Court with other adversary actions by the Fairfield Liquidator against former investors in Fairfield Sentry. Pursuant to that consolidation, and by consent of the parties, the Bankruptcy Court decreed the suspension of all proceedings in the Fairfield Liquidator adversary actions (except for the filing of amended complaints) in the light of the pending litigation in the British Virgin Island courts (BVI litigation) calling into question the Fairfield Liquidator's ability to seek recovery of funds invested with and redeemed from Fairfield Sentry. This suspension has been lifted, and on September 18, 2016, the Fairfield Liquidator filed a New Complaint (the modified original Complaint) against ASB. On January 13, 2017, ASB has presented, together with other defendants, a procedural motion/defense for the Complaint to be dismissed. On January 25, 2018, a hearing was held in which the parties have orally presented their arguments in support of each of their positions

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

34SUBSEQUENT EVENT

From December 31, 2017 until the date of this report, no significant event has occurred which affects the consolidated financial statements.