BANCO DE COMERCIO

FINANCIAL STATEMENTS AS OF DECEMBER 31, 2011 AND 2010

TOGETHER WITH THE INDEPENDENT AUDITOR'S REPORT

BANCO DE COMERCIO

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CONTENTS

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LIMA 27- PERU

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
BANCO DE COMERCIO

We have audited the accompanying separate financial statements of BANCO DE COMERCIO, which comprise the balance sheet as of December 31, 2011 and 2010, and the statements of income, of changes in net equity and of cash flows for the years then ended, as well as the summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Peruvian generally accepted accounting principles for financial entities, which are established by the Superintendence of Banks, Insurances, and Pension Fund Managers (SBS), as explained in Note 2 to the financial statements. This responsibility includes: designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making this risk assessment, the auditor considers the Bank internal control relevant to the preparation and fair presentation of the financial statements 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 Bank's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by the Management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of BANCO DE COMERCIO as of December 31, 2011 and 2010, the results of its operations, and its cash flows for the years then ended, in accordance with Peruvian generally accepted accounting principles for financial entities, which are established by the Superintendence of Banks, Insurance and Pension Fund Managers (SBS), as explained in Note 2 to the financial statements.

Emphasis on consolidated information

The separate financial statements of BANCO DE COMERCIO have been prepared to comply with the current legal requirements in Peru for the presentation of financial information and are made public in the term required by the Securities Market Superintendence (SMV). These financial statements are to be read together with the consolidated financial statements of BANCO DE COMERCIO and Subsidiaries, which are presented separately, on which we express an opinion without qualifications on our report of this date.

Lima, Peru
February 17, 2012

Pazos, López de Romaña, Rodríguez

Countersigned by

______________________ (Partner)
Luis Pierrend Castillo
Certified Chartered Public Accountant
Registration N° 01-03823

BANCO DE COMERCIO

BALANCE SHEET

AS OF DECEMBER 31, 2011 AND 2010
(In thousand Nuevos Soles)

ASSETS

	Note	2011	2010
CASH AND BALANCE AT CENTRAL RESERVE BANK	6	395,300	267,961
BALANCE AT OTHER BANKS	7	-	21,238
TRADING AND AVAILABLE FOR SALE SECURITIES	8	6,872	8,528
CREDIT PORTFOLIO, net	9	1,112,839	1,033,563
ACCOUNTS RECEIVABLE, net	10	2,601	1,346
AWARDED AND RECOVERED GOODS, net	11	1,472	2,081
DEFERRED INCOME TAX	12	15,448	13,865
INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES, net	13	26,943	19,899
PROPERTY, FURNITURE AND EQUIPMENT, net	14	34,362	33,702
OTHER ASSETS	15	23,113	14,676
Total assets		1,618,950	1,416,859
CONTINGENT AND MEMORANDA ACCOUNTS	23	1,598,927	1,658,499

LIABILITIES AND NET EQUITY

	Note	2011	2010
DEPOSITS FROM THE PUBLIC	16	1,369,732	1,197,674
DEPOSITS FROM FINANCIAL INSTITUTIONS	17	28,737	31,823
SHORT-TERM FINANCIAL DEBTS AND OBLIGATIONS	18	17,000	7,234
LONG-TERM FINANCIAL DEBTS AND OBLIGATIONS	18	24,945	20,552
ACCOUNTS PAYABLE	19	9,736	7,824
DEBT SECURITIES ISSUED	20	20,287	20,287
OTHER LIABILITIES	21	6,343	4,569
NET EQUITY	22		
Share capital		119,198	105,731
Additional capital		9	9
Legal reserve		7,609	6,112
Unrealized earnings		383	80
Retained earnings		14,971	14,964
Total net equity		142,170	126,896
Total liabilities and net equity		1.618,950	1,416,859
CONTINGENT AND MEMORANDA ACCOUNTS	23	1,598,927	1,658,499

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

BANCO DE COMERCIO

STATEMENT OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010
(In thousand Nuevos Soles)

	Notes	2011	2010
FINANCIALINTEREST AND SIMILAR REVENUES	24	190,235	164,107
FINANCIAL INTEREST AND SIMILAR CHARGES	25	(70,212)	(56,221)
PROVISION FOR BAD DEBTS	9	(20,729)	(18,939)
		----------	----------
Financial margin, net		99,294	88,947
FEES AND COMISSION REVENUE	26	18,700	20,601
EXPENSES ARISING FROM FINANCIAL SERVICES	27	(10,077)	(8,065)
		----------	----------
Operational margin		107,917	101,483
ADMINISTRATIVE EXPENSES	28	(79,701)	(70,251)
		----------	----------
Operational margin, net		28,216	31,232
		----------	----------
DEPRECIATION, AMORTIZATION AND OTHER PROVISIONS	29	(6,712)	(6,869)
OTHER (EXPENSES) REVENUES, net	30	(580)	(3,520)
		----------	----------
		(7,292)	(10,389)
		----------	----------
Profit before income tax		20,924	20,843
INCOME TAX	35 (c)	(4,342)	(5,879)
		----------	----------
Net profit		16,582	14,964
		=======	=======
Basic and diluted earnings per share	33	0.143	0.152
		=======	=======

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

BANCO DE COMERCIO

STATEMENT OF CHANGES IN NET EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010
(In thousand Nuevos Soles)

	SHARE CAPITAL	ADDITIONAL CAPITAL	LEGAL RESERVE	UNREALIZED EARNINGS	ACCUMULATED EARNINGS
BALANCES AS OF DECEMBER 31, 2009	93,344	9	4,647	(497)	15,067
Capitalization and appropriation	12,387	-	1,465	-	(13,852)
Unrealized earnings from on trading and held-to-maturity investments	-	-	-	577	(408)
Dividends	-	-	-	-	(807)
Net earnings	-	-	-	-	14,964
	----------	---	-------	------	--------
BALANCES AS OF DECEMBER 31, 2010	105,731	9	6,112	80	14,964
Capitalization and appropriation	13,467	-	1,497	-	(14,964)
Adjustment	-	-	-	-	(2,019)
Unrealized earnings from on trading and held-to-maturity investments	-	-	-	303	408
Net earnings	-	-	-	-	16,582
	----------	---	-------	------	--------
BALANCES AS OF DECEMBER 31, 2011	119,198	9	7,609	383	14,971
	=======	==	=====	====	======

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

BANCO DE COMERCIO

STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010
(In thousand Nuevos Soles)

	2011	2010
OPERATING ACTIVITIES:		
Net profit	16,582	14,964
Plus (less) adjustments to net profit:		
Depreciation and amortization	3,364	2,730
Allowance for bad debts	20,729	18,939
Provision for contingent loans	585	1,383
Allowance for irrecoverable accounts receivable	236	2,897
Recovery of allowance for bad debts	(64)	(27)
Recovery of allowance for accounts receivable	(210)	(794)
Recovery of provision for contingent loans	(895)	(1,146)
Allowance for awarded and recovered goods	575	336
Allowance for impairment of trading and held-to-maturity investments	-	3
Adjustment of permanent investments at equity value	(7,044)	(4,198)
Adjustment of fixed assets at market value	-	(938)
Recovery of allowance for awarded and recovered goods	(673)	(204)
Deferred employees' profit sharing and income tax	(3,290)	(1,300)
Write off of fixed assets	238	-
Exchange difference in various provisions	(670)	(377)
Adjustment of trading and available for sale securities and deferred employees' profit sharing and income tax and unrealized earnings	(312)	134
Charges and loans due to net changes in assets and liabilities:		
(Increase) decrease of accounts receivable	(1,266)	1,304
(Increase) decrease of other assets	(3,968)	3,340
Increase of trade accounts payable	1,912	2,562
Increase (decrease) of other liabilities	2,084	(3,338)
	--------	--------
INCREASE OF CASH AND CASH EQUIVALENT FROM OPERATING ACTIVITIES	27,913	36,270
	--------	--------

BANCO DE COMERCIO

STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010
(In thousand Nuevos Soles)

	2011	2010
INVESTMENT ACTIVITIES:		
Variation in trading and available for sale securities	2,367	40,303
Purchase of property, furniture and equipment	(4,064)	(8,704)
Sales of awarded and recovered goods	-	-
Additions of intangibles	(4,667)	(2,735)
	---------	---------
(DECREASE) INCREASE OF CASH AND CASH EQUIVALENT FROM INVESTMENT ACTIVITIES	(6,364)	28,864
	---------	---------
FINANCING ACTIVITIES:		
Net increase of deposits from the public	172,058	190,587
(Decrease) increase of deposits from entities in the financial system	(3,086)	22,776
Net (increase) decrease of financial debts and obligations	14,159	(1,761)
Increase of loan portfolio	(98,579)	(150,913)
Increase of debt securities issued	-	46
Payment of dividends	-	(807)
	----------	----------
INCREASE OF CASH AND CASH EQUIVALENT FROM FINANCING ACTIVITIES	84,552	73,348
	----------	----------
NET INCREASE OF CASH AND CASH EQUIVALENT	106,101	125,062
BALANCE OF CASH AND CASH EQUIVALENT AT THE BEGINNING	289,199	164,137
	----------	----------
BALANCE OF CASH AND CASH EQUIVALENT AT THE END	395,300	289,199
	=======	=======

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

BANCO DE COMERCIO

NOTES TO THE FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2011 AND 2010

1. IDENTIFICATION AND ECONOMIC ACTIVITY AND OTHER

a) Identification

Banco de Comercio (hereinafter the Bank) is subsidiary of Caja de Pensiones Militar Policial, majority shareholder with an interest of 99.99% as of December 31, 2011 and 2010.

The Bank was incorporated by means of a simple reorganization process, approved through SBS Resolution 1105-2004 dated July 9, 2004, in which an equity block made up by assets and liabilities selected from the old Banco de Comercio was transferred to a new financial entity. The operation license of the old Banco de Comercio was cancelled by SBS and immediately changed its name to Administradora de Comercio S.A. (hereinafter the Administrator).

Through SBS Resolution 1466-2004 dated August 25, 2004, SBS conferred the Bank the authorization to operate.

The Bank carries its business using a nationwide network of 17 branches and 12 special offices as of December 31, 2011 and 2010. The headquarters are located at Av. Canaval y Moreyra # 452-454, San Isidro.

Currently, the Bank has its capital shares listed in the Lima Stock Exchange (see Note 22 (a)).

b) Economic Activity

The Bank business include mainly the financial intermediary transactions corresponding to multiple banking, as regulated by the Superintendence of Banks and Insurance and Pension Fund Managers (hereinafter SBS), according to the General Law for the Financial and Insurance Systems and SBS Organic Operation (*Ley General del Sistema Financiero y del Sistema de Seguros y Orgánica de la SBS*) Law 26702 (hereinafter the General Law), which sets forth the requirements, rights, obligations, collaterals, restrictions, and other operation conditions applicable to juridical persons ruled by the private law that operate in the financial and insurance systems.

The number of employees as of December 31, 2011 and 2010 were 811 and 744, respectively.

c) Financial statements approval

The financial statements as of December 31, 2010 were approved in General Shareholders' Meeting held on March 31, 2011. Those corresponding to year 2011 have been approved by the Management in January 2012 and will be submitted for approval to the General Shareholders' Meeting to be held within the term required by Law. In the opinion of the General Management, the accompanying financial statements will be approved without changes.

d) Subsidiary

The adjoined financial statements reflect the Bank individual activity, excluding the effects resulting from the consolidation of this financial statements with those of its subsidiary Inversiones Banco de Comercio S.A. (hereinafter Inverpeco), engaged in real estate purchase, sale, and lease, as well as in financial advice. The assets, liabilities and shareholders' equity of the subsidiary amount to S/. 33,973 thousand, S/. 13,013 thousand, and S/. 20,960 thousand as of December 31, 2011 (S/. 21,993 thousand, S/.7,258 thousand, and S/. 14,735 thousand, respectively, as of December 31, 2010).

2. ACCOUNTING PRINCIPLES AND PRACTICES FOLLOWED BY THE BANK

The main accounting policies adopted by the Bank to prepare and present its financial statements, which have been consistently applied for the years presented, are given below.

(a) Basis for the preparation and presentation

(i) In preparing and presenting the accompanying financial statements, the Bank Management has complied with Peruvian generally accepted accounting principles for financial entities issued by SBS), and complementarily, when SBS has no specific standards, with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), The Standards Board (hereinafter the Board) is the entity responsible for making IFRS official in Peru. In December 2011 the Board approved the 2011 version of International Financial Reporting Standards (IFRS) 1 through 9, their interpretations (IFRIC) 1 through 19, International Accounting Standards (IAS), 1 through 41, their interpretations (SIC), 7 through 32, and amendments issued by IASB as of that date, which are effective as from year 2012; it also approved the texts of

IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements", IFRS 12 "Disclosure of Interests in Other Entities", and IFRS 13 "Fair Value Measurement", which are effective as provided in each of those standards.

The main differences between Peruvian Generally Accepted Accounting Principles for financial entities issued by SBS and International Financial Reporting Standards (IFRS) are:

Specific allowance for credits

SBS	IFRS
Assessment is made according to the percentages provided by SBS and recorded under the year results.	The difference between the book value and the amount recoverable (expected value from cash flows discounted at the original effective interest rate of the loan) is recorded. The expected value of recovery of collaterals is to be considered in case it is estimated that the credit will be recovered through their execution.

Allowance for awarded and recovered goods

SBS	IFRS
A Provision is recorded under results with percentages established by SBS in a term of 60 months.	It is recorded when the market value less cots incurred to put them on sale is lower than the goods book value.

Interests on hold

SBS	IFRS
They are recorded based on the amount earned.	They are recognized as revenues based on the amount accrued.

Revenues for commissions on financial services

SBS	IFRS
They are recorded based on the amount earned.	They are recognized as revenues based on the amount accrued.

Valuation of permanent investments	
SBS	IFRS
The equity method is applied for the valuations of investments in subsidiaries, jointly controlled entities and associates.	The cost or fair value method is applied.

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

(b) Use of estimates

The financial statements preparation also requires that the Management makes estimates and judgments to assess the balances of assets and liabilities, and of revenues and expenses, the amount of contingencies, and the exposure caused by significant events in the notes to the financial statements. The use of fair estimates is an essential part in financial statement preparation and does not harm their reliability. The Bank's estimates and judgments are continuously evaluated and are based on historical experience and any information considered relevant. Should such estimates and judgments vary in the future as a result of changes in the premises that supported them, the corresponding balances of the financial statements will be corrected on the date on which changes in estimates and judgments occur. The most significant estimates in relation to the accompanying financial statements are those referred to the allowance for the fluctuation of trading and held-to-maturity investments, for bad credits and accounts receivable, and for awarded and recovered goods, the recovery of assets for deferred income tax and the recoverable useful life and deferred employees' profit sharing and income tax and useful life and recoverable value of property, furniture and equipment, and intangibles.

(c) Transactions in foreign currency

- Functional and presentation currency

  To express its financial statements, the Bank has determined its functional currency, based on the primary business environment where it operates, which influences mainly the value assessment of its revenues and financial expenses. The financial statements are given in Nuevos Soles, which is, in turn, the Bank functional and presentation currency. All of the transactions are measured in the functional currency, and opposite to that, foreign currency is any currency other than the functional one.

- Transactions and balances in foreign currency

  Transactions in foreign currency are given in Nuevos Soles at the effective exchange rate of the transaction date. Balances as of December 31, 2011 and 2010 are valued at the exchange rate of the year closing, which is set by SBS. Exchange differences between the exchange rate registered at the beginning of a transaction and the exchange rate at the transaction settlement or the exchange rate at the year closing, are under financial revenues (expenses) in the statement of income.

(d) Financial Instruments

Financial instruments are contracts that give rise at the same time to a financial asset in one entity and to a financial liability or equity instrument in another. In the case of the Bank, financial instruments include primary instruments such as cash and balance at Central Bank Reserve, balance at other banks and trading and available for sale securities, credit portfolio, accounts receivable, and liabilities in general. When they are first recognized, financial instruments are measured at their fair value, plus any costs directly related to the transaction. The Bank determines the financial assets and liabilities rating when they are first recognized and, when so allowed and appropriate, re-evaluates such rating at the end of every year.

(e) Offsetting of financial assets and liabilities

Financial assets and liabilities are offset when there is legal right to do it and the Management has the intention of cancelling them on a net basis or realizing the asset and cancelling the liability at the same time.

(f) Impairment of financial assets

The Bank evaluates on the date of each balance sheet whether there is evidence that a financial asset or group of financial assets are impaired. A financial asset or group of financial assets get impaired and generate losses only if there is objective evidence of impairment as a result of one or more events subsequent to the initial asset recognition (an event of incurred loss) and when such loss event has an impact on estimated projected cash flows of the financial assets or group of financial assets, which can be estimated on a reliable basis.

This evidence of impairment may include evidence of major financial difficulties of the borrower or group of borrowers, default or delay in the payment of the principal or interests, likeliness of restructuring or bankruptcy or the entity or other corporate reorganization showing that there will be a reduction in the estimated future flows, such as changes in the circumstances or economic conditions with correlation in failure to pay. It is also evidence of impairment, the entity management quality and rating granted by the other entities of the Financial System.

(g) Cash and balance at Central Reserve Bank

The balance includes cash and cash equivalent and are recognized at their fair value.

(h) Trading and available for sale securities

They are investments at fair value with changes in results, held to maturity and investments available for sale.

Investments are initially recorded at their cost of acquisition, updating its value according to SBS Resolution 10639-2008, according to their classification.

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

- Investments at fair value with changes in results – They are trading instruments acquired to sell them in the near future or part of a portfolio of financial instruments managed altogether to generate gains in the short term. After their initial recording at cost, they are valued at fair value, recognizing value fluctuations in the year results.

- Trading investments available for sale – This category includes instruments representing capital and debt that are not rated as investments at fair value with changes in results, held-to-maturity or investments in subsidiaries and associates.

  After their initial recording at cost, they are valued at their fair value, which is assessed based on the Lima Stock Exchange quotations. The gain or loss resulting from the variation in the fair value is recognized in equity account “unrealized earnings from investments available for sale”. Such account is then transferred to the results of the period in which the investment is sold.

Returns on these investments are recognized when accrued and dividends when declared and recorded in the statement of income.

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

In any of the cases above, if SBS considers necessary to set up any provision, it will be assessed based on each individual security and recorded in the income statement.

(i) Credit portfolio and allowance for bad debts

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

The portfolio of credits is rated according to the categories established by SBS. Direct credits are rated as corporate credits, to large and medium enterprises, (commercial credits up to June 30, 2010), credits to small enterprises and to microenterprises (MEs), consumption and housing mortgage credits.

Debtors included in the above mentioned categories are rated and allowance according to the following risk ratings: standard, potential problem, poor, doubtful, and loss.

The allowance for bad credits is based on estimates made by the Management and is assessed according to guidelines established by SBS in SBS Resolution 808-2003 “Regulations for Debtor Assessment and Rating and Provision Requirement” (effective from October 1, 2003 to June 30, 2010) and SBS Resolution 11356-2008, effective from July 1, 2010. In the review and analysis of corporate credits and credits to large and medium enterprises, the debtor capacity, its credit history and the economic environment in which it operates are considered. If such reviews determine the existence of credit recovery risks, a allownance for bad debts is set up according to the rating given and the percentages established by SBS.

In the case of credits to small enterprises and microenterprises (ME’s), consumption credits and housing mortgage credits, the allowance for bad debts is determined based on payment delay and the debtor rating in other entities of the financial system.

The allowance for bad debts includes a generic allowance and a specific allowance. The generic allowance includes a fixed component and a variable component (procyclic), which depend on the debtor risk rating: The procyclic component is recorded as assets or removed from assets according to SBS provisions, depending on a periodic measurement of annualized percent variations in the Gross Domestic Product (GDP).

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

Past due corporate credits and credits to large and medium enterprises correspond to those which have not been cancelled within the 15 days following the agreed maturity date. In the case of credits to small enterprises and microenterprises (ME's), consumption and housing mortgage credits, past due credits include unpaid principal installments older than 30 to 90 days and the full credit in case they are more than 90 days past due.

(j) Accounts receivable and provision

The balances of accounts receivable are shown at their face value, net of the corresponding allowance for bad debts. Such allowance is recorded as year expense and is made based on a specific individual evaluation of each debtor, considering the possibility to collect based on debt age, the Management's discretion and the credit experience with the debtor.

(k) Awarded and recovered goods and provision for impairment

They include real estate and personal properties awarded or recovered under execution of collaterals backing past due direct and contingent credits or under termination of financial leasing agreements, which are accounted at the lesser of their awarding cost, market value, or outstanding debt balance, net of a provision. These goods are not subject to annual depreciation, as ruled by SBS.

According to SBS regulations, the Bank is required to set up the following allowances:

i) 20% of the value on the award or recovery date for all the goods received, in as much as the allowance assessed for the appraisal value is not higher.

ii) For goods other than real property, a allowance is set up for the remaining balance in a term of 18 months.

iii) Additionally, for real property a monthly allowance for impairment is recorded as from month 18 of their award or recovery, which shall be set up in a maximum term of 42 months, in as much as the annually assessed appraisal value is not higher than the allowance net value.

(l) Income tax

Current -

Income tax for the current period is computed based on the financial statements and for the expected amount to be paid to the tax authorities. The legal standards and rates used to compute amounts payable are the ones effective on the date of the balance sheet.

Deferred -

Deferred Income Tax is computed following the liabilities method of the balance sheet, which consists of determining the temporary differences between financial and tax assets and liabilities, and applying to such differences the Income Tax rate.

(m) Investments in subsidiaries and associates

Investments in subsidiaries and associates are recorded following the equity method. According to this method, investment is initially recorded at cost and later, their book value is increased or decreased to recognize the share in results obtained by the subsidiary. Other changes in the subsidiary net equity such as those resulting from revaluations or from the recognition of unrealized gains also affect the equity interest of the investment, recognizing its effect in the net equity. Dividends received in cash reduce the investment value.

(n) Property, furniture and equipment and accumulated depreciation

Property, furniture and equipment are shown at their cost of acquisition, less accumulated depreciation and the accumulated amount of losses due to impairment. Depreciation of fixed assets is computed following the straight-line method based on their estimated useful life at the annual rates shown in Note 14. The historic cost of acquisition includes such disbursements directly attributable to the acquisition of the assets. Maintenance and minor repairs are recognized as expenses as they are incurred. The useful life and the depreciation method are reviewed from time to time to ensure that the depreciation method and period are consistent with the foreseen pattern of future economic benefits. Major later disbursements and major renewals are recognized as assets when it is likely that the Bank will obtain future economic benefits derived from them and their cost can be reliably valued.

By selling or removing property, furniture and equipment, the Bank eliminates their cost and the corresponding accumulated depreciation. Any loss or gain resulting from their disposal is included in the statement of income.

(ñ) Intangibles and accumulated amortization

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

(o) Impairment of non-financial assets

The value of awarded and recovered goods, investments in subsidiaries and associates, property, furniture and equipment and intangibles is periodically reviewed to determine if any deterioration exists, when there are circumstances showing that the book value may not be recoverable. In case of signs of impairment, the Bank estimates the assets recoverable amount and recognizes a loss for impairment in the income statement.

The recoverable value of an asset is the higher of its fair value less selling expenses and its value in use. The value in use is the present value of estimated future cash flows that will result from the continuous use of an asset, as well as from its disposal at the end of its useful life. Recoverable amounts are estimated for each asset or, if that is not possible, for the smaller cash-generating unit that had been identified. In case of a reduction of losses for impairment determined in previous years, revenue is recorded in the statement of income.

(p) Recognition of revenues and expenses

Revenues and expenses for interests are accounted in the results of the period in which they are accrued, according to the time of the application of the capital. Commissions for financial services are recognized as revenues when earned, except for credit card commissions, which are recognized based on the accrual method.

Interests for refinanced and past due credits as well as credits under judicial collection, as well as credits rated under doubtful and loss categories are recognized as revenues based on the earned amounts.

Other expenses are recognized when accrued.

(q) Contingencies

Contingencies are assets or liabilities that result from past events, which existence will be confirmed only if one or more uncertain future events somehow beyond the Bank control actually happen.

Contingent assets are not recorded in the financial statements, but revealed in notes when the contingency has a probable degree.

Contingent liabilities are recorded in the financial statements when it is considered likely that they are confirmed in time and can be reasonably quantified; otherwise they are only disclosed in notes to the financial statements.

(r) Basic and diluted earnings per share

Basic earning per share results from dividing the net profit attributable to the shareholders by the weighted average number of common shares outstanding in the period, including shares resulting from the restatement to constant currency. Diluted earning per share result from dividing the net profit attributable to the shareholders by the weighted average number of common shares, outstanding and potential shares, which may have been issued in the period.

3. LIQUIDITY, CREDIT, AND MARKET RISKS MANAGEMENT

The Bank activity exposes itself to a variety of financial risks: liquidity, credit, interest and market risks. The Bank's program of risk management is mainly focused on the unforeseeable of financial markets and tries to minimize the potential adverse effects in the Bank financial performance.

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

Liquidity risk: Liquidity risk is the risk that cash may or may not be available to pay obligations at their maturity at a fair value. The Bank controls its liquidity through the match of assets and liabilities maturities.

Credit risk: Financial assets with potential credit risk are mainly cash and cash equivalent, deposits in banks accruing interests, trading and available for sale securities, credit portfolio, and other assets. Cash and cash equivalents, as well as term deposits with banks are placed in sound financial institutions.

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

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

a) Interest risk: The Bank is mainly engaged in providing short and medium-term financing, mostly to local companies and individuals. Funds for commercial financing are mainly obtained from local market funds. The Bank has no major exposure to interest rate risk, because assets and liabilities are mainly agreed at fixed interest rates.

b) Exchange risk: The Bank carries out its transactions in foreign currency, but the Management estimates that any fluctuation of the functional currency in relation to the foreign currency will not adversely affect the results of its operations. The Bank controls the currency risk through the match of assets and liabilities in foreign currency.

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

As of December 31, 2011 the exchange rate reported by SBS for the accounting of assets and liabilities in foreign currency was S/. 2.696 (S/. 2.809 in 2010) per US Dollar.

As of December 31, 2011 the weighted average exchange rate published by SBS for transactions in US Dollars was S/.2.695 for buying and S/.2.697 for selling transactions (S/.2.808 for buying and S/.2.809 for selling transactions in 2010).

The Bank had the following assets and liabilities in foreign currency (in thousands of US Dollars):

	As of December 31, 2011	2010
Assets		
Cash and balance at Central Reserve Bank	77,392	53,078
Balance at other banks	-	4,000
Trading and available for sale securities	2,034	2,122
Credit portfolio, net	60,578	60,988
Accounts receivable	267	93
Other assets	890	1,305
	141,161	121,586
Liabilities		
Deposits form the public	(128,285)	(113,507)
Deposits from financial institutions	(639)	(766)
Financial debts and obligations	(9,261)	(5,819)
Accounts payable	(658)	(621)
Other liabilities	(1,258)	(713)
	(140,101)	(121,426)
Asset position, net	1,060	160

4. FINANCIAL INSTRUMENTS

Accounting standards define a financial instrument as any financial asset and liability of a company, considering as such: cash and balance at Central Reserve Bank, balance at other banks, trading and available to sale securities, credit portfolio, accounts receivable and liabilities in general.

In the opinion of the Bank Management, as of December 31, 2011 and 2010 the fair value of their financial instruments is not significantly different from their respective book values and, therefore, the disclosure of such information has no effect for the financial statements as of such dates.

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

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

a) Cash and balance at Central Reserve Bank are made up by cash or cash equivalent and short-term deposits that represent no major credit risk.

b) The market values of the credit portfolio are similar to their book value, because their value net of the corresponding allowance for bad credits corresponds mainly to the present value of such credits.

c) Short-term and long-term financial debts and obligations accrue interests at variable rates and preference rates, considering that their book values are similar to their corresponding market values.

d) The fair value of balance at other banks, other accounts receivable, deposits, obligations and other liabilities is not significantly different from their book value.

5. TRANSACTIONS THAT HAVE NOT GENERATED FUNDS TURNOVER

Year 2011

- A transfer has been made from awarded and recovered goods to the credit portfolio amounting to S/. 3,509 thousand corresponding to goods acquired to be granted under financial leasing, which were kept in such heading until the agreements are effectively entered.

- The deferred employees' profit sharing accumulated as of December 31, 2010 was reversed and charged to retained earning by S/. 2,019 thousand.

- Additions of awarded goods were recorded for S/. 897 thousand originated in the credit portfolio recovery.

Year 2010

- The Bank has acquired, by entering an agreement of Assignment of Contracting Position in Financial Leasing, a property for S/.12,621 thousand, reducing the credit portfolio by S/.7,497 thousand. The difference was paid in cash.

- Additions of awarded goods were recorded for S/. 140 thousand originated in the credit portfolio recovery.

- A transfer has been made from awarded and recovered goods to the credit portfolio amounting to S/. 2,053 thousand corresponding to goods acquired to be granted under financial leasing, which were kept in such heading until the agreements are effectively entered.

6. CASH AND BALANCE AT CENTRAL BANK

The balance of this heading is made up by (in thousand Nuevos Soles):

	2011	2010
Cash and cash in clearance process	42,075	37,562
Deposits in Banco Central de Reserva del Perú (a)	327,135	208,073
Deposits in local and foreign banks (b)	25,963	22,301
Accrued returns	127	25
	----------	----------
	395,300	267,961
	=======	=======

(a) It is mainly made up of cash funds kept in Banco Central de Reserva del Peru (BCRP), which correspond to the legal reserve required by the current regulations.

Deposits in Nuevos Soles and in foreign currency are subject to a minimum reserve of 9% in 2011 and 2010; deposits in foreign currency are required an additional reserve of 25% in 2011 and 2010 computed on the excess of deposits over the average in February 2011 (July 2010 for computations as of December 31, 2010).

Reserve funds representing the minimum required by law accrue no interest. Reserve funds corresponding to the additional reserve required in foreign currency and deposited in BCRP accrue interests at a rate equivalent to Libor less a monthly factor computed by BCRP. Additional reserve funds in local and foreign currency accrued interests for S/. 747 thousand and US$ 58 thousand, respectively (S/. 38 thousand and US$ 44 thousand in 2010).

(b) As of December 31, 2011, it includes restricted deposits in Banco de Crédito del Perú for US$ 577 thousand (US$ 670 thousand in 2010) as collateral for a letter of guarantee in favor of Unibanca for the same amount to back the transactions with credit cards granted by the Bank. In year 2011, it also includes deposits in Commerzbank AC for US$ 500,000 as collateral for foreign trade credit facilities and other minor restricted deposits for S/. 40 thousand (S/. 63 thousand in 2010).

7. BALANCE AT OTHER BANKS

It corresponds to deposits in BBVA Banco Continental for transitory liquidity support purposes for less than 5 days. During year 2011 interbank funds have accrued interests for S/. 298 thousand (S/. 152 thousand in 2010). (See Note 24).

8. TRADING AND AVAILABLE FOR SALES SECURITIES

A breakdown of this heading is given below (in thousand Nuevos Soles):

	2011	2010
Investment funds	3,975	4,449
Report operations	1,556	2,711
Instruments representing capital	861	1,595
Other	491	140
	-------	-------
	6,883	8,895
Less:		
Allowance for impairment	(11)	(367)
	-------	-------
	6,872	8,528
	=====	=====

Investment Funds include 1,170,026 shares in Fondo de Inversión Multirenta Inmobiliaria managed by AC Capitales SAFI valued at US$ 1,654,367 (1,179,500 shares for US$ 1,373,763 in 2010). The year return amounted to S/. 169 thousand (S/. 223 thousand in 2010) (See Note 24).

Reporting transactions correspond to shares in various companies. Interests accrued for these investments amounted to S/. 405 thousand (S/. 482 thousand in 2010).

Instruments representing capital include shares are listed in the Lima Stock Exchange. During the year unrealized revenues account for S/. 303 thousand (S/. 577 thousand in 2009) due to the market value fluctuation.

9. CREDIT PORTFOLIO, NET

a) It includes the following (in thousand Nuevos Soles):

	2011	2010
Direct credits:		
Consumption	832,975	767,861
Loans	189,535	148,672
Financial leasing	25,149	41,623
Discounts	28,726	60,186
Overdrafts and advances in checking account	7,833	10,701
Mortgage credits	15,004	11,059
Refinanced credits	35,005	17,065
Past due credits and credits under judicial collection	18,198	18,220
	1,152,425	1,075,387
Accrued return on current credits	10,268	8,965
Less:		
Non-accrued interests and commissions	(5,277)	(8,579)
Allowance for bad credits	(44,577)	(42,210)
	1,112,839	1,033,563
Contingent credits (Note 23)	247,695	333,461

In year 2011, the Bank sold credit portfolios with full allowance to its subsidiary Inverpeco for S/. 181 thousand and to its related company Administradora del Comercio S.A. for S/. 6,997 thousand corresponding to a portfolio which book value was S/. 6,509 thousand, resulting in a gain of S/. 488 thousand.

In year 2010, the Bank sold credit portfolios with full allowance to its subsidiary Inverpeco for S/. 272 thousand and to its related company Administradora del Comercio S.A. for S/. 6,911 thousand corresponding to a portfolio which book value was S/. 6,407 thousand, resulting in a gain of S/. 776 thousand. (See Note 31).

b) Interest rates generated by credits in local and foreign currency are established by the free market, depending on the type of credit and the currency in which the credit is granted.

As of December 31, the average annual rates effective for the main products were:

	2011		2010	
	S/.	US$	S/.	US$
	%	%	%	%
Consumption credits	16.54	-	16.91	12.40
Loans	21.54	12.99	13.30	11.71
Discounts	16.58	12.39	12.08	12.86
Overdrafts	138.18	50.00	138.18	50.00
Mortgage credits	10.69	10.44	11.10	11.32

c) According to SBS regulations, the credit portfolio presents the following risk rating (in thousand Nuevos Soles):

Credits	2011 Direct and indirect	%	2010 Direct and indirect	%
Standard	1,287,743	92	1,289,909	92
Potential problem	43,562	3	43,259	3
Poor	22,129	2	26,911	2
Doubtful	27,384	2	25,097	2
Loss	14,025	1	15,093	1
	1,394,843	100	1,400,269	100

Such amounts include the balance of the credit portfolio net of non-accrued interests and commissions and contingent credits, which are backed by collaterals received from customers, mainly mortgages, industrial and commercial pledges and sureties, among others. Such collaterals amount to approximately S/. 521,602 thousand as of December 31, 2011 (S/. 456,755 thousand in 2010). (See Note 23).

d) The Bank credits are mainly oriented to the following sectors:

	2011	2010
Consumption	74%	72%
Commercial	8%	10%
Services	11%	8%
Manufacturing	6%	9%
Housing mortgage	1%	1%
	----	----
	100	100
	===	===

e) The activity of the allowance for bad credits was as follows (in thousand Nuevos Soles):

	2011	2010
Initial balance	42,210	37,047
Additions charged to results	20,729	18,939
Write-off of previous provisions	(17,833)	(13,420)
Recoveries	(64)	(27)
Foreign exchange difference	(465)	(329)
	---------	---------
Final balance	44,577	42,210
	======	======

As of December 31, 2011, the provision for contingent credits amounting to S/. 2,229 thousand (S/. 2,539 thousand as of December 31, 2010), is included under “Other liabilities” in the Balance Sheet. (See Note 21).

f) The minimum rates for generic allowance and the rates for procyclic provisions used for credits rated as standard as of December 31, 2011 and 2010 are given below.

Types of credit	Rates of Provisions (%)		
	Generic	Procyclic	
Corporate credits	0.7	0.40	(1)
To large enterprises	0.7	0.45	(1)
To medium enterprises	1.0	0.30	(2)
To small enterprises	1.0	0.50	(2)
To microenterprises	1.0	0.50	(2)
Consumption, revolving	1.0	1.50	(2)(3)(4)
Consumption, non-revolving	1.0	1.00	(2)(4)
Housing mortgage	0.7	0.40	(1)

(1) With preferred self-liquidating collaterals, the procyclic component is 0.3% for the portion covered with the collaterals.

(2) With preferred self-liquidating collaterals, the procyclic component is 0% for the portion covered with the collaterals.

(3) For revolving consumption credits, the procyclic component is not lower than 1.5%.

(4) For consumer credits with eligible agreement, the procyclic component is 0.3%.

Minimum rates for specific allowances to be set up for credits of debtors rated under higher than standard risk were as follows (for years 2011 and 2010):

	Rates of Provision (%)		
	(1)	(2)	(3)
Potential problem	5	2.5	1.25
Poor	25	12.5	6.25
Doubtful	60	30	15
Loss	100	60	30

(1) Without preferred collaterals.

(2) With preferred collaterals (applicable for 2011 to credits to large enterprises, medium enterprises, small enterprises, microenterprises or housing mortgages, and in 2010 to commercial credits, mortgage credits and credits to microenterprises).

(3) With preferred collaterals with high liquidity (applicable for 2011 to credits to large enterprises, medium enterprises, small enterprises, microenterprises or housing mortgages, and in 2010 to commercial credits, mortgage credits and credits to microenterprises).

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

Refinanced transactions meeting the requirements provided below are to be recorded as current credits and their Interest recognized as revenues based on the accrual principle:

a. The debtor is rated as Standard or Potential Problem as a result of the evaluation of its payment capacity.

b. The original credit has not experienced changes in its contracting conditions, which are not due to payment capacity difficulties, more than once.

c. The debtor has paid at least 20% of the principal of the refinanced or rescheduled debt.

d. El debtor has proved payment capacity in relation to the schedule established in the restructuring or refinancing by paying the last two quarter installments on time.

In case the debtor has direct and indirect credits in two or more companies in the financial system, it will be rated using the higher risk category that had been granted by any of the entities, which credits represent minimum twenty percent (20%) in the system. The entity performing the monthly alignment should consider the debtor rating based on the most recent information available submitted by SBS through the "Consolidated Credit Report – CCR", and report the rating without alignment in the field given in the "Debtors Credit Report – DCR". Only one level of discrepancy will be allowed in relation to this category.

g) As of December 31, the credit portfolio has the following maturities (in thousand Nuevos Soles):

	2011			2010		
	Local currency	Foreign currency	Total	Local currency	Foreign currency	Total
Up to 1 month	34,392	29,712	64,104	38,172	41,060	79,232
1 to 3 months	52,725	41,848	94,573	51,511	53,077	104,588
3 to 6 months	59,839	23,636	83,475	52,772	25,429	78,201
6 to 12 months	111,305	16,370	127,675	109,317	13,653	122,970
Over 12 months	707,889	56,510	764,399	624,056	48,120	672,176
Past due credits and credits under judicial collection	11,757	6,442	18,199	16,944	1,276	18,220
	986,797	175,896	1,152,425	892,772	182,615	1,075,387

10. ACCOUNTS RECEIVABLE, NET

The balance of this heading includes (in thousand Nuevos Soles):

	2011	2010
Accounts receivable for sale of goods	338	64
Claims to third parties	599	237
Advances to personnel	647	405
Various accounts receivable	933	640
Returns receivable with provision	883	920
Various accounts receivable with provision	3,010	2,878
	6,410	5,144
Allowance for irrecoverable accounts receivable	(3,809)	(3,798)
	2,601	1,346

The activity of the allowance for irrecoverable accounts receivable is given below (in thousand Nuevos Soles):

	2011	2010
Initial balance	3,798	1,717
Addition charged to results	236	2,897
Recovery of provisions	(210)	(794)
Foreign exchange difference	(15)	(22)
Final balance	3,809	3,798

11. AWARDED AND RECOVERED GOODS, NET

It includes goods bought to be granted under financial leasing and real estate and personal properties obtained from the execution of collaterals received in payment, corresponding to past due and recovered placements under terminated leasing agreements.

A breakdown of this balance is given below (in thousand Nuevos Soles):

	2011	2010
Recovered and acquired goods to be granted under financial leasing	5,974	6,360
Goods received in payment and awarded	1,924	2,435
	-------	-------
	7,898	8,795
Less: allowance for impairment	(6,426)	(6,714)
	-------	-------
	1,472	2,081
	=====	=====

In year 2011, the Bank sold awarded goods for S/. 674 thousand, resulting in a net gain of S/. 1,039 thousand. In year 2010 no awarded goods were sold.

The activity of the provision for impairment is given below (in thousand Nuevos Soles):

	2011	2010
Initial balance	6,714	6,588
Additions	575	336
Recoveries	(673)	(204)
Foreign exchange difference	(190)	(6)
	-------	-------
Final balance	6,426	6,714
	=====	=====

12. DEFERRED INCOME TAX

A breakdown of the balance as of December 31, 2011 and 2010 is given below (in thousands of Nuevos Soles):

	2011	2010	Estimated time of recovery
The deferred asset has arisen from:			
1. Generic provisions	5,345	5,238	1 year
2. Amortization of software	329	284	1 year
3. Depreciation of improvements in leased properties	341	296	1 year
4. Unpaid vacations	1,070	930	1 year
5. Provision for awarded and recovered goods	983	1,091	1 year
6. Interests on deposits made by individuals, unpaid	7,190	5,449	1 year
7. Smoothing of assets and liabilities in foreign currency and other	(84)	(41)	1 year
8. Expense for independent audit	31	28	1 year
9. Other	243	590	1 year
	---------	---------	
Net deferred assets at the end of the year	15,448	13,865	
Less: Balance at the year begin	13,865	12,506	
	---------	---------	
	1,583	1,359	
	======	======	
Net effect of the year in year results (Note 35 c))	3,290	1,300	
Effect on accumulated results, of adjustment for employees' profit sharing (Note 32)	(2,019)	-	
Minor adjustment in the year result	312	59	
	---------	---------	
	1,583	1,359	
	======	======	

13. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES, NET

A breakdown of this heading as of December 31, 2011 and 2010 is given below (in thousand Nuevos Soles):

	Number of shares	Interest in net equity 2011 %	Interest in net equity 2010 %	Amount 2011	Amount 2010
Inversiones Banco de Comercio S.A.	4,605,025	99.99	99.99	20,960	14,735
Unibanca	3,490,576	11.28	11.28	5,847	5,025
Other				136	139
				26,943	19,899

The amount of the interest in the net equity of Inversiones Banco de Comercio S.A. has been assessed based on its audited financial statements as of December 31, 2011 and 2010. The amount of the interest in Unibanca has been assessed based on the information sent by such company referent to the Bank interest in net equity.

14. PROPERTY, FURNITURE AND EQUIPMENT AND ACCUMULATED DEPRECIATION

The activity and breakdown of this heading is given below (in thousand Nuevos Soles):

Year 2011	Initial balances	Additions	Removals	Transfers	Final balances
COST OF:					
Land	7,109	-	-	-	7,109
Buildings and installations	25,180	834	-	558	26,572
Furniture and equipment	11,577	2,482	(780)	3	13,282
Transport equipment and machinery	665	90	(91)	-	664
Installations and improvements in leased properties	3,458	202	-	85	3,745
Works in progress	434	456	-	(646)	244
	48,423	4,064	(871)	-	51,616

Year 2011	Initial balances	Additions	Removals	Final balances
ACCUMULATED DEPRECIATION OF:				
Buildings and installations	6,106	1,087	-	7,193
Furniture and equipment	7,065	1,588	(580)	8,073
Transport equipment and machinery	287	131	(53)	365
Installations and improvements in leased properties	1,263	360	-	1,623
	14,721	3,166	(633)	17,254
Net value	33,702			34,362
Year 2010				
COST	31,284	17,139	-	48,423
ACCUMULATED DEPRECIATION	12,200	2,521	-	14,721
Net value	19,084			33,702

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

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

In August 2010, by entering an agreement of Assignment of Contracting Position in Financial Leasing, Inversiones Banco del Comercio S.A. assigned for valuable consideration in favor of Banco de Comercio the property located at Av. Canaval y Moreyra Nº 452, 454, San Isidro, where the Bank headquarters are located, for S/. 12,621 thousand, corresponding to the property market value.

15. OTHER ASSETS

The balance of this heading includes (in thousand Nuevos Soles):

	2011	2010
Intangibles, net of accumulated amortization a)	12,724	8,255
Deferred charges b)	2,201	2,686
Tax credit, Value Added Tax of financial leasing agreements	167	1,994
Advance partial payments, Temporary Tax on Net Assets	2,681	680
Advance payments, Income Tax	4,334	-
Transactions in process c)	249	776
Other	630	285
	23,113	14,676

a) The activity and breakdown of this heading is given below (in thousand Nuevos Soles):

Year 2011	Initial balances	Additions	Adjustment	Final balances
COST OF				
Software	1,459	394	(19)	1,834
Development of Banking CORE software (i)	7,277	4,273	-	11,550
	8,736	4,667	(19)	13,384
ACCUMULATED AMORTIZATION	481	198	(19)	660
	8,255			12,724
Year 2010				
COST	6,582	2,735	(581)	8,736
ACCUMULATED AMORTIZATION	853	209	(581)	481
	5,729			8,255

(i) It corresponds to the implementation of the Banking CORE system, which is an IT operating and accounting system to support the Bank business operability. Its implementation is foreseen for year 2012.

b) It includes a balance of S/. 605 thousand (S/. 990 thousand in 2010), corresponding to the advance payment for the 120-month agreement (until April 2014) for the lease of premises for a bank branch in the Jockey Plaza Commercial Center; it also includes S/. 238 thousand (S/. 179 thousand in year 2010) of prepaid insurance and S/. 1,028 thousand (S/. 1,029 thousand in 2010) of prepaid overhead expenses.

c) Transactions in process refer mainly to transactions made during the last days of the month, which are reclassified the following month to their final accounts in the balance sheet. These transactions do not affect the Bank results.

16. DEPOSITS FROM THE PUBLIC

A breakdown of this heading is given below (in thousand Nuevos Soles):

	2011	2010
Demand deposits	278,293	237,367
Savings accounts	156,026	160,565
Term accounts	819,226	696,363
Other dues	90,006	84,059
Interests on dues (a)	26,181	19,320
	-----------	-----------
	1,369,732	1,197,674
	========	========

(a) Interest rates for liabilities transactions are freely set by the Bank based on the free market and the type of deposit. Rates effective as of December 31 were as follows for the main products (effective annual rate):

	2011		2010	
	Local currency %	Foreign currency %	Local currency %	Foreign currency %
Savings accounts	2.06	0.86	2.11	0.81
Term accounts	7.40	2.52	6.82	2.92
Bank certificates	-	2.56	-	2.48
Employees' length of service compensation deposits	9.00	5.01	9.00	5.01

(b) As of December 31, deposits and obligations have the following maturities (in thousand Nuevos Soles):

	2011			2010		
	Local currency	Foreign currency	Total	Local currency	Foreign currency	Total
Up to 1 month	167,597	22,648	190,245	59,471	17,060	76,531
1 to 3 months	84,181	27,472	111,653	103,789	25,850	129,639
3 to 6 months	109,027	37,499	146,526	84,056	40,554	124,610
6 to 12 months	196,681	66,718	263,399	170,187	61,702	231,889
Over 12 months	481,886	176,023	657,909	461,329	173,676	635,005
	1,039,372	330,360	1,369,732	878,832	318,842	1,197,674

(c) The Bank is member of the Deposit Insurance Fund (*Fondo de Seguro de Depósitos, FSD*), as provided in article 148 of the Financial System General Law, Law N° 26702; therefore depositors are covered for up to the maximum established by the FSD, which as of December 31, 2011 was S/. 91,621 (S/. 85,793 as of December 31, 2010).

17. DEPOSITS FROM FINANCIAL INSTITUTIONS

The balance corresponds to term deposits amounting to S/. 27,013 thousand and US$ 639 thousand (S/. 29,672 thousand and US$ 766 thousand in 2010), which have one-year maturity and accrue interests at an annual average rate of 7% in local currency and 4% in US Dollars.

18. FINANCIAL DEBTS AND OBLIGATIONS

It includes the following loans as of December 31 (in thousands):

Creditor	2011 Short term S/.	2011 Long term S/.	2011 Total S/.	2011 Total US$	2010 Short term S/.	2010 Long term S/.	2010 Total S/.	2010 Total US$
Corporación Financiera de Desarrollo COFIDE	6,725	14,144	20,869	1,444	4,113	20,552	24,665	4,687
Deutsche Bank Trust Co. Americas - NY	-	10,784	10,784	4,000	-	-	-	-
BHF Germany	-	-	-	-	1,141	-	1,141	406
Israel DB Bank - NY	5,662	-	5,662	2,100				
Bladex Panama	567	-	567	210	1,068	-	1,068	380
Bank of Montreal Canada	2,666	-	2,66	989	452	-	452	161
Standard Chartered Bank	1,375	-	1,375	510	-	-	-	-
Commerzbank AC	-	-	-	-	320	-	320	114
Other minor	5	17	22	8	140	-	140	71
	17,000	24,945	41,945	9,261	7,234	20,552	27,786	5,819

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

The debts contracted with Corporación Financiera de Desarrollo - COFIDE are credit facilities for the special housing project *Mi Vivienda* and *Techo Propio*.

19. ACCOUNTS PAYABLE

A breakdown of this heading is given below (in thousand Nuevos Soles):

	2011	2010
Vacations payable	3,566	2,775
Various accounts payable	2,187	2,059
Profit sharing payable	1,413	1,223
Suppliers	1,636	910
Premiums on the Deposit Insurance Fund	895	785
Other minor	39	72
	-------	-------
	9,736	7,824
	=====	=====

20. DEBT SECURITIES ISSUED

It corresponds to first and second issue of Subordinated Bonds Convertible into Shares amounting to S/. 10,000 thousand each with maturity dates in November 2018 and January 2019, respectively, at an effective annual rate of 8%. Interests are payable on a quarterly basis, and the total of the Bonds has been acquired by Caja de Pensiones Militar Policial.

The balance includes Interests accrued for S/. 287 thousand in years 2011 and 2010.

21. OTHER LIABILITIES

A breakdown of this heading is given below (in thousand Nuevos Soles):

	2011	2010
Provision for contingent credits (a)	2,229	2,539
Transactions in process (b)	3,835	1,998
Provision for overhead expenses	279	-
Other minor	-	32
	-------	-------
	6,343	4,569
	=====	=====

(a) The activity of the provision for contingent credits is given below (in thousand Nuevos Soles):

	2011	2010
Initial balance	2,539	2,322
Additions charged to results	585	1,383
Provision recoveries	(895)	(1,146)
Foreign exchange difference	-	(20)
	-------	-------
Final balance	2,229	2,539
	=====	=====

(b) Transactions in process refer mainly to transactions made during the last days of the month, which are reclassified the following month to their final accounts in the balance sheet. These transactions do not affect the Bank results.

22. NET EQUITY

(a) Share capital – The authorized share capital, fully subscribed and paid as of December 31, 2011, is represented by 119,198,000 common shares with a face value of S/. 1.00 per share (105,731,000 common shares as of December 31, 2010).

The shares are listed in the Lima Stock Exchange, but show no trading frequency.

In General Shareholders' Meeting dated November 10, 2004, the Bank resolved to issue 16,550,000 preferred shares convertibles into common shares through the capitalization of Subordinated Bonds issued by the Bank for a face value of US$ 5,000,000 (equivalent to S/.16,550,000) held by Caja de Pensiones Militar y Policial. On December 30, 2004, through Resolution 2134-2004, SBS authorized the referred capitalization, which was filed with the public registry on April 15, 2005.

General Shareholders' Meeting dated January 8, 2010, and SBS Resolution 2376 dated March 15, 2010, approved the conversion of preferred shares into common shares for S/. 16,550,000.

As of December 31, 2011 the Bank share structure was as follows:

Percentage of capital interest			Number of shareholders	Total equity interest percentage
0.00	to	0.01	1	0.01
0.02	to	99.99	1	99.99
			---	--------
			2	100.00
			==	======

The minimum capital required by the General Law for the Financial and Insurance Systems and SBS Organic Operation (Law 26702) effective as of December 31, 2011 amounts to S/. 24,853,140 (S/. 23,176,294 in 2010).

(b) Legal reserve – In accordance with article 67 of Law 26702, the Bank should reach a legal reserve not lower than 35 percent of the share capital. The reserve is formed by transferring not less than 10 percent of the net profit after tax, on an annual basis. This reserve is used to cover accumulated losses.

(c) Unrealized earning – It corresponds to the variation in the fair value of held-for-sale investments, made up by instruments representing capital, included under trading and available for sale securities, which remain in this account until actually sold or until proof of impairment when such amount is transferred to the year result.

(d) Accumulated earnings – They may be capitalized or distributed as dividends, by resolution of the Shareholders' Meeting. Dividends and any other form of distributed profit are subject to the Income Tax at a 4.1% rate on the distributed amount to be borne by the shareholders or company members, which is only applicable to such shareholder who is an individual domiciled or not in Peru, or to such juridical person which is non-domiciled in Peru. According to the General Business Act, dividends distribution must be proportionate to the shareholders contribution.

(e) Effective Capital – The Bank effective capital as of December 31, 2011 amounts to S/. 157,113 thousand (S/. 147,346 thousand as of December 31, 2010). Such figure, assessed according to the provisions contained in law 26702 is used only to compute certain limits and restrictions applicable to the Bank transactions.

23. CONTINGENT AND MEMORANDA ACCOUNTS

It includes the following (in thousand Nuevos Soles):

	2011	2010
Contingent credits:		
Sureties and letters of guaranty	225,538	284,658
Letters of credit issued	13,322	27,602
Outstanding bank acceptances	847	2,870
Unused credit facilities	7,988	18,331
	-----------	-----------
(Note 9 a))	247,695	333,461
Other contingent accounts		
Various responsibilities	349	208
	-----------	-----------
	248,044	333,669
	-----------	-----------
Memoranda accounts:		
Own securities under collection	3,716	3,716
Revenues on hold	18,508	16,086
Bad credits written off	42,148	22,485
Securities given in custody	2,426	2,618
Securities under custody	78,075	163,999
Collaterals received for credit transactions (Note 9 c)	521,602	456,755
Other	684,408	659,171
	-----------	-----------
	1,350,883	1,324,830
	-----------	-----------
	1,598,927	1,658,499
	========	========

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

Credit risk in contingent transactions is related to the probability that one of the parties to the respective agreement fails to honor the terms established under such agreement. Contingent credits do not necessarily represent future payment requirements, because many of them reach maturity without disbursement required. Accordingly, the Bank Management estimates that the recorded provision (shown under “other liabilities” (see Note 21) is enough to cover an eventual loss in the recovery of the contingent credits granted.

24. FINANCIAL INTEREST AND SIMILAR REVENUES

It includes the following (in thousand Nuevos Soles):

	2011	2010
Credit interests and commissions	175,707	154,023
Revenues from trading and available for sale securities	405	482
Interests on deposits in financial institutions	1,276	315
Interests on certificates of deposit and other investments	-	920
Adjustment of permanent investments at equity interest value	7,044	4,198
Interests on balance at other banks	298	152
Gain on exchange difference, net	4,814	3,583
Other minor	691	434
	190,235	164,107

25. FINANCIAL INTEREST AND SIMILAR CHARGES

It includes the following (in thousand Nuevos Soles):

	2011	2010
Interests and commissions on deposits from the public	60,690	48,730
Premiums of the Deposit Insurance Fund	3,434	3,060
Interests on debts and obligations	3,029	1,914
Interests on outstanding securities, titles and obligations	1,846	1,905
Loss on impairment of trading and available for sale securities	970	-
Other	243	612
	70,212	56,221

26. FEES AND COMISSION REVENUE

It includes the following (in thousand Nuevos Soles):

	2011	2010
Various revenues from services	9,360	10,370
Revenues from contingent transactions	8,567	9,420
Revenues from leasing	773	811
	18,700	20,601

27. EXPENSES ARISING FROM FINANCIAL SERVICES

It includes the following (in thousand Nuevos Soles):

	2011	2010
Various financing services	5,906	5,107
Credit life insurance	2,616	1,655
Expenses for credit recovery	758	474
Other minor	797	829
	10,077	8,065

28. ADMINISTRATIVE EXPENSES

A breakdown of this heading is given below (in thousand Nuevos Soles):

	2011	2010
Personnel and Board of Directors expenses	55,356	47,642
Rentals	2,508	3,785
Fees	2,509	2,052
Other services	3,210	2,357
Security services	2,120	1,790
Maintenance and repair	2,113	1,939
Advertisement	1,105	1,345
Taxes	1,584	1,303
Various supplies	1,561	1,327
Events and sponsorships	1,115	1,298
Transport of money and securities	951	807
Telephone	885	903
Electronic processes	995	725
Insurance	677	688
Other minor	3,012	2,290
	79,701	70,251

29. DEPRECIATION, AMORTIZATION AND OTHER PROVISIONS

A breakdown of this heading is given below (in thousand Nuevos Soles):

	2011	2010
Provision for contingent credits	(585)	(1,383)
Depreciation and amortization	(3,364)	(2,730)
Allowance for irrecoverable accounts receivable	(236)	(2,897)
Expenses for life insurance of Agreements with the Armed Forces	(2,235)	(510)
Allowance for impairment of trading and held-to-maturity investments	-	(3)
Recovery of provision for fixed assets impairment	-	938
Other provisions	(292)	(284)
	-------	-------
	(6,712)	(6,869)
	=====	=====

30. OTHER (EXPENSES) REVENUES, NET

A breakdown of this heading is given below (in thousand Nuevos Soles):

	2011	2010
Revenues		
Recovery written-off credit portfolio	1,365	861
Revenues from recovery of provision for bad credits	64	27
Revenues from previous years	780	217
Extraordinary revenues	1,528	2,106
Other	1,790	2,159
	-------	-------
	5,527	5,370
	-------	-------
Expenses		
Allowance for awarded and recovered goods	(575)	(336)
Expenses of previous years	(539)	(277)
Extraordinary expenses	(3,701)	(5,675)
Other	(1,292)	(2,602)
	-------	-------
	(6,107)	(8,890)
	-------	-------
	(580)	(3,520)
	=====	=====

31. TRANSACTIONS WITH RELATED COMPANIES

The Bank performs various transactions with related companies, the most important of which are attracting funds, selling portfolio, granting credits and their related financial expenses and revenues.

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

	2011		2010	
	Assets	Liabilities	Assets	Liabilities
Caja de Pensiones Militar Policial	6	34,318	6	33,144
Inversiones Banco de Comercio Inverpeco S.A.	2,210	2,087	2,463	2,352
Alpeco S.A.	-	370	3	173
Administradora del Comercio S.A.	1	4,599	-	2,296
	2,217	41,374	2,472	37,965

Certain shareholders, directors and officers of the Bank, have, directly or indirectly, made credit transactions with the Bank, which are regulated by the General Law. As of December 31, 2011 loans and other credits to Bank employees amount to approximately S/. 9,444 thousand (S/. 8,583 thousand in 2010), including mortgage loans.

In year 2011 deposits from related entities accrued interests for S/. 494 thousand (S/. 741 thousand in 2010). Placements have accrued in year 2011, approximately S/. 209 thousand (S/. 541 thousand in 2010) as interests.

During year 2011 the Bank has recorded expenses for services received from related companies for approximately S/. 1,995 thousand (S/. 4,149 thousand in 2010). Likewise, it has recorded revenues amounting to S/. 669 thousand for credit portfolio sale (S/. 776 thousand in 2010).

32. EMPLOYEES' PROFIT SHARING

According to Legislative Decree 892 as amended by Law 28873, employees are entitled to profit sharing through the distribution of 5% percent of the annual income before Income Tax.

The share is computed on the taxable income balance of the year subject to tax, after offsetting the losses of previous years, when applicable.

The deferred employees' profit sharing accumulated as of December 31, 2010 was reversed and charged to accumulated results S/. 2,019 thousand.

33. EARNINGS PER SHARE

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

	2011	2010
Net result attributable to shareholders	S/. 16,582	S/. 14,964
	======	======
Weighted average of the number of outstanding subscribed shares	115,914	98,385
	======	======
Earnings per share (%)	0.143	0.152
	======	======

34. CONTINGENCIES

As of December 31, 2011, the Bank was reportedly jointly liable for the tax contingencies established in various Assessment Resolutions, Fines and Payment Orders for Income Tax and Value Added Tax from 1996 to 2000 issued by the National Superintendence of Tax Administration (SUNAT) to Administradora del Comercio S.A. Such company has instituted administrative and contentious-administrative proceedings with SUNAT, the Fiscal Board and the Judiciary for all the resolutions mentioned above, for considering them not to proceed.

In the opinion of the Management of Administradora del Comercio S.A. and its legal advisors, they will obtain favorable results in the referred proceedings. However, they have estimated, in a conservatory manner, that the likely contingency amounts to S/. 20,215 thousand, and a provision has been set up for it, and that the likely contingency amounts to S/. 7,117 thousand for the Income Tax of 1997 and Value Added Tax of 1998, S/. 3,820 thousand for the Income Tax of 1998 and Value Added Tax of 1999, S/. 23,503 thousand for the Income Tax of 1999 and Value Added Tax 2000, and S/. 3,680 thousand for the Income Tax of 2000. The contingency includes interests computed according to the petition of the Amparo Complaint filed last year requesting that SUNAT replaces the delay interest for periods exceeding the maximum legal terms granted to resolve the claiming and appealing remedies for a factor that reflects the money value in time, suggesting the Consumer Price Index.

35. TAXATION

(a) As from March 1, 2011, the Value Added Tax (VAT) rate is 16%. Thus the global rate (considering the 2% of Municipal Promotion Tax) amounts to 18%.

(b) Income Tax returns for years 2006 to 2011 are pending review by SUNAT. The income tax return corresponding to year 2005 has been already reviewed and as a result of that, the Bank was served Assessment Resolutions 012-003-0013741 and 012-0030013742 for S/. 2,342 thousand and S/. 2,553 thousand, respectively for an alleged difference between the commercial and realization values for the sale of awarded properties. On January 14, 2008, a claiming remedy was filed. The claim filed against such values was resolved through Intendence Resolution 0150140008824 issued on December 30, 2009 by the SUNAT's Intendence of National Main Taxpayers, which was appealed, creating Case File 3670-2010 with the Tax Board. The Management and its legal advisors estimate that favorable results will be obtained as a result of the referred claim, for which no provision has been set up in the financial statements. Should tax assessments be made by this authority, the higher taxes, surcharges, adjustments, penalties, and interests, which may occur, as applicable, would charged against the results of the years when definitive liquidations are made.

(c) Income Tax for tax purposes amounting to S/. 7,632 thousand has been assessed as follows (in thousand Nuevos Soles):

Profit before employees' profit sharing and Income Tax	
	20,924

Additions	
1. Generic provisions for bad credits	3,588
2. Interests on deposits made by individuals	7,701
3. Non-deductible expenses	948
4. Loss on exempted transactions	241
5. Provision for awarded and recovered goods	575
6. Expenses of previous years	539
7. Interests on past due credits on hold	358
8. Entertainment expenses in excess	246
9. Expenses inherent to exempted income	354
10. Other minor	2,184

	16,734

Deductions

1. Various revenues for adjustment of permanent investments at equity value	(7,770)
2. Exempted financial income	(328)
3. Decrease of provision for generic bad credits	(1,270)
4. Benefit of higher tax depreciation for properties	(429)
5. Exchange difference on generic provisions	(118)
6. Recovery of provision for fixed assets added in previous years	(673)
7. Other	(216)

	(10,804)

	26,854
Employees' profit sharing (5%)	(1,413)

Income Tax base	25,441
	======
Income tax	(7,632)
	======

Employee's profit sharing and income tax shown in the income statement breaks down as follows (in thousand Nuevos Soles):

	2011			2010		
	For taxation	Net deferred effect of the year (Nota 12)	For accounting	For taxation	Net deferred effect of the year (Nota 12)	For accounting
Employees' profit sharing (5%)	1,413	-	1,413	1,224	(193)	1,031
Income tax (30%)	7,632	(3,290)	4,342	6,986	(1,107)	5,879
	=====	-------	=====	=====	-------	=====
		(3,290)			(1,300)	
		=====			=====	

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

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

As from January 1, 2007 taxpayers shall settle and pay 4.1% the tax directly, without a previous audit by the Tax Administration being required, within one month upon the date of indirect income disposition, together with its monthly obligations. As from January 01, 2009, in case it is not possible to determine the time in which the indirect income disposal was made, the tax is to be paid within the month following the date in which the expense was accrued, and it if it is not possible to determine the date in which the expense was accrued, the tax is to be paid in the monthly of January of the year following the year in which the indirect income disposal was made.

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

In opinion of the Bank Management, there will be no major contingencies for the Bank as of December 31, 2011 from the application of these regulations. In any case, any assessment on such regard by the tax authorities would be recognized in the year in which it occurs.

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

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

(g) As from 2004 special measures to fight evasion and informality have been approved, requiring the use of certain payment means for money obligations (Bankarization) and creating the Financial Transactions Tax, levying a wide range of transactions in local or foreign currency made mainly through the financial and banking systems. The Financial Transaction Tax aliquot for 2009 was 0.06%, and as from 2010 it is 0.05%.

In those cases in which obligations are paid by means other than the delivery of money or without using the required payment means, the tax shall double the tax rate and always on any amount exceeding 15% of the respective company obligations so settled.

As from April 1, 2011, the aliquot was reduced to 0.005%.

(h) Law Nº 28424 has established the Temporary Tax on Net Assets, effective as from January 1, 2005, as a tax on equity payable by third-class income earners subject to the General IT Regime. The effectiveness of this tax, originally of temporary nature, was successively extended giving it a permanent nature.

This tax base is the value of net assets recorded in the balance sheet as of December 31, of the year previous to the one on which payment is applicable after deducting the depreciations and amortizations admitted by the Income Tax Law. For year 2010, on the referred basis, the first million Nuevos Soles (S/. 1,000,000) shall not be subject to tax, while the aliquot of 0.4% applies to any excess.

The Temporary Tax on Net Assets can be paid in cash or broken up in nine monthly installments from April to December of the same year. The amount paid as Temporary Tax on Net Assets can be used as credit against the Income Tax of the year to which it corresponds or as a credit against the regularization Income Tax of the corresponding year.

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