BBVA Banco Continental and Subsidiaries

Independent Auditors' Report

Consolidated Financial Statements
For the years ended December 31, 2015 and 2014

(Free translation of a report originally issued in Spanish)

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BBVA BANCO CONTINENTAL AND SUBSIDIARIES

TABLE OF CONTENTS

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INDEPENDENT AUDITORS' REPORT

To the Shareholders and Board of Directors of
BBVA Banco Continental and Subsidiaries

1. We have audited the accompanying consolidated financial statements of **BBVA Banco Continental** (a subsidiary of Holding Continental S.A.) **and Subsidiaries** (hereinafter Grupo Continental), which comprise the consolidated statements of financial position as of December 31, 2015 and 2014, and the consolidated statements of income, other comprehensive income, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

2. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Generally Accepted Accounting Principles in Peru applicable to financial entities and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing, approved for their application in Peru by the Peruvian Board of Deans of the Institutes of Certified Public Accountants (Consejo Directivo de la Junta de Decanos de Colegios de Contadores Públicos del Perú). Those standards require that we comply with ethical requirements and plan and perform the audit in order to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatements.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of risks of material misstatements of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control relevant to Grupo Continental in the preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Grupo Continental internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

6. In our opinion, the consolidated financial statements referred to above, present fairly, in all material aspects, the consolidated statements financial position of **BBVA Banco Continental and Subsidiaries** as of December 31, 2015 and 2014, its consolidated financial performance and cash flows for the years then ended, in accordance with Generally Accepted Accounting Principles in Peru applicable to financial entities.

Other matters

7. The accompanying consolidated financial statements were translated into English by the Company for the convenience of English-speaking readers and have derived from the consolidated financial statements originally issued in Spanish.

Beltrán, Gris y Asociados S. Civil de R.L.

Countersigned by

_____________________ (Partner)
Eduardo Gris Percovich
CPC Registration N° 12159

February 19, 2016

BBVA BANCO CONTINENTAL AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2015 AND 2014
In thousands of S/

ASSETS	Notes	2015	2014
Cash and due from banks	4	23,432,484	14,633,083
Interbank funds	10	363,589	20,002
Investments at fair value through profit or loss	5	94,887	743,245
Available-for-sale investments	5	4,720,019	2,327,609
Held-to-maturity investments	5	462,732	451,232
Loan portfolio, net	6	47,848,768	42,056,399
Trading derivatives	15	1,327,552	827,724
Hedging derivatives	15	7,467	18,815
Accounts receivable		25,432	20,086
Assets seized and recovered thought legal actions, net		155,399	107,277
Investments in associates		3,881	2,927
Property, furniture and equipment, net	7	878,263	864,156
Current taxes		242,935	173,436
Deferred income tax	19	376,798	364,759
Other assets	8	1,132,330	271,944
TOTAL ASSETS		81,072,536	62,882,694
CONTINGENT RISKS AND COMMITMENTS	14	26,042,872	22,716,250

LIABILITIES AND EQUITY	Notes	2015	2014
Obligations to the public	9	46,439,852	38,555,172
Interbank funds	10	128,015	120,011
Deposits of financial entities and international financial organizations		1,376,558	1,622,746
Due to banks and financial obligations	11	23,709,577	15,260,159
Trading derivatives	15	1,265,340	727,257
Hedging derivatives	15	118,915	59,127
Payable	8	363,682	389,657
Current taxes		608	1,690
Provisions	8	488,426	399,624
Deferred income tax	19	-	2,121
Other liabilities	8	925,390	167,106
TOTAL LIABILITIES		74,816,363	57,304,670
EQUITY			
Capital stock	12 (a)	3,784,146	3,246,531
Reserves	12 (b)	1,111,786	977,350
Adjustments to equity	12 (d)	(11,549)	10,208
Retained earnings	12 (c)	1,371,790	1,343,935
TOTAL EQUITY		6,256,173	5,578,024
TOTAL LIABILITIES AND EQUITY		81,072,536	62,882,694
CONTINGENT RISKS AND COMMITMENTS	14	26,042,872	22,716,250

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

BBVA BANCO CONTINENTAL AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
In thousands of S/

	Notes	2015	2014
INTEREST INCOME			
Cash and due from banks		10,283	8,705
Interbank funds		1,670	678
Investments at fair value through profit or loss		15,635	29,072
Available-for-sale investments		100,665	85,229
Held-to-maturity investments		35,205	29,221
Direct loan portfolio		3,844,400	3,559,049
Profit/loss from hedging operations		40,814	25,369
Other financial income		5,580	5,382
		4,054,252	3,742,705
INTEREST EXPENSES			
Obligations to the public		(399,282)	(410,833)
Interbank funds		(10,939)	(20,394)
Deposits of financial entities and international financial organizations		(29,377)	(21,716)
Debts and financial obligations		(903,384)	(599,522)
Other financial expenses		(2,581)	(2,532)
		(1,345,563)	(1,054,997)
GROSS FINANCIAL MARGIN		2,708,689	2,687,708
Provisions for direct loans		(638,181)	(514,475)
NET FINANCIAL MARGIN		2,070,508	2,173,233
Income from financial services	16	1,003,597	877,423
Expenses for financial services	16	(188,828)	(147,104)
NET FINANCIAL MARGIN OF INCOME AND EXPENSES FOR FINANCIAL SERVICES		2,885,277	2,903,552
GAIN / LOSS FROM FINANCIAL OPERATIONS (ROF)			
Investments at fair value through profit or loss		9,933	6,742
Available-for-sale investments		8,389	13,451
Trading derivatives		(674,939)	(94,653)
Profit for interests in associates		1,602	1,364
Profit/loss from exchange differences	3	1,258,776	494,657
Others		63,224	31,584
		666,985	453,145
OPERATING MARGIN		3,552,262	3,356,697
Administrative expenses	17	(1,515,782)	(1,316,272)
NET OPERATING MARGIN		2,036,480	2,040,425
Valuation of assets and provisions		(167,101)	(134,688)
OPERATING PROFIT/LOSS		1,869,379	1,905,737
OTHER INCOME AND EXPENSES		25,593	(18,942)
PROFIT/LOSS FOR THE YEAR BEFORE INCOME TAX		1,894,972	1,886,795
Income tax	18(c)	(523,337)	(543,076)
NET PROFIT FOR THE YEAR		1,371,635	1,343,719
Weighted average number of outstanding shares (in thousands of shares)	20	3,784,146	3,784,146
Basic and diluted earnings per share in Peruvian soles		0.362	0.355

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

BBVA BANCO CONTINENTAL AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME AND OTHER COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
In thousands of S/

	2015	2014
NET PROFIT FOR THE YEAR	1,371,635	1,343,719
Other comprehensive income:		
Available-for-sale investments	(22,475)	(5,962)
Cash flow hedges	(2,235)	(1,432)
Income tax related to items of other comprehensive income	2,953	2,953
Other comprehensive income for the year, net of taxes	(21,757)	(4,441)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	1,349,878	1,339,278

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

BBVA BANCO CONTINENTAL AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN NET EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
In thousands of S/

		Reserves			Adjustments to equity			
	Capital stock	Mandatory reserves	Voluntary reserves	Retained earnings	Cash flow hedges	Available-for-sale investments	Total adjustments to equity	Total equity
	Note 12 (a)	Note 12 (b)	Note 12 (b)	Note 12 (c)	Note 12 (d)	Note 12 (d)		
Balances as of January 1, 2014	2,724,770	846,813	25	1,304,554	3,110	11,539	14,649	4,890,811
Changes in equity:								
Comprehensive income:								
Net profit for the year	-	-	-	1,343,719	-	-	-	1,343,719
Other comprehensive income	-	-	-	-	(882)	(3,559)	(4,441)	(4,441)
Total comprehensive income	-	-	-	1,343,719	(882)	(3,559)	(4,441)	1,339,278
Changes in net equity (not included in comprehensive income)								
Declared dividends in cash	-	-	-	(652,168)	-	-	-	(652,168)
Issuance of equity shares (different than business combination)	521,761	-	(25)	(521,736)	-	-	-	-
Transfers to reserves and other movements	-	130,537	-	(130,434)	-	-	-	103
Total changes in equity	521,761	130,537	(25)	39,381	(882)	(3,559)	(4,441)	687,213
Balances as of December 31, 2014	3,246,531	977,350	-	1,343,935	2,228	7,980	10,208	5,578,024
Balances as of January 1, 2015	3,246,531	977,350	-	1,343,935	2,228	7,980	10,208	5,578,024
Changes in equity:								
Comprehensive income:								
Net profit for the year	-	-	-	1,371,635	-	-	-	1,371,635
Other comprehensive income	-	-	-	-	(1,655)	(20,102)	(21,757)	(21,757)
Total comprehensive income	-	-	-	1,371,635	(1,655)	(20,102)	(21,757)	1,349,878
Changes in net equity (not included in comprehensive income)								
Declared dividends in cash	-	-	-	(671,890)	-	-	-	(671,890)
Issuance of equity shares (different than business combination)	537,615	-	(103)	(537,512)	-	-	-	-
Transfers to reserves and other movements	-	134,436	103	(134,378)	-	-	-	161
Total changes in equity	537,615	134,436	-	27,855	(1,655)	(20,102)	(21,757)	678,149
Balances as of December 31, 2015	3,784,146	1,111,786	-	1,371,790	573	(12,122)	(11,549)	6,256,173

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

BBVA BANCO CONTINENTAL AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
In thousands of S/

	2015	2014
RECONCILIATION OF NET PROFIT/LOSS FOR THE YEAR OF THE GROUP WITH CASH AND CASH EQUIVALENTS PROVIDED BY OPERATING ACTIVITIES:		
Net profit for the year	1,371,635	1,343,719
Adjustments	1,203,400	1,016,581
Depreciation and amortization	100,042	90,702
Provisions	712,732	558,724
Other adjustments	390,626	367,155
Net variation in assets and liabilities	(422,002)	(2,484,320)
(Net increase) net decrease in assets	(13,170,222)	(5,416,536)
Loans	(4,097,487)	(3,082,300)
Investments at fair value through profit or loss	648,358	(186,499)
Available-for-sale investments	(1,393,889)	678,679
Debt receivable and others	(8,327,204)	(2,826,416)
Net increase in liabilities	12,748,220	2,932,216
Financial liabilities, unsubordinated	11,483,726	2,755,048
Accounts payable and others	1,264,494	177,168
Profit/loss for the period after net changes in assets and liabilities and adjustments	2,153,033	(124,020)
Paid income tax	(525,391)	(540,679)
NET CASH FLOWS OF OPERATING ACTIVITIES	1,627,642	(664,699)
CASH FLOWS OF INVESTMENT ACTIVITIES:		
Outflows for purchases of intangibles and property, furniture and equipment	(150,204)	(198,128)
Other inflows related to investment activities	86,871	15,556
NET CASH FLOWS OF INVESTMENT ACTIVITIES	(63,333)	(182,572)
CASH FLOWS OF FINANCING ACTIVITIES:		
Inflows for issuance of subordinated financial liabilities	-	892,478
Outflow for recovery of subordinated financial liabilities	(96,030)	-
Dividends paid	(668,650)	(652,056)
NET CASH FLOWS OF FINANCING ACTIVITIES	(764,680)	240,422
NET INCREASE (NET DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF EXCHANGE RATE VARIATION	799,629	(606,849)
Effect of exchange rate variation on cash and cash equivalents	2,288,350	720,432
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,087,979	113,583
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	12,182,180	12,068,597
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	15,270,159	12,182,180

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

BBVA BANCO CONTINENTAL AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
In thousands of S/

	2015	2014
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR WITH ACCOUNT BALANCES IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION		
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	15,270,159	12,182,180
Guarantee funds	9,446,861	2,583,206
Interbank funds	(363,589)	(20,002)
Investments with maturities of less than 90 days	(920,947)	(112,301)
CASH AS PER THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (Note 4)	23,432,484	14,633,083

1. INCORPORATION, ECONOMIC ACTIVITY AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

(a) Incorporation and economic activity

BBVA Banco Continental (hereinafter the Bank) is a subsidiary of Holding Continental S.A. which owns 92.24% of the capital stock of the Bank. Banco Bilbao Vizcaya Argentaria and Inversiones Breca S.A. own 50%, respectively, of the capital stock of Holding Continental S.A. The Bank is a public company incorporated in 1951, authorized to operate by the Superintendence of Banking, Insurance and Private Pension Fund Administrators (hereinafter the SBS, for its Spanish acronym), based in Lima, Peru. The Bank's main office legal address is Av. República de Panamá No. 3055, San Isidro, Lima.

The Bank's operations primarily include financial intermediation corresponding to multiple banks; activities regulated by the SBS in accordance with Ley General del Sistema Financiero y del Sistema de Seguros y Orgánica de la SBS (General Law of the Financial and Insurance Systems and Organic Law of the SBS), Law No. 26702 and its amendments (hereinafter the General Law). The General Law establishes certain requirements, rights, obligations, guarantees, restrictions and other conditions that private legal entities operating in the financial and insurance system are subject to.

As of December 31, 2015 and 2014, the Bank carries out its activities through a network of 345 and 338 offices, respectively. The total number of employees of the Bank as of December 31, 2015 and 2014, was 5,424 and 5,455, respectively.

As of December 31, 2015 and 2014, the Bank has an equity interest and voting rights on 100% of the following subsidiaries: Continental Bolsa Sociedad Agente de Bolsa S.A., BBVA Asset Management Continental S.A., Sociedad Administradora de Fondos, Continental Sociedad Titulizadora S.A., and Inmuebles y Recuperaciones Continental S.A. Even though the Bank does not have interest or voting rights in Continental DPR Finance Company (DPR), due to the characteristics of its business purpose and its relationship with the Bank, accounting standards require that DPR's financial statements should be included on a consolidated basis with those of the Bank (all these companies will be referred to as Grupo Continental).

(b) Approval of the consolidated financial statements

The consolidated financial statements for the year ended December 31, 2015 have been approved for issuance by Grupo Continental Management on February 9, 2016. These consolidated financial statements will be submitted for approval to the Board of Directors and Annual Mandatory Shareholder's Meeting to be held within the terms established by Law. The consolidated financial statements for the year ended December 31, 2014 were approved at the Annual Mandatory Shareholder's Meeting held on March 26, 2015.

(c) Additional explanation for translation into English of the original consolidated financial statements issued in Spanish

The accompanying consolidated financial statements have been translated into English for convenience of English-speaking readers and have been derived from the consolidated financial statements originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails.

2. SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies used by Grupo Continental in the preparation and presentation of the consolidated financial statements are set out below. Unless otherwise stated, these policies were consistently applied during all years presented.

(a) Statement of compliance, basis of preparation and presentation

The consolidated financial statements are prepared and presented in accordance with legal regulations and generally accepted accounting policies in Peru (GAAP) applicable to financial entities, which comprise accounting standards and practices authorized by the SBS by virtue of the authority conferred to it by the General Law. Those standards are included in the Accounting Manual for Financial Entities (hereinafter the Accounting Manual), approved by Resolution SBS No. 895-98 dated September 1, 1998, effective as of January 1, 2001, and complementary standards and amendments.

The SBS has established that for situations that are not addressed by such standards, the regulations set forth in the International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) and rendered official by the Consejo Normativo de Contabilidad (Accounting Standards Board – CNC) shall be applicable (GAAP Peru).

Peruvian GAAP consist of: the standards and interpretations issued or adopted by the International Accounting Standards Board (IASB), which include International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), and the Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) or by the former Standing Interpretation Committee (SIC) adopted by the IASB, rendered official by Consejo Normativo de Contabilidad (Accounting Standards Board – CNC) for their application in Peru.

The following standards and interpretation as well as amendments to the existing standards were published for mandatory application in Peru for accounting periods beginning on or after January 1, 2015, but they were not relevant for the operations of Grupo Continental:

Standards, Interpretations and Amendments	Mandatory application:
IAS 19 Defined Benefit Plans	Applicable to annual periods beginning on or after July 1, 2014.
Annual Improvements to IFRS 2010-2012 Cycle	Applicable to annual periods beginning on or after July 1, 2014.
Annual Improvements to IFRS 2011-2013 Cycle	Applicable to annual periods beginning on or after July 1, 2014.

The following standards and interpretations have been published and are applicable to periods beginning after the presentation date of these consolidated financial statements:

Standards, Interpretations and Amendments	**Mandatory application:**
IFRS 9 Financial Instruments	Effective for annual periods beginning on or after January 1, 2017.
IFRS 14 Regulatory Deferral Accounts	Effective for first annual financial statements under IFRS, with annual periods beginning on or after January 1, 2016.
IFRS 15 Revenue from Contracts with Customers	Effective for annual periods beginning on or after January 1, 2018.
IFRS 16 Leases	Effective for annual periods beginning on or after January 1, 2019.
Amendments to IFRS 11 Joint Arrangements	Effective for annual periods beginning on or after January 1, 2016.
Amendments to IAS 1 Presentation of Financial Statements	Effective for annual periods beginning on or after January 1, 2016.
Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortization	Effective for annual periods beginning on or after January 1, 2016.
Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants	Effective for annual periods beginning on or after January 1, 2016.
Amendments to IAS 27 Equity Method in Separate Financial Statements	Effective for annual periods beginning on or after January 1, 2016.
Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	The effective application date for these amendments has been deferred indefinitely.
Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception	Effective for annual periods beginning on or after January 1, 2016.
Annual Improvements to IFRS 2012-2014 Cycle	Effective for annual periods beginning on or after January 1, 2016.

The management considers that the impact of the standards above would not be material for the consolidated financial statements of Grupo Continental in case those standards were adapted by the SBS.

(b) Consolidation basis

Grupo Continental comprises controlled entities and one special purpose entity (SPE).

Subsidiaries and SPE (Special Purpose Entity)

Subsidiaries are all entities over which the Bank has the power to control over the financial and operating policies by generally owning more than half of its voting shares. The consolidated financial statements include accounts such as assets, liabilities, equity and income and expenses of Grupo Continental. Transactions, balances and unrealized gains between the Bank and its subsidiaries have been eliminated. Subsidiaries are consolidated as from the acquisition date, which is the date when control is transferred to the Bank. Subsidiaries' consolidation ceases on the date when the Bank no longer exercises control over them.

The Bank uses the purchase method to record the acquisition of subsidiaries. The acquisition cost is determined as the fair value of the assets acquired, equity instruments issued and liabilities incurred or assumed at the exchange date, plus costs directly attributable to the acquisition.

Main balances of the Bank, its Subsidiaries and SPE as of December 31 are presented below:

	In millions of Peruvian soles					
	Assets		Liabilities		Equity	
Entity	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
BBVA Banco Continental	81,116	62,896	74,860	57,318	6,256	5,578
Continental Bolsa - Sociedad Agente de Bolsa S.A. (i)	36	35	8	8	28	27
BBVA Asset Management Continental S.A. Sociedad Administradora de Fondos (ii)	75	68	13	13	62	55
Continental Sociedad Titulizadora S.A. (iii)	2	2	-	-	2	2
Inmuebles y Recuperaciones Continental S.A. (iv)	40	32	2	24	38	8
Continental DPR Finance Company (v)	824	1,168	824	1,168	-	-

(i) Continental Bolsa - Sociedad Agente de Bolsa S.A. (hereinafter "Sociedad Agente de Bolsa") is a subsidiary of the Bank, which owns 100% of voting shares of the entity's capital stock. Sociedad Agente de Bolsa is engaged in security intermediation services, mainly comprised by the purchase and sale of securities on behalf of customers (principals), as well as the provision of advisory and information services to investors. Also, Sociedad Agente de Bolsa may perform and provide intermediation-related operations and services in the stock market, as authorized by the Superintendence of the Stock Market (hereinafter the SMV).

(ii) BBVA Asset Management Continental S.A. Sociedad Administradora de Fondos (hereinafter "Sociedad Administradora") is a subsidiary of the Bank, which owns 100% of voting shares of the entity's capital stock. Sociedad Administradora is exclusively engaged in the management of mutual funds and investment funds, as authorized to operate by the SMV, as well as the purchase and sale of securities. As of December 31, 2015, this entity manages 18 mutual funds for the investment in securities, 3 private investment funds and 1 public investment fund.

(iii) Continental Sociedad Titulizadora S.A. (hereinafter "Sociedad Titulizadora") is a subsidiary of the Bank, which owns 100% of voting shares of the entity's capital stock. Sociedad Titulizadora exclusively acts as trustee in securitization processes, and is also engaged in the acquisition of assets in order to establish trust funds which secure the issuance of credit-related securities.

As of December 31, 2015 y 2014, Sociedad Titulizadora manages assets in 7 trust funds.

(iv) Inmuebles y Recuperaciones Continental S.A. (hereinafter "IRCSA") is a subsidiary of the Bank, which owns 100% of voting shares of the entity's capital stock. IRCSA is engaged in any activity related to the commerce of properties and furniture for their own use or for third parties through the purchase, sale, lease, import and export of those assets, as well as any other related activity, without restrictions. Also, this entity provides management services for the health assistance program of the Bank.

(v) Continental DPR Finance Company is a special purpose entity which was incorporated for the purpose indicated in Note 11 (e) (securitization of foreign remittances).

(c) Responsibility for information and estimates

Grupo Continental Management is responsible for the information contained in these consolidated financial statements. Certain estimates have been used to quantify some assets, liabilities, revenue, expenses and commitments recorded therein, based on previous experience and other relevant factors. Final results could differ from those estimates.

These estimates are reviewed on an ongoing basis. Changes in accounting estimates are prospectively recognized, by recording the effects of changes in the corresponding accounts of the consolidated statement of income of the period when corresponding reviews are conducted.

The most important estimates and sources of uncertainty related to the preparation of the consolidated financial statements of Grupo Continental refer to:

- Investments at fair value through profit or loss, available-for-sale and investments in associates.
- Allowance for loan losses
- Other assets and contingent credits.
- Provision for accounts receivable.
- Provision for assets seized and recovered through legal actions.
- Provision for employee benefits.
- Useful life assigned to property, furniture and equipment.
- Provisions, contingent liabilities and assets.
- Deferred income tax.
- Derivative financial instruments (underlying at fair value).

(d) Functional and presentation currency

Grupo Continental prepares and presents its financial statements in Peruvian soles (S/), which is the currency of the main economic environment in which an entity operates, which influences transactions performed and services rendered, among other factors.

(e) Foreign currency transactions

Foreign currency transactions are recorded at initial recognition, using the functional currency. For this purpose, balances in foreign currency are translated into the functional currency at the exchange rate prevailing at the date of transaction, which is the date when the transaction meets the recognition criteria.

At the closing of each reporting date, the following criteria should be met:

(a) Monetary assets and liabilities are translated at the exchange rate effective at the closing date of the reporting period;

(b) Non-monetary assets and liabilities, not recognized at fair value, are translated at the exchange rate effective at the date of transaction.

(c) Non-monetary assets and liabilities, recognized at fair value, are translated at the accounting exchange rate effective at the date fair value was determined.

Recognition of exchange difference is subject to the following conditions:

(a) Exchange differences that have arisen when settling monetary assets and liabilities or when translating those items at other exchange rates than those used at their initial recognition, during the period or previous consolidated financial statements, will be recognized in profit or loss for the period when arisen.

(b) When profits or losses resulting from a non-monetary item are recognized in other comprehensive income, any exchange difference included in those profits or losses will also be recognized in other comprehensive income.

    In case of non-monetary items, whose profits or losses are recognized in profit/loss for the period, any exchange difference included in those profits or losses are also recognized in profit/loss for the period.

(f) Financial instruments

Financial instruments are classified as either financial assets, financial liabilities or as equity in accordance with the substance of the contractual arrangements from which they originate. Interests, dividends, profits and losses from a financial instrument classified as asset or liability are recorded as expenses or income in the consolidated statement of income.

Financial instruments are offset when Grupo Continental has a legally enforceable right to set off and Management intends to settle them on a net basis, or realize the asset and pay the liability simultaneously.

(f.1) Classification of financial instruments

Grupo Continental records its financial instruments at the trading date in accordance with SBS standards, and classifies them as follows: i) loans and accounts receivable, ii) at fair value through profit or loss, iii) Available-for-sale, iv) Held-to-maturity, v) liabilities at amortized cost and at fair value, and vi) other liabilities.

Financial assets

(i) Loans and accounts receivable

This category includes financial assets with fixed or determinable cash flows where total disbursements made by the entity will be recovered, except for reasons attributable to the debtor's solvency. This category shall include both the investment from typical credit transactions, such as cash amounts used and to be amortized by customers as loans or deposits made in other entities, regardless of their legal form, and debts incurred by goods buyers or service users, that are part of the entity's business.

Loans and accounts receivable are initially recorded at historical cost and valued based on the impairment of the debtor's creditworthiness; interests earned for financial assets and impairment losses are recognized in the consolidated statement of income.

(ii) Financial assets at fair value through profit or loss

These financial assets are held for trading in the near term, have a short-term profit-taking pattern or have been designated in this category from the beginning. These assets are initially recorded at fair value without considering transaction costs related to these investments, which are recorded as expenses.

Subsequently, these assets are measured at fair value and the profit or loss resulting from the valuation or sale of these financial assets is recorded in the consolidated profit/loss for the period.

(iii) Held-to-maturity financial assets

This category includes all investment instruments that meet the following criteria: (i) they were acquired or reclassified with the intention of holding them until maturity, for which Grupo Continental has the financial capacity to keep the investment instrument until maturity, and (ii) should be rated by at least two local or foreign risk credit-rating agencies and those ratings must meet the criteria set by the SBS; the instruments of Central Banks of countries whose sovereign debt is granted as minimum the same rating given to Peru's sovereign debt are not included in this requirement.

Pursuant to the provisions set forth in Resolution SBS No. 7033-2012 "Regulations for the Classification and Valuation of Investments of Financial Entities", these financial assets are initially recorded at fair value, including transaction costs directly attributable to the acquisition of these financial instruments.

These financial assets are subsequently measured at amortized cost using the effective interest rate method. Any impairment loss is recognized in the consolidated profit/loss for the period.

(iv) Available-for-sale financial assets

This category includes all investment instruments that are not classified as financial assets at fair value through profit or loss or as held-to-maturity.

Pursuant to the provisions set forth in Resolution SBS No. 7033-2012 "Regulations for the Classification and Valuation of Investments of Financial Entities", these financial assets are initially recorded at fair value, including transaction costs directly attributable to the acquisition of these financial instruments. Subsequent to initial recognition, these financial assets are measured at fair value, and profit or loss arising from the fluctuation of the fair value of the investment instrument classified in this category is directly recognized in equity (consolidated statement of income and other comprehensive income) until the instrument is sold or realized, and any profit or loss previously recognized in equity is transferred and recorded in the consolidated profit/loss for the period, except impairment losses which are recorded in profit/loss when presented.

Financial liabilities

(i) Liabilities at amortized cost and fair value

These liabilities include obligations to the public, deposits of financial entities, debts, securities and bonds (corporate, subordinated and financial lease bonds, and negotiable certificates of deposit). Debts, securities and bonds are recorded at amortized cost using the effective interest rate method. Amortized cost is calculated considering any discount or premium in issuance. Costs which are an integral part of the effective interest rate are amortized during the effective term of related liabilities. Interests accrued are recognized in the consolidated statement of income.

Financial liabilities are classified as financial liabilities at fair value though profit or loss when classified as held-for-trading or, at initial recognition, have been designated to be accounted for at fair value through profit or loss.

A financial liability is classified as held-for-trading if:

- It has been acquired mainly with the purpose of repurchase it in the near term;
- It is part of a portfolio of identified financial instruments which are jointly managed and for which there is evidence of a recent pattern to obtain short-term benefits; or
- It is a derivative, not a financial guarantee contract, it has not been designated as a hedging instrument and does not meet the conditions to be effective.

A financial liability different from those held-for-trading can be classified as financial liability at fair value through profit or loss if:

- It eliminates or significantly reduces a measurement or recognition inconsistency; or
- Financial liabilities are part of a group of financial assets, financial liabilities or both, that are managed and assessed according to the fair value criteria, following a documented investment or risk management strategy of the company and whose information is provided internally over such basis; or
- It is part of a contract containing one or more embedded derivatives, and IAS 39 allows designating the entire hybrid contract (combined) as a financial asset or financial liability at fair value through profit or loss.

Financial liabilities at fair value through profit or loss are presented at fair value. Profit or loss arising from changes in fair value of these liabilities are recognized in item "Gain/loss from financial operations (ROF)" in the consolidated statement of income.

(ii) Other liabilities

Other liabilities comprise accounts payable to suppliers, sundry accounts payable, accounts payable for dividends, salaries, and obligations with the deposit insurance fund and obligations with tax collection entities, among others. These items are initially recognized at fair value and then are determined at amortized cost.

(f.2) Derecognition of financial assets and liabilities

Financial assets are derecognized when risks and benefits have been transferred to a third party. Also, financial liabilities are derecognized when a contractual obligation has been paid, cancelled or has expired. Profits or losses arising from derecognition of financial assets or liabilities are recorded in the consolidated statement of income.

Grupo Continental derecognizes a financial asset only when the contractual rights on the cash flows of the financial asset expire or when the risks and benefits inherent to the ownership of the financial asset are substantially transferred to another entity. Grupo Continental derecognizes a financial liability when, and only when, the obligations expires or is cancelled.

Profits arising from the transfer of the loan portfolio are recognized as income; however, if the transfer is performed through a barter or if they are financed, such profits are recognized as deferred income, which is accrued based on monetary income that may be obtained from the realization of assets received under barters; or proportionally to the payment received from the acquirer of the loan portfolio being transferred. Losses arising from this transfer are recognized when being transferred.

(f.3) Impairment of financial assets

The impairment of financial assets and corresponding provisions are assessed and recorded by Grupo Continental according to the standards established by the SBS. Any impairment loss is recognized in the consolidated statement of income.

(g) Investments in associates

This item comprises equity instruments acquired to maintain significant influence. In accordance with the provisions set forth in the Accounting Manual, these investments are initially recorded at acquisition cost and are subsequently determined by applying the equity method.

(h) Allowance for loan losses

The allowance for loan losses is determined in accordance with the criteria and percentages established by Resolution SBS No. 11356-2008 “Regulations for the Evaluation and Classification of Debtors and Required Provisions”.

The SBS has established quantitative criteria (sales and debt levels in the financial system) and qualitative criteria to classify direct and indirect loan portfolio per type and category, as follows:

(i) Corporate
This category also includes the following:
   (a) Multilateral Development Banks
   (b) Sovereign
   (c) Public entities
   (d) Stock brokers
   (e) Financial entities
(ii) Large businesses
(iii) Medium businesses
(iv) Small businesses
(v) Micro-businesses
(vi) Revolving consumer loans
(vii) Non-revolving consumer loans
(viii) Mortgage loans

Provisions for indirect loans are calculated after adjusting balances through the application of the following credit conversion factors:

Indirect loans	Credit conversion factor (%)
(a) Confirmations of irrevocable letters of credit of up to one year, when the issuing bank is a first-class foreign financial system company.	20
(b) Issuance of letters of guarantee supporting affirmative and negative covenants.	50
(c) Issuance of guarantees, import letters of credit and letters of guarantee not included in paragraph "b)", and confirmations of letters of credit not included in paragraph "a)" and bank acceptances.	100
(d) Undisbursed loans granted and unused lines of credit.	0
(e) Other indirect loans not covered in previous paragraphs.	100

Debtors are classified and provisioned according to the following categories: normal, with potential problems, substandard, doubtful and loss.

The allowance for loan losses includes the generic and specific portions. The specific provision for loans is calculated based on percentages set by the SBS, which vary depending on the customer's classification and the type of guarantee received.

Generic allowances include those preventively established for debtors classified as normal in accordance with the requirements of the SBS, as well as voluntary provisions.

Mandatory generic allowances are determined based on percentage rates that include a fixed and variable component (procyclical) and vary depending on the type of loan. The standard to determine the procyclical component is activated or deactivated upon communication of the SBS, which relies upon a regular measurement of annual percentage variations (in moving averages) of the actual Gross Domestic Product of Peru (GDP), published by Banco Central de Reserva del Peru (BCRP).

Generic voluntary allowances have been determined by Grupo Continental based on the economic situation of customers within the refinanced and restructured loan portfolio, previous experience and other factors that, in Management's opinion, require the current recognition of possible losses in the loan portfolio. The amount of generic voluntary allowances is reported to the SBS.

Management reviews and analyzes the non-retail loan portfolio (corporate, large businesses and medium businesses) and classifies and provisions debtors according to their cash flows, global debts with creditors and their level of compliance with the payment of such debts. The retail loan portfolio (small businesses, micro-businesses, revolving consumer, non-revolving consumer and mortgage loans) is classified and provisioned based on the number of days in arrears and the classification of debtors in other financial entities. Additionally, pursuant to Resolution SBS No. 041-2005 and its amendments, Grupo Continental assesses its exposure to credit exchange risk for loans denominated in foreign currency.

Minimum percentages required for the constitution of provisions for the loan portfolio are presented below:

Normal category

Types of loans	**Fixed Component**	**Procyclical Component**
	%	**%**
Corporate loans	0.70	0.40
Corporate loans with customer deposit guarantees	0.70	0.30
Large businesses loans	0.70	0.45
Large businesses loans with customer deposit guarantees	0.70	0.30
Medium businesses loans	1.00	0.30
Small businesses loans	1.00	0.50
Micro-businesses loans	1.00	0.50
Revolving consumer loans	1.00	1.50
Non-revolving consumer loans	1.00	1.00
Consumer loans under eligible agreements	1.00	0.25
Mortgage loans	0.70	0.40
Mortgage loans with customer deposit guarantees	0.70	0.30

As of December 31, 2015 and 2014, the procyclical component for the provision of the loan portfolio was deactivated pursuant to Circular Letter SBS No. B-2224-2014.

Other categories and per type of guarantees

Risk category	**No guarantee**	**Preferred guarantee**	**Readily realizable preferred guarantee**
	%	**%**	**%**
With potential problems	5.00	2.50	1.25
Substandard	25.00	12.50	6.25
Doubtful	60.00	30.00	15.00
Loss	100.00	60.00	30.00

(i) Financial lease loan portfolio

Financial lease operations are recorded as loans in accordance with effective standards of the SBS and IAS 17 "Leases". These transactions are initially recorded based on the disbursement value of the transaction (net investment in lease).

(j) Financial derivative instruments

In accordance with Resolution SBS No. 1737-2006 "Regulations for Trading and Accounting of Derivative Products in Financial Entities" and its amendments, derivative financial instruments are initially recorded on the trading date.

Trading

Derivative financial instruments are initially recognized at cost in the consolidated statement of financial position of the Bank, and are subsequently carried at fair value. Trading financial derivatives are measured at fair value on a monthly basis. Foreign currency forwards, interest-rate swaps, currency swaps and options transactions are recorded at their estimated market value, recognizing assets or liabilities in the consolidated statement of financial position of the Bank, as applicable; and the profit or loss of the valuation or settlement of derivative financial instruments is recorded in the consolidated profit/loss for the period. The nominal value of derivative financial instruments is recorded in their respective committed or agreed-upon currency in contingent and/or off-balance sheet accounts (Note 15).

For hedging

A derivative financial instrument that seeks to ensure financial hedging to a certain risk is treated as a hedging instrument for accounting purposes if, in its trading, it is expected that changes in its fair value or cash flows will be highly effective to offset changes in the fair value or cash flows of the hedged item, directly attributable to the hedged risk from the beginning, which should be documented in the trading operation of the derivative financial instrument, and during the hedge period. Pursuant to Resolution SBS No. 1737-2006 and its amendments, a hedge is considered highly effective if it is expected that changes in fair value or cash flows of the hedged instrument and the instrument used for hedging are within a range of 80% to 125%.

If the SBS considers that the documentation is unsatisfactory or identifies weaknesses in the methodologies used, it may require the dissolution of the hedge and the record of the derivative financial product as for trading.

(j.1) Fair value hedging

For fair value hedges that qualify as such, changes in the fair value of the hedging derivative and the hedged risk of its hedged item are recognized in the consolidated statement of income from the date the hedge is designated effective.

Changes in fair value of the hedged risk of the hedged item are recorded as accounts payable in the consolidated statement of financial position.

(j.2) Cash flow hedging

For cash flow hedges, the hedging derivative is measured and recognized at fair value, and may affect both equity accounts and profit/loss accounts. The effective portion of changes in the fair value of derivatives is recognized in the equity account (consolidated statement of income and other comprehensive income), while the ineffective portion shall be recognized in the consolidated statement of income.

For both types of hedges, if the derivative instrument expires or is sold, terminated, or exercised, or when it no longer meets hedge accounting criteria, the hedging relationship is prospectively terminated and those balances recorded in the consolidated statement of financial position and the consolidated statement of income and other comprehensive income (equity), as applicable, are transferred to the consolidated statement of income during the effective term of the hedged item.

(k) Property, furniture and equipment

Property, furniture and equipment are recorded at historical cost, which includes acquisition-related disbursements and are presented net of depreciation and accumulated impairment loss, if any. Annual depreciation is recognized as expense and is determined on a cost basis using the straight-line method based on the estimated useful life of assets, represented by equivalent depreciation rates, as follows:

	Years
Buildings	33
Facilities	33 - 10
Leasehold improvements	10
Furniture and equipment	10 - 4
Vehicles	5

Disbursements incurred after a fixed asset has been placed for use are capitalized as an additional cost of such asset only when they can be reliably measured and it is probable that those disbursements will result in future economic benefits higher than the normal return originally assessed for such asset. Disbursements for maintenance and repairs are recognized as expense during the period when incurred. When a fixed asset is sold or disposed of use, the corresponding cost and accumulated depreciation are eliminated and the resulting profit or loss is recognized in the consolidated statement of income.

Banks are not allowed to apply the revaluation model. The only subsequent recognition model accepted is the cost model. Also, banks are prohibited from granting its fixed assets as collateral, except for assets acquired under financial lease transactions.

(l) Assets seized and recovered through legal actions

Assets seized and recovered through legal actions are recorded at judicial or extrajudicial award value or at the value agreed in the payment in kind agreement. Assets recovered due to contract termination are initially recorded at the lowest of the unpaid debt value or the net realizable value. If the unpaid debt value is greater than the recovered asset, the difference is recognized as a loss, provided there are no recovery probabilities.

In addition, the following provisions should be established on these assets:

- 20% of value at the award or recovery date for all goods received.

- For properties, in a maximum period of 42 months, a standardized monthly provision should be established on net value obtained in the twelfth (12°) or eighteenth (18°) month from its award or recovery, depending on the extension authorized by the SBS and until completing 100% of the carrying amount of the asset. On an annual basis, the carrying amount of properties is compared to the realizable value determined by an independent appraiser and, in the event that this value is lower, an impairment provision is established.

- For assets other than property, the remaining balance is provisioned in a period not higher than 18 or 12 months if an extension is authorized by the SBS.

(m) Intangible assets

Intangible assets with finite useful lives are recorded at acquisition cost and are presented net of accumulated amortization and accumulated impairment losses. Amortization is recognized as expense and is determined under the straight-line method based on the estimated useful life of assets. The useful life of these assets has been estimated to be between 1 and 5 years.

Costs related to the development or maintenance computer software are recognized as expenses when incurred. Costs directly related to unique and identifiable software products controlled by Grupo Continental which are probable to generate economic benefits beyond their cost for more than a year are recognized as intangible assets.

Costs incurred in the development of computer programs recognized as assets are amortized over their estimated useful lives.

(n) Non-current assets held for sale

Non-current assets held for sale are measured at the lowest of its carrying amount or fair value less costs of sales. Non-current assets are classified as held for sale only when the asset is available for immediate sale and its sale is highly probable, Management should be committed to the sale, and the sale should be expected to meet pertinent requirements for its recognition as such within one year from the date of classification.

(o) Impairment of non-financial assets

When there are events or economic changes indicating that the value of a long-lived asset may not be recoverable, Management reviews the carrying amount of these assets at the date of each statement of financial position. If, after this analysis, the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognized in the consolidated statement of income. Recoverable amounts are estimated for each asset.

(p) Employees' benefits

Short-term and long-term employees' benefits are accrued as follows:

Short-term benefits

(p.1) Vacations and other benefits

Annual vacations of employees, paid absences and other employees' benefits are recognized on an accrual basis, considering the probability of disbursements. The provision for estimated obligations resulting from services rendered by employees is recognized at the date of the consolidated statement of financial position.

(p.2) Severance indemnities

The provision for severance or seniority indemnities of employees comprises all the liabilities related to the employees' vested rights according to current laws. These payments are mainly deposited in the Bank, since it is the financial entity selected by employees.

(p.3) Employees' profit-sharing

Grupo Continental recognizes a liability and an expense of personnel based on 5% on the taxable amount determined in accordance with current tax regulations.

Pursuant to current legal regulations on this matter, subsidiaries should not determine employees' profit-sharing since the number of employees does not exceed twenty.

Long-term benefits

Long-term post-employment benefits for active and non-active staff of the Bank mainly related to seniority awards and healthcare benefits have been recognized based on actuarial calculations individually determined, considering future salary levels consistent with market expectations at the date they are met and the historical average cost of healthcare expenses and other benefits adjusted to inflation as well as the probability of occurrence. All these future cash flows have been discounted using the interest rates effective in the market corresponding to the issuance of high credit-rating bonds.

(q) Provisions, contingent liabilities and contingent assets

Provisions are recognized only when Grupo Continental has a current obligation (legal or implicit) as a result of a past event, it is probable that resources will be required to settle the obligation, and the amount of the obligation can be reliably estimated. Provisions are reviewed each period and are adjusted to reflect the best estimate at the date of the consolidated statement of financial position. When the effect of the time value of money is material, the amount of the provision is the present value of expenses expected to be incurred to pay the provision.

Contingent liabilities are not recognized in the consolidated financial statements, but are only disclosed in a note to the consolidated financial statements, except when the probability of an outflow of resources to cover a contingent liability is remote. Contingent assets are not recognized in the consolidated financial statements, but are only disclosed in a note to the consolidated financial statements when an inflow of resources is probable to occur.

(r) Share-based payment transactions

Until December 31, 2014, the Bank had a compensation plan for certain employees based on equity instruments. Compensations to employees based on equity instruments are recognized at market prices, as an expense of personnel in the consolidated statement of income, to the extent that employees provide their services. These services are measured at the fair value of committed equity instruments considering the date when such commitments, terms and other conditions were assumed.

This share-based compensation plan consisted in granting every year a number of share options to each employee, which is the basis to determine the number of shares to be granted based on the compliance with three key indicators established each year by BBVA Group, related to the evolution of Parent Company's shares and contributions to the Group.

Once each period is closed, the number of options assigned is divided by the indicators based on the weighting assigned to them at the time; then each part is multiplied by a coefficient ranging between 0 and 2, based on the range set out each year for each of those indicators.

Shares resulting from the calculation above are subject to the following withholding criteria:

- 40% of shares received will be used at the discretion of the beneficiary from the date they receive them;
- 30% of shares received will be released one year after the settlement date of the incentive; and
- The remaining 30% will be released at the second following year after the settlement date of the incentive.

As of December 31, 2014, the multiplier coefficient applicable to each beneficiary was 0.4775, which would give rise to an initial total number of shares of 52,163 for all beneficiaries. This plan was cancelled as from 2015.

In 2015, a group of employees is subject to Directive 2013/36/UE of the European Parliament, which establishes restrictions to variable compensations with regard to fixed compensations. This system for the settlement and payment of annual variable compensation (hereinafter the system) corresponds to those employees who have a significant impact on the risk profile of the Bank or perform control obligations and are subject to the following standards:

(a) At least 50% of total variable compensation will be settled in cash and will be later granted as shares from the Parent Company at the market price effective on the settlement date, one part will be granted in the settlement year and the balance will be delivered in up to 3 years.

(b) The variable compensation balance will be settled in cash; one part will be granted in the settlement year and the balance will be delivered in up to 3 years.

(c) Also, assumptions are established which can restrict or prevent the delivery of deferred variable compensation.

(d) Shares delivered will not be available for at least one year, except the portion required for the payment of pertinent taxes.

This system will be settled during the first months of the following year. Management has made an estimate for this matter, so as of December 31, 2015, Grupo Continental has recorded a provision for the deferred portion for S/ 3 million.

(s) Revenue and expense recognition

Revenue and expenses for interests and commissions for services are recognized in the consolidated profit/loss for the period as accrued, based on the effective term of operations which generate them.

Interests on past due loans , refinanced, restructured loans and under legal collection loans , as well as loans classified as doubtful and loss, are recognized in the consolidated statement of income to the extent they have been actually collected.

When it is determined that the financial condition of the debtor has improved to the extent that the uncertainty about principal recoverability is no longer present, interests are accounted for on an accrual basis again.

Other revenue and expenses are recorded in the period when accrued.

(t) Fiduciary activity

Assets derived from fiduciary activities where there is a commitment to return those assets to customers and where the Bank acts as trustee or agent, have been excluded from the consolidated financial statements. Those assets are controlled in other financial statements and are presented in off-balance sheet accounts.

Sociedad Titulizadora provides custody and management services of trust funds from third parties which give rise to the ownership of assets on their behalf. These assets and the output of those services, as per current regulations, are presented separately in the financial statements of Sociedad Titulizadora.

(u) Consolidated statement of income and other comprehensive income, and consolidated statements of changes in equity

The consolidated statement of income and other comprehensive income includes unrealized profit/loss arising from the valuation of available-for-sale investments as well as the valuation of cash flow hedge derivatives. Deferred income tax related to these items is treated as indicated in the corresponding note (Note 19).

The consolidated statement of changes in equity shows the consolidated comprehensive income for the period, the cumulative effect of changes in accounting policies or correction of errors, if any, changes in the transactions of shareholders such as payment of dividends and capital contributions, and the reconciliation between opening and closing balances, disclosing each movement or change.

(v) Cash and cash equivalents

Cash and cash equivalents presented in the consolidated statement of cash flows include cash (not including guarantee funds), interbank funds, as well as cash equivalents corresponding to short-term highly liquid financial investments, readily convertible into an specific cash amount and subject to an insignificant risk of changes in value, whose maturity does not exceed 90 days from the acquisition date.

As established by the SBS, Grupo Continental prepares and presents this statement by applying the indirect method.

Bank overdrafts are reclassified to liabilities in the consolidated statement of financial position.

(w) Current and deferred income tax

Current and deferred income tax are recognized as expense or revenue and are included in the consolidated statement of income, except when those amounts relate to items recognized in equity accounts, in which case, current and deferred income tax is also recognized in equity accounts.

Under tax laws currently in force, current income tax is calculated using tax rates on net taxable income for the period (28% for 2015 and 30% for 2014) and is recognized as expense.

Deferred income tax liability is recognized for all taxable temporary differences arising from comparing the carrying amounts of assets and liabilities and their tax basis, regardless of the time when such temporary differences that originated the liability are expected to be reversed. Deferred income tax asset is recognized for deductible temporary differences arising from comparing the carrying amounts of assets and liabilities and their tax basis, to the extent that it is probable that, in the future, Grupo Continental will obtain sufficient taxable income against which temporary differences that reverse can be applied. The asset and liability are measured using the income tax rate expected to be applied to taxable income in the year when the liability is settled or the asset is realized, using the income tax rate published or substantially effective at the date of the consolidated statement of financial position.

As of December 31, 2014, as a result of the reduction of income tax rates for 2015 and subsequent years (Notes 18-b and 19), the Bank changed the rate applicable to temporary items of deferred income tax from 30% to 27%. The downward adjustment to deferred income tax was S/ 40 million and was recorded in the consolidated statement of income for such period.

(x) Provision for country risk

Pursuant to Resolution SBS No. 505-2002, the provision for country risk is calculated for the difference between maximum provisions according to the nature of the asset transaction and those determined by the aforementioned resolution.

The SBS has determined a table of provisions which depends on factors related to the country with which exposure is held. One of those factors is internal risk rating assigned by the entity to the country, and another factor is the exposure level to regulatory capital that the entity holds over the country.

(y) Dividend distribution

Cash dividends distribution is recognized as liability in the consolidated financial statements of the year when dividends are approved by the shareholders of Grupo Continental.

(z) Transactions with related entities

By virtue of Resolution SBS No. 5780-2015 dated September 24, 2015, new special rules applicable to related parties and economic group were approved and Resolution SBS No. 472-2006 was modified, which contains prudential regulations for financial transactions with related entities. The most relevant changes were the following:

- For the calculation of the limit to all financing operations with related persons and/or legal entities (article 202° of the General Law), the following guidelines shall be considered:

  In case of a natural person related to the financial institution, all financing granted to their relatives or spouse should also be considered as exposure to such natural person. Also, the exposure to such natural person should include all financing granted to a legal person or entity over which such related natural person, their relatives or spouse, exercise control, either individually or as part of an economic group of natural persons acting as a decision-making unit.

- In case of a legal person or entity related to the financial institution, all financing granted to another legal person or entity that belongs to its economic group should also be considered as exposure to such legal person or entity.

Comparative figures from 2014 included in Note 21 “Transactions with related entities” have been restated based on the guidelines set forth in the resolution mentioned above.

(aa) Earnings per share

Basic earnings per common share have been calculated by dividing net profit for the year attributable to common shareholders by the weighted average of outstanding common shares during such period. Since Grupo Continental does not have financial instruments with dilutive effects, basic and diluted earnings per share are the same.

(bb) Intermediation transactions

Intermediation transactions on behalf of third parties correspond to purchase/sale operations performed in the stock and over-the-counter markets, under specific instructions given by the customers of Sociedad Agente de Bolsa. In this type of operations, customers transfer funds to Sociedad Agente de Bolsa so that this entity can perform certain transactions according to their instructions.

Since Sociedad Agente de Bolsa only acts as administrator of the funds of customers, this entity cannot use these resources, so there is a commitment to return them to customers. These resources do not belong to Sociedad Agente de Bolsa and are recorded in off-balance sheet accounts.

(cc) Standards with accounting impact recently issued by the SBS

During 2015, the SBS has published the following significant standards, among others:

Resolution / Circular Letter / Multiple Official Letter SBS No.	Description of the Standard	Publication Date	Effective Date
Resolution SBS No. 4358-2015	New regulations for factoring, discount and factoring companies	07/23/2015	July 2015
Resolution SBS No. 5780-2015	Special rules applicable to related parties and economic group	09/24/2015	September 2015
Resolution SBS No. 6231-2015	This resolution modifies the Regulations for Regulatory Capital Requirement for Credit Risk, the Regulations for Liquidity Risk Management and the Accounting Manual in order to adjust them to the Regulations for Reporting Operations applicable to Financial Entities, approved by Resolution SBS No. 5790-2014.	10/14/2015	December 2015 / January 2016
Resolution SBS No. 7932- 2015	Regulations for Country Risk Management. This resolution repealed previous Resolution SBS No. 505-2002.	12/30/2015	July 2016

3. FOREIGN CURRENCY TRANSACTIONS AND EXPOSURE TO EXCHANGE RISK

Balances of financial assets and liabilities denominated in foreign currency are expressed in Peruvian Soles (S/) in the consolidated financial statements, at the weighted average exchange rate for buying and selling, published by the SBS at the closing of 2015 and 2014, for each currency. These balances are presented below:

In thousands of US$	2015			2014		
	U.S. dollar	Other currencies	Total	U.S. dollar	Other currencies	Total
Monetary assets						
Cash and due from banks	6,211,923	22,939	6,234,862	4,020,759	50,946	4,071,705
Interbank funds	89,001	-	89,001	-	-	-
Investment in securities	689,267	-	689,267	63,450	-	63,450
Loan portfolio, net	4,624,638	15,817	4,640,455	6,125,315	4,231	6,129,546
Other assets	262,823	13,001	275,824	85,511	4,773	90,284
Total monetary assets	11,877,652	51,757	11,929,409	10,295,035	59,950	10,354,985
Monetary liabilities						
Obligations to the public	7,317,584	64,035	7,381,619	5,942,555	54,850	5,997,405
Deposits of financial entities and international financial organizations	151,421	22,440	173,861	390,953	-	390,953
Due to banks and financial obligations	3,677,643	99	3,677,742	3,633,848	472	3,634,320
Payable	41,853	88	41,941	32,060	72	32,132
Provisions	74,843	210	75,053	21,818	262	22,080
Other liabilities	43,356	3,894	47,250	10,976	403	11,379
Total monetary liabilities	11,306,700	90,766	11,397,466	10,032,210	56,059	10,088,269
Balance position, net	570,952	(39,009)	531,943	262,825	3,891	266,716
Asset derivative	3,765,248	158,042	3,923,290	5,250,385	508,332	5,758,717
Liability derivative	3,721,160	105,222	3,826,382	5,358,827	512,221	5,871,048
Net asset position	615,040	13,811	628,851	154,383	2	154,385

Most of the assets and liabilities in foreign currency are denominated in U.S. dollars. As of December 31, 2015, the exchange rate established by the SBS, used to translate these amounts in Peruvian soles (S/), was S/ 3.411 per US$1.00 (S/ 2.986 as of December 31, 2014).

During 2015, the Bank recorded net exchange difference profit for S/ 1,259 million (S/ 495 million in 2014), which are included in “Exchange difference profit/loss” in the consolidated statement of income.

Calculated depreciation percentages of the Peruvian Sol as compared to the U.S. dollar were 14.23% and 6.83% for 2015 and 2014, respectively; inflation percentages, according with the Domestic Wholesale Price Index (IPM for its Spanish acronym) were 2.59% and 1.47% for 2015 and 2014, respectively.

4. CASH AND DUE FROM BANKS

In thousands of S/	2015	2014
Banco Central de Reserva del Perú (BCRP)	10,550,371	8,370,009
Guarantee funds	9,446,861	2,583,206
Cash	2,418,211	2,992,256
Banks and other foreign financial institutions	751,587	500,938
Banks and other local financial system	192,311	68,046
Exchange operations	56,871	106,791
Other available cash	16,272	11,837
Total	23,432,484	14,633,083

As of December 31, 2015, cash includes approximately US$ 2,864 million and S/ 1,800 million (US$ 3,060 million and S/ 2,107 million as of December 31, 2014), which correspond to the required reserve that Peruvian entities must maintain for deposits and obligations to third parties. These funds are deposited in the entities' vaults and in BCRP.

As of December 31, 2015, cash subject to required reserve in local and foreign currency are affected by an implicit rate in local currency of 6.5% and in foreign currency of 44.33% on total obligations subject to required reserve (TOSE) in local and foreign currency as required by BCRP (as of December 31, 2014, cash is affected by an implicit rate in local currency of 9.5% and in foreign currency of 45%).

Reserve funds, representing the legal minimum which is 6.5%, do not bear interests. Reserve funds corresponding to the additional required reserve in foreign and local currency bear interests at an annual nominal rate set by the BCRP. In 2015, interest income amounts to S/ 4 million (S/ 7 million in 2014), and is included in "Interest income from cash" in the consolidated statement of income. Pursuant to legal provisions in force, these reserves cannot be seized.

Guarantee funds as of December 31, 2015 include balances used to secure currency repo transactions with BCRP (Note 11(a)).

As of December 31, 2015 and 2014, cash includes restricted funds for S/ 2 million and S/ 3 million, respectively, required in connection with legal proceedings against the Bank and to secure any liabilities generated by these lawsuits.

5. INVESTMENTS IN SECURITIES

Investments in securities have been classified by Grupo Continental as follows:

In thousands of S/	2015	2014
Investments at fair value through profit or loss		
Sovereign bonds of the Republic of Peru (b)	58,550	435,736
Investments in mutual funds (d)	23,823	60,919
Certificates of deposit of BCRP (a)	12,514	186,283
U.S. Treasury bonds	-	60,307
	94,887	743,245
Available-for-sale investments		
Certificates of deposit of BCRP (a)	4,287,703	1,789,149
Sovereign bonds of the Republic of Peru (b)	383,961	491,926
Shares in local companies (c)	47,718	45,897
Shares in foreign companies	637	637
	4,720,019	2,327,609
Held-to-maturity investments		
Sovereign bonds of the Republic of Peru (b)	462,732	451,232

(a) BCRP certificates of deposits are freely tradable securities, with maturities up to December 2016, which were acquired in public auctions or secondary markets, according to rates granted by financial entities. As of December 31, 2015, annual yields in local currency range between 3.75% and 4.79% (3.3% and 3.47% as of December 31, 2014) and in foreign currency, yields range between 0.33% and 0.56% (0.15% and 0.20% as of December 31, 2014).

(b) Sovereign bonds are issued by the Peruvian government. As of December 31, 2015, those bonds accrued interests at annual rates ranging between 1.05% and 7.82% (1.80% and 6.80% as of December 31, 2014) in local currency with terms up to August 2046 (August 2046 as of December 31, 2014).

(c) As of December 31, 2015 and 2014, this balance mainly includes shares of Lima Stock Exchange (BVL) for a total value of S/ 44 million and S/ 35 million, respectively.

(d) As December 31, 2015 and 2014, the investment in mutual funds corresponds to ownership interest held by Grupo Continental in several mutual funds managed by BBVA Asset Management Continental S.A. Sociedad Administradora de Fondos.

6. LOAN PORTFOLIO

The loan portfolio comprises the following:

In thousands of S/	2015		2014	
		%		%
Direct loans				
Loans	18,781,546	39	15,546,054	37
Mortgage loans	10,391,383	22	9,562,167	23
Foreign trade loans	5,989,028	13	4,723,868	11
Financial lease	5,058,271	11	4,345,229	10
Consumer	3,966,611	8	3,445,263	8
Discounted notes	1,235,909	2	1,291,732	3
Others	2,365,682	5	3,126,852	8
	47,788,430	100	42,041,165	100
Refinanced and restructured credits	858,275	2	762,547	2
Past-due loans and under legal collection loans	1,077,109	2	976,191	2
	49,723,814	104	43,779,903	104
Plus: Accrued interests	361,338	1	287,913	1
	50,085,152	105	44,067,816	105
Deferred income from loan transactions	(43,740)	-	(38,394)	-
Allowance for loan losses	(2,192,644)	(5)	(1,973,023)	(5)
TOTAL	47,848,768	100	42,056,399	100
Indirect loans (Note 14)	17,295,093		15,635,583	

Loans secured by guarantees received from customers, mainly comprised by mortgages, deposits, letters of guarantee, warrants and financial lease operations, amount to S/ 37,931 million and S/ 34,180 million as of December 31, 2015 and 2014, respectively.

As of December 31, 2015, part of the mortgage loan portfolio is secured by a debt with “Mi Vivienda - Mi Hogar” Fund for up to about S/ 557 million (S/ 561 million as of December 31, 2014) (Note 11 (c)).

As of December 31, 2015 and 2014, annual average interest rates for main products were as follows:

	2015		2014	
	Placements in		Placements in	
	S/	US$	S/	US$
	%	%	%	%
Loans and discounts	7.97	7.07	8.06	6.65
Mortgage	8.89	8.22	9.19	8.40
Consumer	23.57	22.33	21.54	17.25

(a) The table below presents the balances of the direct loan portfolio as of December 31, 2015 and 2014, under the distribution established by Resolution SBS No. 11356-2008, as follows:

In thousands of S/	2015		2014	
		%		%
Medium businesses	11,047,529	23	10,121,029	23
Mortgage	10,648,922	21	9,730,550	23
Corporate	10,530,514	21	5,741,912	13
Large businesses	9,677,097	19	11,029,640	25
Consumer	4,072,869	8	3,610,184	9
Small businesses	1,367,083	3	1,395,904	3
Public sector entities	991,556	2	968,713	2
Financial system companies	777,099	2	570,412	1
Stock brokers	430,255	1	476,741	1
Micro-businesses	106,887	-	68,812	-
Multilateral Development Banks	74,003	-	66,006	-
	49,723,814	100	43,779,903	100

(b) The direct loan portfolio, classified by Grupo Continental Management per risk category pursuant to effective standards issued by the SBS, is presented below:

In thousands of S/	2015						2014					
	Direct loans		**Indirect loans**		**Total**		**Direct loans**		**Indirect loans**		**Total**	
		%		**%**		**%**		**%**		**%**		**%**
Normal	46,471,394	94	16,994,693	98	63,466,087	95	40,827,557	93	15,371,531	98	56,199,088	95
With potential problems	1,087,917	2	167,460	1	1,255,377	2	973,828	2	167,776	1	1,141,604	2
Substandard	642,335	1	93,502	1	735,837	1	612,739	2	64,976	1	677,715	1
Doubtful	756,115	2	23,794	-	779,909	1	726,817	2	22,236	-	749,053	1
Loss	722,313	1	15,644	-	737,957	1	600,568	1	9,064	-	609,632	1
	49,680,074	100	17,295,093	100	66,975,167	100	43,741,509	100	15,635,583	100	59,377,092	100
Deferred income from loan transactions	43,740		-		43,740		38,394		-		38,394	
Total	49,723,814		17,295,093		67,018,907		43,779,903		15,635,583		59,415,486	

In accordance with current regulations, Grupo Continental has identified customers exposed to exchange rate risks; however, they do not consider necessary to establish an additional provision for this concept.

During 2015, Grupo Continental has written off loan transactions for S/ 30 million (S/ 29 million during 2014), which correspond to loans, principal, interests and commissions.

(c) The movement of the provisions for uncollectible indirect loans as of December 31, 2015 and 2014 was as follows:

In thousands of S/	**2015**	**2014**
Balances as of January 1	1,973,023	1,788,607
Provision	1,330,866	1,242,049
Recoveries and reversals	(692,650)	(724,501)
Portfolio sale	(565,084)	(381,855)
Exchange difference and other adjustments	146,489	48,723
Balances as of December 31	2,192,644	1,973,023

Management considers that the level of the provision for uncollectible loans is appropriate to cover potential losses in the direct credit portfolio at the date of the consolidated statement of financial position and all applicable laws and regulations have been complied with.

As of December 31, 2015, the general provision for the loan portfolio amounts to S/ 1,205 million (S/ 1,066 million as of December 31, 2014) and includes general voluntary and procyclical provisions for S/ 836 million (S/ 741 million as of December 31, 2014).

During 2015, Grupo Continental entered into agreements for the assignment of rights and shares corresponding to the loan portfolio for approximately S/ 512 million (S/ 253 million in 2014). The sale price was S/ 63 million (S/ 32 million in 2014) and was recorded in item "Other profit/loss for financial operations" in the consolidated statement of income. As of December 31, 2015, Grupo Continental did not grant rights on written-off portfolio (as of December 31, 2014, Grupo Continental granted rights for S/ 8 million (Note 24)).

7. PROPERTY, FURNITURE AND EQUIPMENT, NET

The movement of property, furniture and equipment is as follows:

In thousands of S/	Land	Buildings and facilities	Furniture and equipment	Vehicles	Facilities and leasehold improvements	Works in progress	In-transit and replacement units	Total
Cost:								
Balance as of January 1, 2014	123,982	648,484	397,569	6,503	187,403	60,452	1,928	1,426,321
Additions	-	10,319	51,982	532	9,582	64,828	4,571	141,814
Disposals	-	-	(15)	-	-	-	-	(15)
Transfers, sales and others	-	58,208	3,209	(74)	6,742	(71,574)	(4,501)	(7,990)
Balance as of December 31, 2014	123,982	717,011	452,745	6,961	203,727	53,706	1,998	1,560,130
Additions	-	12,004	54,771	503	7,761	47,425	2,807	125,271
Disposals	-	-	(9)	-	-	-	-	(9)
Transfers, sales and others	(3,160)	54,249	58	(53)	6,635	(77,543)	(4,095)	(23,909)
Balance as of December 31, 2015	120,822	783,264	507,565	7,411	218,123	23,588	710	1,661,483
Accumulated depreciation:								
Balance as of January 1, 2014	-	357,358	193,298	4,634	53,021	-	-	608,311
Additions	-	32,499	38,541	601	19,010	-	-	90,651
Disposals	-	-	(14)	-	-	-	-	(14)
Transfers, sales and others	-	(264)	(2,966)	-	256	-	-	(2,974)
Balance as of December 31, 2014	-	389,593	228,859	5,235	72,287	-	-	695,974
Additions	-	34,979	44,172	547	20,293	-	-	99,991
Disposals	-	-	(10)	-	-	-	-	(10)
Transfers, sales and others	-	(4,372)	(8,156)	(53)	(154)	-	-	(12,735)
Balance as of December 31, 2015	-	420,200	264,865	5,729	92,426	-	-	783,220
Net cost:								
Balance as of December 31, 2015	120,822	363,064	242,700	1,682	125,697	23,588	710	878,263
Balance as of December 31, 2014	123,982	327,418	223,886	1,726	131,440	53,706	1,998	864,156

8. OTHER ASSETS, OTHER LIABILITIES, ACCOUNTS PAYABLE AND PROVISIONS

These items captions consisted of the following balances:

(a) Other assets as of December 31, 2015 mainly include S/ 954 million for transactions in process (S/ 151 million as of December 31, 2014) and S/ 94 million for deferred charges (S/ 62 million as of December 31, 2014).

(b) Payables as of December 31, 2015 mainly include outstanding payments to suppliers for S/ 137 million (S/ 142 million as of December 31, 2014), sundry accounts payable for S/ 23 million (S/ 35 million as of December 31, 2014), premiums to the Deposit Insurance Fund, contributions and obligations with tax collection entities for S/ 100 million (S/ 110 million as of December 31, 2014) and dividends, profit-sharing and salaries payable for S/ 97 million (S/ 96 million as of December 31, 2014) and effect of amortized cost of debts and financial obligations (Note 11) for S/ 14 million (S/ 21 million as of December 31, 2014).

(c) Provisions include provisions for indirect loans, litigation, claims and provisions for employees, among others, which as of December 31, 2015 and 2014, amount to S/ 488 million and S/ 400 million, respectively.

The movement of the provision for indirect loans, included in this item, is as follows:

In thousands of S/	**2015**	**2014**
Balances as of January 1	105,674	82,731
Provision	67,437	77,518
Recoveries and reversals	(44,259)	(56,299)
Exchange difference and other adjustments	5,998	1,724
Balances as of December 31	134,850	105,674

As of December 31, 2015, the general provision for indirect loan portfolio for S/ 111 million (S/94 million as of December 31, 2014) includes procyclical provisions for S/35 million (S/32 million as of December 31, 2014).

The movement of other provisions is presented below:

In thousands of S/	**2015**	**2014**
Balances as of January 1	293,950	352,695
Provisions for administrative expenses	524,920	488,409
Recoveries	(472)	(2,389)
Disbursements	(484,214)	(492,953)
Others	19,392	(51,812)
Balances as of December 31	353,576	293,950

Disbursements derived from other provisions mainly correspond to the payment of personnel expenses.

Several lawsuits, claims and other proceedings related to the activities performed by Grupo Continental are pending. Management and its legal advisors consider that those proceedings will not result in additional liabilities. Therefore, as of December 31, 2015 and 2014, Management has not considered necessary to establish an additional provision other than the provision recorded for these contingencies and proceedings, which amounts to S/177 million and S/166 million, respectively.

(d) Other liabilities as of December 31, 2015 mainly include S/903 million for transactions in process (S/145 million as of December 2014).

9. OBLIGATIONS TO THE PUBLIC

In thousands of S/	2015	2014
Time deposits	18,292,642	15,270,688
Demand deposits	15,410,179	12,280,162
Savings deposits	12,683,995	10,953,621
Other obligations	53,036	50,701
Total	46,439,852	38,555,172

As of December 31, 2015, obligations to the public include deposits received as guarantee from debtors of the portfolio of loans and contingents of the Bank for S/ 817 million (S/ 700 million as of December 31, 2014).

Interest rates for borrowing transactions are determined by the Bank, considering current market interest rates. Current annual interest rates for main products are as follows:

	2015		2014	
	Accounts in		Accounts in	
	S/	US$	S/	US$
	%	%	%	%
Checking accounts	0.00-0.50	0.00-0.125	0.00-0.50	0.00-0.125
Savings deposits	0.125-0.50	0.125-0.125	0.125-0.50	0.125-0.125
Term deposits and bank certificates in foreign currency	0.80-1.35	0.10-0.80	0.80-1.35	0.10-0.80
Super-deposits	0.80-1.35	0.10-0.25	1.00-1.35	0.20-0.80
Deposits of severance indemnities	1.50-2.50	0.60-1.10	1.50-3.75	0.60-2.50

10. INTERBANK FUNDS

As of December 31, 2015, interbank fund assets have current maturities, accrue interests at an annual rate of 4.20% in local currency (3.65% in local currency as of December 31, 2014) and 0.40% in foreign currency (0.15% in foreign currency as of December 31, 2014) and do not have specific guarantees.

As of December 31, 2015, interbank fund liabilities have current maturities, accrue interests at an annual rate of 4% in local currency (3.50% in local currency as of December 31, 2014) and do not have specific guarantees.

11. DUE TO BANKS AND FINANCIAL OBLIGATIONS

In thousands of S/	2015	2014
Banco Central de Reserva del Perú (a)	9,205,400	2,540,900
Foreign financial entities (b)	5,407,644	3,869,655
"Mi Vivienda – Mi Hogar" Program (c)	556,965	561,097
International financial organizations (d)	190,041	479,140
Private debt agreement (e)	170,550	268,740
Corporación Financiera de Desarrollo – COFIDE	38,956	61,796
Accrued interests payable	202,443	69,117
Total debts and financial obligations	15,771,999	7,850,445
Corporate bonds	5,235,626	4,679,292
Subordinated bonds	1,707,919	1,524,583
Notes (debt instruments)	561,597	788,803
Financial lease bonds	285,275	274,650
Negotiable certificates of deposit	56,017	60,618
Accrued interests payable	91,144	81,768
Total securities and bonds (f)	7,937,578	7,409,714
Total	23,709,577	15,260,159

Some loan agreements include standard clauses regarding the compliance with financial ratios, the use of funds and other administrative matters. Management believes that, as of December 31, 2015 and 2014, these clauses are being fully complied with and do not represent any restriction for the operations of Grupo Continental.

(a) As of December 31, 2015 and 2014, these balances correspond to currency repo transactions and certificates of deposit performed with BCRP, which accrue interests at annual rates ranging between 3% and 5.91% and mature between January 2016 and October 2020 (Notes 4 and 5).

(b) Foreign financial entities

As of December 31, 2015, these balances accrue interests at annual effective market rates ranging between 1.2% and 7.4% (1.2% and 7.4% as of December 31, 2014), as shown below:

In thousands of S/ and US$

Creditor	**2015**		**2014**		**Payment maturity**
	US$	**S/**	**US$**	**S/**	
Goldman Sachs Bank (i)	500,427	1,706,956	503,548	1,503,593	January 2017
Deutsche Bank (ii)	344,540	1,175,227	347,749	1,038,378	November 2020
Credit Suisse (iii)	200,000	682,200	200,000	597,200	October 2040
Wells Fargo Bank (iv)	179,673	612,866	40,000	119,440	May 2016
Standard Chartered (iv)	130,000	443,430	40,000	119,440	May 2016
Bank of America (iv)	80,000	272,880	40,000	119,440	May 2016
Sumitomo Bank	74,000	252,414	-	-	January, February and March 2016
Citibank NA (iv)	40,000	136,440	40,000	119,440	May 2016
China Development Bank	15,000	51,165	29,000	86,594	December 2016
Other minor entities	11,714	39,956	10,636	31,760	January 2016
DEG Deutsche Investitions	10,000	34,110	45,000	134,370	October 2017
	1,585,354	5,407,644	1,295,933	3,869,655	
Accrued interests payable	19,600	66,854	19,334	57,732	
	1,604,954	5,474,498	1,315,267	3,927,387	

(i) Loan for a nominal amount of US$500 million, arranged at an annual fixed rate of 5.75% with principal maturity in January 2017 ("bullet"). This loan was carried at a fair value hedge through an interest-rate swap (IRS), for which the Bank recorded accumulated adjustments of S/ 1 million for losses to the carrying amount as of December 31, 2015, which corresponds to the variation of fair value of the hedged interest rate risk (S/ 10 million for accumulated losses as of December 31, 2014).

(ii) Loan for a nominal amount of US$350 million, arranged at an annual fixed rate of 5.50%, maturing in November 2020. This loan was carried at a fair value hedge through an interest-rate swap (IRS), for which the Bank recorded accumulated adjustments of S/ 12 million for losses to the carrying amount as of December 31, 2015, which corresponds to the variation of fair value of the hedged interest rate risk.

(iii) This item refers to a subordinated loan in foreign currency at an annual interest rate of 7.38%, approved by the SBS, which meets the conditions to be considered as Tier 1 Regulatory Capital, up to the limit allowed by the General Law.

(iv) This item includes four loans for US$40 million each, maturing in May 2016, with cash flow hedges through the application of an interest-rate swap (Note 15).

(c) “Mi Vivienda – Mi Hogar” Program

As of December 31, 2015, these debts mainly include resources obtained for the social housing program “Mi Vivienda” for S/ 538 million in local currency and US$6 million in foreign currency (S/ 540 million in local currency and US$7 million in foreign currency as of December 31, 2014). This loan has different maturities until December 2035 and accrues interests at an annual effective rate of 7.75% in U.S. dollars and 6.25% in local currency on principal plus the Constant Update Value (hereinafter VAC, for its Spanish acronym).

As of December 31, 2015, debts with “Mi Vivienda – Mi Hogar” Fund which amount to S/ 557 million (S/ 561 million as of December 31, 2014) are secured by a portion of the mortgage loan portfolio up to such amount (Note 6). Loans include specific arrangements about how these funds should be used, financial covenants that the borrower must meet, as well as other administrative matters.

(d) International financial organizations

Debts to international financial organizations accrue interests at effective international market rates ranging between 1.35% and 6.38% as of December 31, 2015 (1.3% and 6.4% as of December 31, 2014), and do not have specific guarantees.

In thousands of S/ and US$	**2015**		**2014**		**Payment maturity**
	US$	**S/**	**US$**	**S/**	
Banco Interamericano de Desarrollo - BID (i)	30,000	102,330	60,000	179,160	February 2017
International Finance Corporation - IFC	25,714	87,711	100,462	299,980	December 2018
	55,714	190,041	160,462	479,140	
Accrued interests payable	386	1,316	769	2,298	
	56,100	191,357	161,231	481,438	

(i) This item includes one subordinated loan for US$30 million, approved by the SBS, which meets the conditions to be considered as Tier 2 Regulatory Capital, pursuant to current legal standards.

(e) Private debt agreement

These loans received for US$50 million at an annual rate of 2%, maturing in March 2017, are secured by present and future flows generated by electronic payment orders submitted by customers (Diversified Payments Rights – DPRs). These orders are sent to the Bank through the swift system (Society for Worldwide Interbank Financial Telecommunications Network).

These loans include standard clauses regarding the compliance with financial ratios of the Bank and other specific conditions related to flows granted, over which, Grupo Continental Management believes that, as of December 31, 2015 and 2014, these clauses are being fully complied with.

(f) Securities and bonds

In thousands of S/ and US$

Program	Authorized amount	Issuance	Series	Currency	Nominal issuance value	2015	2014	Maturity date
Corporate bonds								
Third Program	USD 100 million or S/ 315 million	Seventh	Single	PEN	60,000	60,000	60,000	May 2018
Fourth Program	USD 100 million	First	Single	PEN	40,000	40,000	40,000	August 2020
		Second	A	PEN	80,000	80,000	80,000	August 2020
		Third	A	PEN	100,000	100,000	100,000	August 2018
Fifth Program	USD 250 million	First	A	PEN	50,000	50,000	50,000	December 2016
		Second	A	PEN	150,000	150,000	150,000	December 2026
		Fifth	Single	PEN	200,000	175,531	181,343	April 2019
		Sixth	A	USD	54,000	184,194	161,244	July 2016
First International Issuance Program	USD 500 million	First	Single	USD	500,000	1,705,500	1,493,000	August 2022
Second International Issuance Program	USD 300 million	Second	Single	USD	300,000	1,022,918	894,909	July 2016
Third International Issuance Program	USD 500 million	Third	Single	USD	500,000	1,667,483	1,468,796	April 2018
						5,235,626	4,679,292	
Subordinated Bonds								
First Program	USD 50 million or S/ 158.30 million	First	A	PEN	40,000	39,793	39,768	May 2022
		Second	A	USD	20,000	68,220	59,720	May 2027
		Third	A	PEN	55,000	73,208	70,276	June 2032
Second Program	USD 100 million	First	A	USD	20,000	67,866	59,392	September 2017
		Second	A	PEN	50,000	65,180	62,569	November 2032
		Third	A	USD	20,000	68,220	59,720	February 2028
		Fourth	Single	PEN	45,000	56,610	54,343	July 2023
		Fifth	Single	PEN	50,000	62,088	59,601	September 2023
		Sixth	A	PEN	30,000	36,611	35,144	December 2033
Third Program	USD 55 million	First	Single	USD	45,000	153,495	134,370	October 2028
First International Issuance Program	USD 300 million	First	Single	USD	300,000	1,016,628	889,680	September 2029
						1,707,919	1,524,583	
Notes								
	US$ 250 million	First	2008-A	USD	250,000	-	149,300	
	US$ 235 million	Second	2012-A, 2012-B, 2012-C, 2012-D	USD	235,000	561,597	639,503	June 2017 and June 2022
Financial lease bonds								
First Program	USD 200 million	First	A	USD	25,000	85,275	74,650	April 2016
Second Program	USD 250 million	First	A	PEN	200,000	200,000	200,000	May 2017
						285,275	274,650	
Negotiable Certificates of Deposit						56,017	60,618	
Interests payable for securities, bonds and outstanding obligations						91,144	81,768	
						7,937,578	7,409,714	

Corporate bonds do not have specific guarantees and accrue interests at annual rates in local currency ranging between 5.8% and 7.5% as of December 31, 2015 (between 5.8% and 7.5% as of December 31, 2014), and between 2.3% and 5% in foreign currency as of December 31, 2015 (between 2.3% and 5% as of December 31, 2014).

The issuance of corporate bonds for S/ 200 million is hedged with a cross currency swap (CCS). As of December 31, 2015, the Bank has included accumulated adjustments of S/ 24 million for losses to the carrying amount (Note 15), which corresponds to the variation of fair value of hedged currency risk (S/ 19 million for retained earnings as of December 31, 2014).

The issuance of notes in June 2012, amounting to US$165 million as of December 31, 2015, includes a debt for US$37 million, which matures in June 2022 and has a cash flow hedge through an IRS (Note 15).

In August 2012, the Bank carried out an international issuance for a nominal amount of US$500 million, at an annual fixed rate of 5%, maturing in August 2022. Principal will be fully paid off upon maturity. Also, such issuance was carried at a cash flow hedge through an IRS, for which the Bank recorded accumulated adjustments of S/ 24 million for losses to the carrying amount as of December 31, 2015 (Note 15), which corresponds to the variation of fair value of hedged interest rate risk.

In April 2013, the Bank carried out an international issuance for a nominal amount of US$500 million, at an annual fixed rate of 3.25%, maturing in April 2018. Principal will be fully paid off upon maturity. Also, such issuance was carried at a cash flow hedge through an IRS, for which the Bank recorded accumulated adjustments of S/ 10 million for losses to the carrying amount as of December 31, 2015 (Note 15), which corresponds to the variation of fair value of hedged interest rate risk (S/ 18 million for retained earnings as of December 31, 2014).

Subordinated bonds were issued according to the conditions set forth in the General Law, which accrue interests at annual rates ranging between VAC plus spread and 5.9% in local currency and between Libor plus spread and 6.5% in foreign currency.

Financial lease bonds accrue interests at an annual rate of 5.4% in local currency and 7.2% in foreign currency, are secured by loan transactions in the form of financial leases and have been financed by those bonds.

As of December 31, 2015 and 2014, the Bank holds in accounts payable (Note 8 (b)) in the consolidated statements of financial position a balance of S/ 14 and S/ 21 million, respectively, for the concept of amortized cost, which correspond to issuance costs and will be accrued in a maximum term of 25 years.

12. EQUITY

(a) Capital stock

As of December 31, 2015, in accordance with the Articles of Incorporation of the Bank and its amendments, the Bank's authorized, issued and fully paid capital is represented by 3,784,146 thousands commons outstanding shares with a face value of S/ 1 per share (3,246,531 thousand shares as of December 31, 2014).

At Annual Mandatory Shareholders' Meetings held on March 26, 2015 and March 31, 2014, it was agreed to increase the capital stock for S/ 538 million and S/ 522 million, respectively, through the capitalization of retained earnings and voluntary reserve.

Common shares are listed in the Lima Stock Exchange (BVL). As of December 31, 2015 and 2014, the stock market value of the Bank's shares was S/ 2.78 and S/ 4.65 per share, respectively, with a trading frequency of 90.48% and 95.24%, respectively.

The number of shareholders and the shareholding ownership structure of the Bank during 2015 were as follows:

Individual capital shareholding	**Number of shareholders**	**Total shareholding (%)**
Up to 1	8,235	4.24
From 1.01 to 5	3	3.52
From 80.01 to 100	1	92.24
	8,239	100

(b) Reserves

Pursuant to applicable legal regulations in force, the Bank must reach a legal reserve of no less than 35% of its paid capital. This reserve is established by transferring not less than 10% of its net profit on an annual basis.

The legal reserve for net profit from 2015 will amount to S/ 137 million and will be recognized for accounting purposes upon the approval of the 2015 separate financial statements at the next Shareholders' Meeting to be held in 2016. During 2015 and 2014, transfers were made to the legal reserve account in compliance with article 232° of the General Business Law (Law 26887); transferred amounts were S/ 0.2 million and S/ 0.1 million, respectively.

At Annual Mandatory Shareholders' Meetings held on March 26, 2015 and March 31, 2014, it was approved to establish a legal reserve for the equivalent of 10% of net profit for 2014 (S/ 134 million) and 2013 (S/ 130 million), respectively.

(c) Retained earnings

Dividends from 2015 to be distributed to shareholders, other than domiciled legal entities, are subject to a 6.8% income tax rate, which should be withheld by the Bank. Dividends from profit from 2016 and subsequent periods are subject to income tax withholding from 6.8% to 9.3% (Note 18 (b)).

At Annual Mandatory Shareholders' Meetings held on March 26, 2015 and March 31, 2014, it was approved to capitalize retained earnings for S/ 538 million and S/ 522 million, respectively. Also, at those Shareholders' Meetings held on March 26, 2015 and March 31, 2014, it was approved to distribute dividends for S/ 672 million and S/ 652 million, respectively.

(d) Adjustments to equity

Adjustments to equity include unrealized losses for S/ 14 million corresponding to the available-for-sale investment portfolio (S/ 5.4 million for unrealized gain as of December 31, 2014), S/ 2 million corresponding to unrealized profit of held-to-maturity investments (S/ 2.6 million as of December 31, 2014) and S/ 0.5 million for profit for the valuation of cash flow hedge derivatives (S/ 2 million as of December 31, 2014).

(e) Profit for the period

On July 14, 2015, by exercising the authority conferred to it by the Annual Mandatory Shareholders' Meeting held on March 26, 2015, and the provisions set forth in article 184°, letter A), subsection 2 of the General Law, the Board of Directors agreed unanimously to adopt the commitment to capitalize net profit from 2015 for S/ 449 million. This commitment will be effective at the next Annual Mandatory Shareholders' Meeting.

On April 23, 2014 and June 26, 2014, the Board of Directors agreed unanimously to adopt the commitment to capitalize net profit from 2014 for S/ 250 million and S/ 200 million, respectively. These capitalization commitments were formalized at the Annual Mandatory Shareholders' Meeting held on March 26, 2015.

13. REGULATORY CAPITAL AND LEGAL LIMITS

According to the General Law, the regulatory capital amount cannot be less than 10% of assets and contingent loans weighted by credit, market and operational risk. As of December 31, 2015 and 2014, the Bank uses the standard method for the calculation of the regulatory capital requirement for credit, market and operational risk.

On July 20, 2011, Resolution SBS No. 8425-2011 (Regulations for Additional Regulatory Capital Requirement) was published, under which companies must comply with requirements per economic cycle, credit concentration risk (individual and per sector), market concentration risk, interest rate risk in banking books and other risks.

This additional regulatory capital requirement must be reached within five years and its first part should be 40% of total requirement as from July 2012. This additional requirement will increase annually at a 15% rate, and will achieve 100% on July 31, 2016. The additional regulatory capital requirement per economic cycle is activated and deactivated on the same dates the standard of procyclical provisions for loans is activated and deactivated (Note 2 (h)).

As of December 31, 2015, on an individual basis, the Bank's regulatory capital, determined in accordance with current legal standards, amounts to S/ 8,209 million (S/ 7,370 million as of December 31, 2014). This amount is used to calculate certain limits and restrictions applicable to all financial entities in Peru. The Bank's Management considers that they have fully complied with such limits and restrictions.

Assets and contingent loans weighted by credit, market and operational risks, in accordance with current legal standards, amount to S/ 61,682 million as of December 31, 2015 (S/ 53,495 million as of December 31, 2014).

As of December 31, 2015, the Bank's capital adequacy ratio for credit, market and operational risk was 13.31% (13.78% as of December 31, 2014).

14. CONTINGENT RISKS AND COMMITMENTS

In thousands of S/	2015	2014
Contingent transactions:		
Indirect loans:		
Guarantees and letters of guarantee	16,071,372	14,547,453
Letters of credit and bank acceptances	1,223,721	1,088,130
	17,295,093	15,635,583
Unused lines of credit and not undisbursed approved loans	8,747,779	7,080,667
Total	26,042,872	22,716,250

Indirect loans (contingent transactions)

During the normal course of business, the Bank performs transactions whose risk is recorded in contingent accounts. These transactions expose the Bank to credit risk in addition to the amounts presented in the consolidated statement of financial position.

Credit risk in contingent transactions is related to the possibility that one of the counterparties may not comply with the agreed-upon terms and conditions of the agreement. These agreements reflect the amounts that would be assumed by the Bank for loan losses on contingent transactions.

The Bank uses similar policies for the assessment and granting of direct and indirect loans. Management believes that contingent transactions do not represent an exceptional credit risk since it is expected that a portion of these contingent loans expire without being used, and total amounts of contingent loans do not necessarily represent future cash disbursements for the Bank.

The Bank's Management does not expect significant losses arising from current contingent transactions as of December 31, 2015 and 2014.

15. DERIVATIVE FINANCIAL INSTRUMENTS

The Bank has mainly entered into future foreign currency purchase and sale agreements (forwards), interest-rate swaps (IRS), cross currency swaps (CCS and currency swaps with BCRP), and purchase and sale of options on several underlying instruments (exchange rate, equities and indexes). Specifically, the Bank has entered into purchase and sale commitments of securities on a future date (forwards of certificates of deposit of BCRP).

Purchase and sale agreements of foreign currency on a future date are arrangements to deliver a currency at a future date at an established price.

IRS transactions are agreements by which the exchange of periodic cash flows is determined. These cash flows are calculated based on the application of either a variable or fixed interest rate, under the terms and conditions established by the definitions and regulations developed by International Swaps and Derivatives Association, Inc. (ISDA) for foreign customers, and a Framework Agreement for local customers. Cross currency swaps are agreements by which the exchange of amounts in one currency for amounts in another currency is determined, and the exchange rate is established until the transaction is completed. In case of exchange swap, a fixed rate in U.S. dollars is exchanged for a variable rate in Peruvian soles (OIS rate).

Options are agreements under which the holder has the option, rather than the obligation, to purchase or sell an underlying instrument at prices defined at the closing day of the transaction, for which the holder pays a premium to the seller of the options, which is calculated according to market conditions.

Risk arises from the possibility that counterparties do not comply (counterparty risk) with agreed-upon terms and conditions and from changes in the risk factors involved in this transaction (exchange rate and interest rate risks).

Derivative financial instruments are valued based on the financial theories currently effective in the market. Inputs such as exchange rates, interest rate curves, implied volatility and swap points are obtained from public sources of information if data is quotable, or built, in case there are no quotations available.

As of December 31, 2015 and 2014, the reference amount in soles and the fair value of derivative financial instruments are as follows:

In thousands of S/	2015			
	Underlying	**Nominal**	**Asset**	**Liability**
Trading derivatives				
Currency forward		12,755,766	222,348	193,992
Commodities options and others options		3,312,282	35,608	66,532
Interest rate options		204,110	141	141
Currency swap		12,209,946	1,029,192	925,968
Interest-rate swap		6,461,804	45,087	78,707
Provision for country risk		-	(4,824)	-
Total trading derivatives		34,943,908	1,327,552	1,265,340
Hedging derivatives (Note 11)				
At fair value (i)		6,789,401	7,202	118,540
Currency swap	Bond issuance	257,336	-	81,043
Interest-rate swap	Debt	3,121,065	7,202	19,017
Interest-rate swap	Bond issuance	3,411,000	-	18,480
Cash flow (ii)		672,454	265	375
Interest-rate swap	Debt	672,454	265	375
Total hedging derivatives		7,461,855	7,467	118,915
TOTAL		42,405,763	1,335,019	1,384,255

In thousands of S/	2014			
	Underlying	**Nominal**	**Asset**	**Liability**
Trading derivatives				
Currency forward		17,449,564	142,145	182,076
Commodities options and others		2,118,757	11,878	11,877
Interest rate options		280,806	374	374
Currency swap		14,081,780	655,101	481,393
Interest-rate swap		5,065,444	18,231	51,537
Provision for country risk		-	(5)	-
Total trading derivatives		38,996,351	827,724	727,257
Hedging derivatives (Note 11)				
At fair value (i)		3,211,273	16,457	59,127
Currency swap	Bond issuance	225,273	-	42,898
Interest-rate swap	Debt	1,493,000	16,457	-
Interest-rate swap	Bond issuance	1,493,000	-	16,229
Cash flow (ii)		597,200	2,358	-
Interest-rate swap	Debt	597,200	2,358	-
Total hedging derivatives		3,808,473	18,815	59,127
TOTAL		42,804,824	846,539	786,384

Hedging derivatives at fair value

(i) As of December 31, 2015, the Bank has entered into a cross currency swap to hedge the fair value of bonds issued for a nominal value equivalent to S/ 257 million. Through this cross currency swap, the Bank changes its issuance in local currency at a fixed rate in U.S. dollars at a variable rate. As of December 31, 2015, the fair value of CCS amounts to a loss of S/ 6 million, which is included in "Profit/loss for financial operations" in the consolidated statement of income (as of December 31, 2014, the fair value amounted to a loss of S/ 6 million).

As of December 31, 2015, the Bank has entered into interest-rate swaps (IRS) for a nominal amount equivalent to S/ 6,532 million to hedge interest rates for debts received and issuance of bonds. Through IRS, the Bank receives a fixed interest rate in U.S. dollars and pays at a variable interest rate in the same currency. As of December 31, 2015, total variation in the fair value of IRS amounts to a loss of S/ 39 million, which is included in item “Profit/loss for financial operations” in the consolidated statement of income (as of December 31, 2014, the variation in fair value amounted to a profit of S/ 5 million).

The table below presents the detail on hedged items and their hedging instruments as of December 31, 2015 and 2014:

Hedged item	Hedging instrument	Nominal amount	Fair value of hedging instrument 2015	Fair value of hedging instrument 2014
		In thousands of US$	In thousands of S/	In thousands of S/
Due to Goldman Sachs for US$500 million (Note 11-b) (i)	**Interest-rate swap (IRS)** The Bank receives a fixed interest rate and pays at a variable interest rate.	250,000	3,601	8,229
	Interest-rate swap (IRS) The Bank receives a fixed interest rate and pays at a variable interest rate.	250,000	3,601	8,229
Third international issuance for US$500 million (Note 11-f)	**Interest-rate swap (IRS)** The Bank receives a fixed interest rate and pays at a variable interest rate.	500,000	(7,552)	(16,228)
Fifth issuance – Fifth Program of Corporate Bonds for S/ 200 million (Note 11-f)	**Cross currency swap (CCS)** The Bank receives cash flows in Peruvian soles at a fixed rate and pays cash flows in U.S. dollars at a variable interest rate.	75,443	(81,044)	(42,898)
First international issuance of Corporate Bonds for US$500 million (Note 11-f)	**Interest-rate swap (IRS)** The Bank receives a fixed interest rate and pays at a variable interest rate.	500,000	(10,928)	-
Due to Deutsche Bank for US$350 million (Note 11-b) (ii)	**Interest-rate swap (IRS)** The Bank receives a fixed interest rate and pays at a variable interest rate.	350,000	(16,553)	-
Due to Wells Fargo for US$65 million (Note 11-b) (iv)	**Interest-rate swap (IRS)** The Bank receives a fixed interest rate and pays at a variable interest rate.	65,000	(2,464)	-

Cash flow hedging derivatives

(ii) As of December 31, 2015, the Bank has entered into interest-rate swaps (IRS) for a nominal amount equivalent to S/ 672 million to hedge interest rates of debts received. Under IRS, the Bank obtains a variable interest rate in U.S. dollars and pays at a fixed interest rate in the same currency. As of December 31, 2015, the variation in the fair value of IRS amounts to a profit of S/ 0.5 million and is recorded in equity accounts (profit of S/ 2 million as of December 31, 2014).

The table below presents the detail on hedged items and their hedging instruments as of December 31, 2015 and 2014:

Hedged item	Hedging instrument	Nominal amount	Fair value of hedging instrument	
			2015	**2014**
		In thousands of US$	**In thousands of S/**	**In thousands of S/**
Debt to "Club Deal" for US$160 million (Note 11-b) (iv)	**Interest-rate swap (IRS)** The Bank receives a variable interest rate and pays at a fixed interest rate.	160,000	(375)	1,603
Debt to Standard Chartered for US$37 million (Note 11-f)	**Interest-rate swap (IRS)** The Bank receives a variable interest rate and pays at a fixed interest rate.	37,142	265	755

16. INCOME AND EXPENSES FOR FINANCIAL SERVICES

Income from financial services for the periods 2015 and 2014 comprises commissions for contingent transactions, checking accounts, collections and transfers. Expenses for financial services include premiums to the deposit insurance fund and other commissions related to credit or intermediation activities.

17. ADMINISTRATIVE EXPENSES

Overhead expenses for periods 2015 and 2014 mainly comprise the following: expenses of personnel and Board of Directors, taxes and contributions, expenses for IT services, transportation, leases, advertising, overhead service expenses, security and surveillance, among others.

18. TAX SITUATION

(a) Income tax regime as of December 31, 2015

(i) Income tax

Pursuant to current legislation, determination of taxes on a consolidated basis is not permitted. The Bank and its subsidiaries have made this determination individually.

Management considers that they have determined the taxable matter pursuant to the general income tax regime in accordance with current tax regulations, which requires adding to and subtracting from the results shown in the financial statements those entries which the regulations mentioned above determine as either taxable or non-taxable, respectively.

(ii) Income tax rate

The income tax rate for domiciled legal entities in Peru is 28%.

Legal entities domiciled in Peru are subject to an additional rate of 6.8% on any amount that may be considered indirect income, including, among others, amounts charged to expenses and unreported income, expenses which may have benefited the shareholders, interest holders, among others, other expenses not related to the business; expenses of shareholders, interest holders, among others, which are assumed by the legal entity.

(iii) Transfer pricing

In order to determine income tax and value-added tax (VAT) in Peru, legal entities engaged in transactions with related entities or with companies resident in territories with low or no taxation shall: (a) submit an annual tax return of their transactions with such companies if the amount of these transactions is greater than S/ 200,000, and (b) have a Transfer Pricing Technical Study, as well as supporting documentation for this study, if the amount of earned income exceeds S/ 6,000,000 and if transactions engaged with related entities exceed S/ 1,000,000.

Both obligations are mandatory in the event that at least one transaction to, from or through countries with low or no taxation has been made.

Based on the analysis conducted on the operations of the Bank and subsidiaries individually, Management and internal legal advisors believe that the application of these standards will not result in significant contingencies for Grupo Continental as of December 31, 2015 and 2014.

(b) Significant amendments to the income tax regime in Peru

A summary of the most relevant amendments made by the Tax Administration Authority as from 2015 is presented below:

- Cost basis. A new restriction has been included regarding the issuer of the payment receipt, which makes the issuer not eligible to tax deduction, as cost or expense, if the Tax Administration Authority (hereinafter SUNAT) had considered to deactivate the registration of the issuer's taxpayer number (RUC).

- Income tax rates applicable to corporate tax (known as third category in Peru) on net income have been modified with the following gradual reduction:

Taxable period	**Rates**
2015-2016	28.0%
2017-2018	27.0%
2019 and subsequent periods	26.0%

- Income tax rates on dividends and any other forms of profit distribution have been modified with the following gradual increase:

Taxable period	**Rates**
2015-2016	6.8%
2017-2018	8.0%
2019 and subsequent periods	9.3%

- Another change has been made to tax rates on an individual's labor and foreign source income.

Labor Income + Foreign Source Income	Rates
Up to 5 UIT (tax units)	8.0%
More than 5 UIT up to 20 UIT	14.0%
More than 20 UIT up to 35 UIT	17.0%
More than 35 UIT up to 45 UIT	20.0%
More than 45 UIT	30.0%

- The effect of the changes mentioned above on the 2014 financial statements, as a result of the determination of deferred income tax, is presented as follows:

    - Increase of income tax expense recognized in profit or loss for the year for S/ 40 million.

    - Decrease of income tax expense recognized in other comprehensive income for S/ 0.4 million.

    - Decrease of deferred income tax asset for S/ 40 million.

Additionally, the withholding percentage and/or payments of fourth category income (independent workers) have been modified to 8% on gross monthly income.

(c) Income tax expense comprises the following:

In thousands of S/	2015	2014
Current income tax	525,266	557,122
Deferred income tax		
- Profit/loss for the period	(11,207)	(9,871)
- Effect for tax variation	-	40,544
Income tax (expense/recovery of provision)	9,278	(44,719)
	523,337	543,076

(d) Tax situation

The following income tax returns of the Bank and subsidiaries have not been reviewed by the Tax Administration Authority (SUNAT) yet:

Companies	Years subject to tax inspections
BBVA Banco Continental	2011 to 2015
Continental Bolsa Sociedad Agente de Bolsa S.A.	2013 to 2015
BBVA Asset Management Continental S.A. Sociedad Administradora de Fondos	2013 to 2015
Continental Sociedad Titulizadora S.A.	2011 to 2015
Inmuebles y Recuperaciones Continental S.A.	2013 to 2015

SUNAT is empowered to conduct such reviews within four years immediately after the submittal date of the pertinent tax returns. At present, SUNAT is reviewing the Bank's tax returns from 2008 to 2010, the 2012 tax return of Inmuebles y Recuperaciones Continental S.A. and will start to review the 2013 tax return of BBVA Asset Management Continental S.A. Sociedad Administradora de Fondos. Management considers that no significant liabilities will arise from pending reviews.

Due to possible interpretations that tax authorities may have on current applicable regulations each year, it is not possible to determine to date whether liabilities for the companies of Grupo Continental will arise or not from the reviews to be conducted. Therefore, any high tax or charge which may result from such tax reviews would be applied to profit/loss for the year when determined. However, Management believes that any additional tax payment would not be significant for the consolidated financial statements as of December 31, 2015 and 2014.

19. DEFERRED INCOME TAX

The movement of net deferred income tax asset in 2015 and 2014 and the temporary differences that affect tax and accounting bases originating them are shown below:

Asset position of deferred income tax:

In thousands of S/		Additions / Recoveries		
As of December 31, 2015:	**Opening balance**	**Equity**	**Profit/loss for the year**	**Closing balance**
Asset				
Generic allowance for loan losses	287,895	-	35,889	323,784
Generic allowance for indirect loan losses	25,346	-	4,735	30,081
Provision for asset seized	11,697	-	4,509	16,206
Specific allowance for contingent loan losses	3,222	-	4,892	8,114
Provision for sundry expenses and others	39,334	-	(12,145)	27,189
Labor provisions	27,462	-	7,980	35,442
Base difference and depreciation rates	232	-	(232)	-
Non-accrual interests	12,112	-	724	12,836
Available-for-sale investments	565	89	-	654
Total assets	407,865	89	46,352	454,306
Liability				
Cash flow hedges	783	(581)	-	202
Intangibles / deferred charges	16,026	-	13,036	29,062
Valuation of derivative financial instruments	12,123	-	18,094	30,217
Tax depreciation of property	3,283	-	(985)	2,298
Leveling of assets and liabilities	10,891	-	4,838	15,729
Total liabilities	43,106	(581)	34,983	77,508
Deferred income tax, net asset	364,759	670	11,369	376,798

Liability position of deferred income tax:

In thousands of S/		Additions / Recoveries		
As of December 31, 2015:	**Opening balance**	**Equity**	**Profit/loss for the year**	**Closing balance**
Asset				
Provision for sundry expenses and others	144	-	(144)	-
Labor provisions	18	-	(18)	-
Total assets	162	-	(162)	-
Liability				
Available-for-sale investments	2,283	(2,283)	-	-
Total liabilities	2,283	(2,283)	-	-
Deferred income tax, net liability	2,121	(2,283)	162	-

Asset position of deferred income tax:

In thousands of S/		Additions / Recoveries			
As of December 31, 2014:	**Opening balance**	**Equity**	**Profit/loss for the year**	**Rate change (effect on profit/loss for the year)**	**Closing balance**
Asset					
Generic allowance for loan losses	312,039	-	7,844	(31,988)	287,895
Generic allowance for indirect loan losses	22,707	-	5,455	(2,816)	25,346
Provision for assets seized	7,722	-	5,275	(1,300)	11,697
Specific allowance for indirect loan losses	2,991	-	589	(358)	3,222
Provision for sundry expenses and others	66,328	-	(22,626)	(4,368)	39,334
Labor provisions	36,716	-	(6,209)	(3,045)	27,462
Base difference and depreciation rates	1,931	-	(1,673)	(26)	232
Non-accrual interests	7,143	-	6,315	(1,346)	12,112
Available-for-sale investments	-	565	-	-	565
Total assets	457,577	565	(5,030)	(45,247)	407,865
Liability					
Available-for-sale investments	244	(244)	-	-	-
Cash flow hedges	1,333	(550)	-	-	783
Intangibles / deferred charges	11,428	-	6,379	(1,781)	16,026
Valuation of derivative financial instruments	41,314	-	(27,844)	(1,347)	12,123
Tax depreciation of property	3,109	-	539	(365)	3,283
Leveling of assets and liabilities	6,138	-	5,963	(1,210)	10,891
Total liabilities	63,566	(794)	(14,963)	(4,703)	43,106
Deferred income tax, net asset	394,011	1,359	9,933	(40,544)	364,759

Liability position of deferred income tax:

In thousands of S/		Additions / Recoveries		
	Opening balance	Equity	Profit/loss for the year	Closing balance
Asset				
Provision for sundry expenses and others	180	-	(36)	144
Labor provisions	44	-	(26)	18
Total assets	224	-	(62)	162
Liability				
Available-for-sale investments	3,877	(1,594)	-	2,283
Total liabilities	3,877	(1,594)	-	2,283
Deferred income tax, net liability	3,653	(1,594)	62	2,121

The movement of deferred tax is detailed as follows:

In thousands of S/	2015	2014
Deferred tax recorded:		
Deferred tax at the beginning of the year	364,759	394,011
Credit to equity	670	1,359
(Charge) / credit to profit/loss for the year	11,369	(30,611)
Debit deferred tax at the end of the year	376,798	364,759

In thousands of S/	2015	2014
Deferred tax recorded:		
Deferred tax at the beginning of the year	2,121	3,653
(Credit) to equity	(2,283)	(1,594)
Charge to profit/loss for the year	162	62
Credit deferred tax at the end of the year	-	2,121

20. BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per common share are presented as follows:

	Quantity of shares (in thousands)	
	2015	**2014**
Outstanding at the beginning of the year	3,246,531	2,724,770
Capitalization of profits	537,615	1,059,376
Outstanding at the end of the year	3,784,146	3,784,146
Net profit for the year (in thousands of S/)	1,371,635	1,343,719
Basic and diluted earnings per share	0.362	0.355

21. TRANSACTIONS WITH RELATED PARTIES

As of December 31, 2015 and 2014, Grupo Continental has granted loans and has provided and requested banking services, correspondent activities, transactions involving financial derivatives recorded at face values and other transactions with related entities, whose balances are detailed below:

In thousands of S/	**2015**	**2014**
Asset		
Cash and due from banks	57,614	12,410
Loan portfolio	736,891	601,935
Other assets	191,441	161,044
Liability		
Deposits and obligations	1,213,068	775,204
Due to banks and financial obligations	54,419	57,456
Other liabilities	1,012,010	538,014
Contingents	14,960,617	11,340,100

These transactions have been performed by Grupo Continental with its related entities during the normal course of business and under the same terms and conditions as if performed with third parties.

Balances presented above have had the following effect in the consolidated statements of income of Grupo Continental:

In thousands of S/	**2015**	**2014**
Interest income	6,829	2,094
Interest expenses	(1,537)	(7,125)
Other income (expenses), net	(96,828)	(72,634)

Loans granted to employees

As of December 31, 2015 and 2014, directors, executives and employees of Grupo Continental maintain credit transactions with Grupo Continental within the provisions set forth in the General Law, which regulates and establishes certain limits on transactions performed with directors, executives and employees of banks in Peru. As of December 31, 2015 and 2014, direct loans granted to employees, directors, executives and key personnel amount to S/ 411 and S/ 396 million, respectively.

Also, in 2015 and 2014, salaries of key personnel and allowances to the Board of Directors amounted to S/ 11 million and S/ 10 million, respectively.

22. CLASSIFICATION OF FINANCIAL INSTRUMENTS

In thousands of S/	As of December 31, 2015						
	At fair value through profit or loss			Available-for-sale			
ASSET	For trading	Initially designated as at FVTPL	Loans and accounts receivable	At amortized cost (*)	At fair value	Held-to-maturity	Hedging derivatives
Cash and due from banks	-	-	23,432,484	-	-	-	-
Interbank funds	-	-	363,589	-	-	-	-
Investments in securities	94,887	-	-	3,962	4,716,057	462,732	-
Equity instruments	23,823	-	-	3,962	44,392	-	-
Debt instruments	71,064	-	-	-	4,671,665	462,732	-
Loan portfolio	-	-	47,848,768	-	-	-	-
Trading derivatives	1,327,552	-	-	-	-	-	-
Hedging derivatives	-	-	-	-	-	-	7,467
Accounts receivable	-	-	25,432	-	-	-	-
Other assets	-	-	1,050,191	-	-	-	-
TOTAL	1,422,439	-	72,720,464	3,962	4,716,057	462,732	7,467

(*) This item includes those investments measured at cost.

In thousands of S/

ASSET	As of December 31, 2014						
	At fair value through profit or loss			Available-for-sale			
	For trading	Initially designated as at FVTPL	Loans and accounts receivable	At amortized cost (*)	At fair value	Held-to-maturity	Hedging derivatives
Cash and due from banks	-	-	14,633,083	-	-	-	-
Interbank funds	-	-	20,002	-	-	-	-
Investments in securities	743,245	-	-	3,453	2,324,156	451,232	-
Equity instruments	60,919	-	-	3,453	43,081	-	-
Debt instruments	682,326	-	-	-	2,281,075	451,232	-
Loan portfolio	-	-	42,056,399	-	-	-	-
Trading derivatives	827,724	-	-	-	-	-	-
Hedging derivatives	-	-	-	-	-	-	18,815
Accounts receivable	-	-	20,086	-	-	-	-
Other assets	-	-	214,706	-	-	-	-
TOTAL	1,570,969	-	56,944,276	3,453	2,324,156	451,232	18,815

(*) This item includes those investments measured at cost.

In thousands of S/

LIABILITY	As of December 31, 2015				
	At fair value through profit or loss				
	For trading	Initially designated as at FVTPL	At amortized cost	Other liabilities	Hedging derivatives
Obligations to the public	-	-	46,439,852	-	-
Interbank funds	-	-	128,015	-	-
Deposits in financial entities and international financial organizations	-	-	1,376,558	-	-
Due to banks and financial obligations (*)	-	-	23,709,577	-	-
Trading derivatives	1,265,340	-	-	-	-
Hedging derivatives	-	-	-	-	118,915
Accounts payable	-	-	-	363,682	-
TOTAL	1,265,340	-	71,654,002	363,682	118,915

(*) This item includes debts and financial obligations for S/ 4,949 million recorded at fair value, which are hedged with hedging derivatives at fair value.

In thousands of S/

LIABILITY	As of December 31, 2014				
	At fair value through profit or loss				
	For trading	Initially designated as at FVTPL	At amortized cost	Other liabilities	Hedging derivatives
Obligations to the public	-	-	38,555,172	-	-
Interbank funds	-	-	120,011	-	-
Deposits in financial entities and international financial organizations	-	-	1,622,746	-	-
Due to banks and financial obligations (*)	-		15,260,159	-	-
Trading derivatives	727,257	-	-	-	-
Hedging derivatives	-	-	-	-	59,127
Accounts payable	-	-	-	389,657	-
Total	727,257	-	55,558,088	389,657	59,127

(*) This item includes debts and financial obligations for S/ 3,160 million recorded at fair value, which are hedged with hedging derivatives at fair value.

23. FINANCIAL RISK MANAGEMENT

Loan portfolio risk management is essential for Grupo Continental strategy to secure the solvency and sustainability of the group. Risk profile has been established according to the strategies and policies of Grupo Continental, which is governed by a unique, independent and global model.

Unique: A unique risk model for the BBVA Group which is focused on one objective so that the definition of risk appetite is determined based on measurements, limits on portfolios and economic sectors and portfolio monitoring and management indicators.

Independent: Independent and complementary for the business, according to the strategic objectives of BBVA Group. The adaptation process of the risk division of the Bank are aligned to the business needs to be able to identify opportunities considering the risk appetite which has already been determined.

Global: There is a suitable risk model for all BBVA Group, for all risks, in all countries and for all businesses.

The all-inclusive vision of the Risk Division of the Bank, divided by type of risks (retail and wholesale loan risks, structural, liquidity and market risks, and operational risk and internal control), allows a sustained management in cross-sectional units, focused on strategy (Strategy, Planning and Validation Unit) and models and tools (Analytics & Digital Innovation Unit).

Credit Risk

The risk management system applied by Grupo Continental is based on a corporate governance scheme where the BBVA Group determines the policies for management and control of retail and wholesale loan risks, which are adapted to local regulations and context.

The Risks Division's organizational structure for credit risk management is shown below:

- The Strategy, Planning and Validation Unit manages credit risk and safeguards the credit quality of the portfolio by ensuring a sustainable profitability according to capital consumption and proposing strategies throughout the business cycle. Some of its main functions are the definition and optimal management of the risk appetite, analysis of scenarios, over-indebtedness and vulnerability to exchange rate in portfolios, determination of risk parameters and capital management based on Basel III recommendations, and management of expense in provisions and regulatory requirements. This Unit also provides all risk-related information at a bank level to be shared with all other areas (internal and BBVA), and incorporates internal validation functions to ensure the precision and accuracy of rating tools, relevant processes and estimation methodologies of risk models in order to guarantee the risk appetite of the Bank.

- The Analytics & Digital Innovation Unit is responsible for the design, development and implementation of models and tools that support credit processes for the development of risk functions. This Unit is constantly in coordination with all of the Bank's areas to integrate risks within the business process on an efficient manner.

- The Retail Risk Unit manages the entire credit cycle involving individuals and business banking (small and medium companies). For individuals, admission is carried out using tools to assess the customer profile, their payment capacity and credit behavior in the Bank and within the financial system. For businesses, the admission analysis is focused on financial and economic information obtained in field visits that provide a comprehensive perspective of the business and payment capacity, through the use of specific methodologies per economic activities, as well as through tools that assess the behavioral profile of the business.

At origination, for individual and businesses, an exhaustive assessment is performed through strategic campaigns and specific measures that are consistent with the Bank's growth strategy as well as through portfolio management. For the follow-up of the portfolio, statistical information is used to detect red flags and high-risk groups, and plans for individual review and proactive actions are proposed to organize the customer's payment behavior and prevent future defaults. Finally, for collections, differentiated management models are defined among individuals and businesses oriented to decentralization together with new negotiation strategies and support tools.

- The Wholesale Risk Unit incorporates the functions of origination and policies, admission for businesses, corporate entities and real estate companies, as well as the follow-up and recovery. This Unit was able to strengthen the risk model with higher synergies based on communication and feedback among teams for the management of the risk related to the types of transactions, products and sectors, among others.

  The Origination and Policies team is responsible for wholesale portfolio management and the definition of policies and growth and divestiture strategies. The Admission team defines the credit risk profile in policies established by the Bank in business segments of the retail sector, business banking for companies and institutions, global and real estate customers. Rating, Risk Analyst and Bureau tools are used for the appropriate definition of these profiles.

  Also, the purpose of the Follow-up team is to identify customers with potential impairment in an early stage in order to manage credit risk. The Recovery team intends to negotiate payment arrangements with customers from the debt refinancing operation to the payment in kind or execution of guarantees.

  During 2015, the early alert model (HATs) was used to follow up risks of the loan portfolio and manage its impairment to orient the business and risk appetite in high-performance customers.

Maximum exposure to credit risk

The maximum exposure to credit risk as of December 31, 2015 and 2014 is as follows:

In thousands of S/	**2015**	**2014**
ASSET		
Cash and due from banks	23,432,484	14,633,083
Interbank funds	363,589	20,002
Investments at fair value through profit or loss	94,887	743,245
Available-for-sale investments	4,720,019	2,327,609
Held-to-maturity investments	462,732	451,232
Loan portfolio	47,848,768	42,056,399
Trading derivatives	1,327,552	827,724
Hedging derivatives	7,467	18,815
Accounts receivable	25,432	20,086
Other assets	1,050,191	214,706
TOTAL	79,333,121	61,312,901

Guarantees received

Guarantee requirement may be a necessary instrument but not sufficient for risk concession purposes and their acceptance is supplemental to the credit process that demands and considers above all prior verification of the debtor's payment capacity or their ability to generate sufficient resources that will allow the amortization of risks contracted in compliance with agreed-upon conditions.

Guarantee management and valuation procedures are contained in Internal Manuals on Credit Risk Management Policies and Procedures (retail and non-retail), which provide basic principles for credit risk management and also include the management of guarantees received in transactions with customers, which ensure that those hedges are properly documented and recorded in the pertinent registry, and which ensure that Grupo Continental has corresponding insurance policies.

The valuation of guarantees is governed by prudent principles involving the use of appraisals in real estate guarantees, market prices in stock markets, quotation value of interests in investment funds, among others. These prudent principles have established certain guidelines which could be even more restrictive than local standards; under these guidelines, guarantees are updated in strict adherence to the regulator's recognition level and requirements which entities that conduct these valuations should meet.

As of December 31, 2015 and 2014, loans are distributed as follows, per type of guarantee:

In thousands of S/	2015		2014	
		%		%
Mortgages	19,414,224	39	17,163,433	39
Other guarantees	11,988,015	24	11,324,992	26
Financial lease	5,246,045	11	4,543,545	10
Guarantees and bonds received	663,041	1	579,781	1
Customer deposit guarantees	389,184	1	297,063	1
Vehicle, industrial, agricultural and other pledges	186,106	-	260,664	1
Warrants of products and goods	44,703	-	10,252	-
Secured loans	37,931,318	76	34,179,730	78
Unsecured loans	11,792,496	24	9,600,173	22
Total gross loan portfolio	49,723,814	100	43,779,903	100

Loan portfolio's creditworthiness

The loan portfolio is divided into "Non past-due nor impaired", "Past-due but not impaired" and "Impaired", as detailed in the table below:

	As of December 31, 2015						As of December 31, 2014					
	Non- retail loans	**Loans to small and micro-businesses**	**Consumer loans**	**Mortgage loans**	**Total**	**%**	**Non- retail loans**	**Loans to small and micro-businesses**	**Consumer loans**	**Mortgage loans**	**Total**	**%**
Non past-due nor impaired	31,988,053	1,285,994	3,840,416	10,171,797	47,286,260	100	27,632,785	1,238,427	3,333,292	9,374,647	41,579,151	100
Normal	31,552,014	1,249,846	3,742,819	9,891,480	46,436,159	98	27,141,702	1,182,876	3,251,285	9,216,075	40,791,938	98
With potential problems	436,039	36,148	97,597	280,317	850,101	2	491,083	55,551	82,007	158,572	787,213	2
Substandard	-	-	-	-	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-	-	-	-	-
Loss	-	-	-	-	-	-	-	-	-	-	-	-
Past-due but not impaired	49,731	1	2	656	50,390	-	46,311	12	6	392	46,721	-
Normal	24,998	1	2	2	25,003	-	17,712	12	4	-	17,728	-
With potential problems	24,733	-	-	654	25,387	-	28,599	-	2	392	28,993	-
Substandard	-	-	-	-	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-	-	-	-	-
Loss	-	-	-	-	-	-	-	-	-	-	-	-
Impaired	1,490,266	187,977	232,451	476,470	2,387,164	5	1,295,356	226,278	276,887	355,510	2,154,031	5
Normal	11,199	323	11	109	11,642	-	18,495	389	1	-	18,885	-
With potential problems	216,219	130	62	-	216,411	-	160,917	92	9	-	161,018	-
Substandard	344,941	34,468	65,680	207,246	652,335	1	368,280	40,036	57,388	156,315	622,019	2
Doubtful	448,780	49,522	103,284	166,864	768,450	2	445,902	70,111	106,466	116,176	738,655	2
Loss	469,127	103,534	63,414	102,251	738,326	2	301,762	115,650	113,023	83,019	613,454	1
Gross portfolio	33,528,050	1,473,972	4,072,869	10,648,923	49,723,814	105	28,974,452	1,464,717	3,610,185	9,730,549	43,779,903	105
Less: Provisions	(1,413,032)	(129,026)	(355,008)	(295,578)	(2,192,644)	(5)	(1,190,144)	(147,830)	(378,870)	(256,179)	(1,973,023)	(5)
Total net	32,115,018	1,344,946	3,717,861	10,353,345	47,531,170	100	27,784,308	1,316,887	3,231,315	9,474,370	41,806,880	100

The criteria to determine whether a loan is impaired are the following:

Type of debtor	Impairment criteria
Retail	Debtor in arrears for more than 90 days.
	Debtor classified as: substandard, doubtful or loss.
Non-retail	Debtor classified as: substandard, doubtful or loss.
	Situation of refinanced or restructured loans.

Specific provisions related to transactions that as of December 31, 2015 have been classified as past-due but not impaired loans and impaired loans amount to S/ 960 million (S/ 697 million as of December 31, 2014).

During 2015 and 2014, transactions of customers classified as past-due but not impaired loans and as impaired loans throughout these years have generated financial income amounting to S/ 119 million and S/ 118 million, respectively.

As of December 31, 2015 and 2014, guarantees of past-due and not impaired loans and impaired loans, amounted to S/ 1,613 million and S/ 1,384 million, respectively, of which S/ 1,428 and S/ 1,176 million correspond to mortgages.

Past-due and not impaired loans as of December 31, 2015 and 2014 amount to S/ 50 million and S/ 47 million, respectively. Loans referred to above, classified by number of days in arrears, is shown in the following table:

In thousands of S/	**As of December 31, 2015**				**As of December 31, 2014**			
Days in arrears	**16- 30**	**31- 60**	**61 - 90**	**Total**	**16- 30**	**31- 60**	**61 - 90**	**Total**
Type of loan								
Corporate	41	23	-	64	-	-	-	-
Large businesses	979	1,631	24	2,634	262	736	300	1,298
Medium businesses	14,874	26,176	5,983	47,033	17,990	17,191	9,832	45,013
Subtotal	15,894	27,830	6,007	49,731	18,252	17,927	10,132	46,311
Small businesses	-	1	-	1	-	12	-	12
Micro-businesses	-	-	-	-	-	-	-	-
Consumer	-	2	-	2	-	5	1	6
Mortgage	-	656	-	656	-	392	-	392
Subtotal	-	659	-	659	-	409	1	410
Total	15,894	28,489	6,007	50,390	18,252	18,336	10,133	46,721

Written-off loans

The movement of the written-off loan portfolio is as follows:

In thousands of S/	2015	2014
Opening balance	7,312	15,217
Decreases:		
Cash recoveries	(33)	(129)
Cancelled loans (Note 6 (c))	(11)	(20)
Sale of portfolio	-	(7,975)
Others	189	219
Closing balance	7,457	7,312

Risk concentrations

The loan portfolio has been distributed in the following economic sectors:

In thousands of S/	2015	%	2014	%
Mortgage and consumer loans	14,721,791	30	13,340,733	30
Manufacture	9,428,349	19	8,090,331	18
Commerce	9,169,786	18	7,870,668	18
Transportation, storage and communications	2,765,868	6	2,613,550	6
Real estate, business and leasing	2,740,541	6	2,880,515	7
Mining	2,094,120	4	1,373,614	3
Electricity, gas and water	1,563,036	3	1,306,528	3
Agriculture and livestock	1,472,168	3	1,185,947	3
Financial intermediation	1,214,975	2	924,103	2
Construction	920,767	2	892,372	2
Others	3,632,413	7	3,301,542	8
Total	49,723,814	100	43,779,903	100

Financial instruments (assets) present the following concentrations per geographical area:

In thousands of S/	As of December 31, 2015						
	At fair value through profit or loss (FVTPL)						
Financial instruments	For trading	Initially designated as at FVTPL	Loans and accounts receivable	Available-for-sale	Held-to-maturity	Hedging derivatives	Total
Peru	1,224,254	-	49,259,458	4,719,382	462,732	-	55,665,826
Rest of South America	-	-	200,810	607	-	-	201,417
Rest of the world	3,301	-	252,425	-	-	-	255,726
Mexico	24,405	-	8,939	-	-	-	33,344
United States	2,940	-	39,377	-	-	7,202	49,519
Europe	172,363	-	70,219	30	-	265	242,877
Total	1,427,263	-	49,831,228	4,720,019	462,732	7,467	56,448,709
Provisions	(4,824)	-	(2,274,626)	-	-	-	(2,279,450)
Accrued yields	-	-	361,338	-	-	-	361,338
Deferred	-	-	(43,740)	-	-	-	(43,740)
Total	1,422,439	-	47,874,200	4,720,019	462,732	7,467	54,486,857

In thousands of S/

Financial instruments	As of December 31, 2014						
	At fair value through profit or loss (FVTPL)						
	For trading	Initially designated as at FVTPL	Loans and accounts receivable	Available-for-sale	Held-to-maturity	Hedging derivatives	Total
Peru	1,336,103	-	43,384,928	2,326,972	451,232	-	47,499,235
Rest of South America	-	-	169,773	607	-	-	170,380
Rest of the world	3,956	-	229,473	-	-	-	233,429
Mexico	6,025	-	5,479	-	-	-	11,504
United States	62,280	-	28,637	-	-	18,060	108,977
Europe	162,610	-	60,642	30	-	755	224,037
Total	1,570,974	-	43,878,932	2,327,609	451,232	18,815	48,247,562
Provisions	(5)	-	(2,051,967)	-	-	-	(2,051,972)
Accrued yields	-	-	287,913	-	-	-	287,913
Deferred	-	-	(38,393)	-	-	-	(38,393)
Total	1,570,969	-	42,076,485	2,327,609	451,232	18,815	46,445,110

Market risks

(a) Market risk

Market risk arises as a result of market activities using financial instruments, whose value may be affected by changes in market conditions, reflected in changes of certain assets and financial risk factors. The risk may be mitigated and even eliminated through hedges with other products (assets/liabilities or derivatives), or by undoing the open transaction/position.

There are three major risk factors that affect market prices: interest rates, exchange rates and variable yield.

- Interest rate risk: This risk arises as a result of variations in the temporary structure of market interest rates for different foreign currencies.

- Exchange risk: This risk arises as a result of variations in the exchange rate between different currencies.

- Price risk: This risk arises as a result of changes in market prices either due to factors specific to the instrument itself or to factors affecting all instruments traded in the market.

Additionally, and for specific positions, it is necessary to consider other risks as well: credit spread risk, base risk, volatility or correlation risk.

VaR (Value at Risk) is the basic variable to measure and control the Bank's market risk. This risk measurement estimates the maximum loss, at a specific confidence level, that may be caused on the market positions of a portfolio for any given period of time. The Bank calculates VaR under the parametric method, at a confidence level of 99% and a period of one day; data considered for VaR was obtained within one year.

The market risk limit structure determines a limit outline for VaR (Value at Risk) and Economic Capital per market risk, as well as specific ad-hoc alerts and sub-limits per type of risks, among others.

Additionally, validity tests are conducted for risk measurement models used to estimate the maximum loss that may arise in positions with a particular probability level (back testing), as well as impact measurements of extreme market movements in risk positions maintained (stress testing). Currently, stress tests are conducted in case of historical crisis scenarios.

The Bank's market risk for 2015 has decreased compared to 2014. This decrease is due to a lower position in sovereign bonds and higher hedged positions.

VaR per risk factor is as follows:

In thousands of S/	2015	2014
VaR per risk factors		
VaR unsmooth	7,627	11,777
VaR interest	6,250	11,500
VaR exchange	3,109	4,524
Average VaR	9,474	10,778
Maximum VaR	13,223	12,688
Minimum VaR	5,702	9,145

Stress test are conducted on the basis of historical crisis scenarios that take as reference:

- Lehman Brothers Bankruptcy in 2008
- The Peruvian electoral crisis in June 2001

Per type of market risk assumed by the trading portfolio, at the end of 2015 as usual, the main risk was the interest rate risk, and to a lesser extent the exchange rate risk.

The parametric VaR market risk model is regularly validated through back testing. In 2015, the Bank's portfolio losses exceeded the daily VaR eight times. This number of exceptions is within the bands determined in use tests of the Basel model. Therefore, no significant changes have been made either in measurement methodologies or in the parametrization of the current measurement model.

(b) Structural interest rate risk

Interest rate risk management of the banking book is intended to maintain the Bank's exposure to variations in market interest rates at levels consistent with its risk profile and strategy. To that end, the Asset-Liability Committee (hereinafter "ALCO") actively manages the banking book through operations that intend to optimize the risk level assumed, in relation to expected results, and allow to meet maximum tolerable risk levels.

ALCO's activities are based on interest rate risk measurements conducted by the Risk Area that, acting as an independent unit, regularly quantifies the impact of the variation in interest rates on the Bank's margin of interests and economic value.

In addition to sensitivity measurements made to variations of 100 basis points in market interest rates, the Bank prepares probabilistic calculations that determine the "economic capital" (maximum loss in the economic value) and the "margin at risk" (maximum loss in the interest margin) per structural interest rate risk of the Bank's banking activity, excluding treasury activities, on the basis of interest-rate curve simulation models. Stress tests are regularly conducted to complete the assessment of the Bank's interest rate risk profile.

All these risk measurements are subsequently analyzed and monitored and the risks assumed and levels of compliance with authorized limits are provided to different management and administration bodies of the Bank.

The consumption of structural interest rate risk levels of the Bank during 2015 and 2014 are presented below (information available until November 2015 and 2014):

During 2015:

Consumption of limits

	2015	nov-15	oct-15	sep-15	aug-15	jul-15	jun-15	may-15	apr-15	mar-15	feb-15	jan-15
Financial margin sensitivity	6%	3.5%	3.9%	4.3%	4.3%	4.3%	4.2%	4.1%	4.3%	4.2%	4.2%	3.8%

Consumption of alerts

	2015	nov-15	oct-15	sep-15	aug-15	jul-15	jun-15	may-15	apr-15	mar-15	feb-15	jan-15
Economic value sensitivity	8%	3.9%	4.0%	1.6%	1.2%	1.2%	1.4%	1.6%	1.6%	1.0%	1.6%	1.7%
Economic Capital (EC)	13%	9.5%	9.6%	8.7%	8.4%	9.0%	9.6%	9.1%	8.9%	8.3%	8.5%	9.8%
Margin at Risk (MeR)	6%	1.7%	1.8%	1.8%	1.9%	2.0%	1.9%	1.6%	1.7%	2.0%	1.9%	1.3%

During 2014:

Consumption of limits

	2014	nov-14	oct-14	sep-14	aug-14	jul-14	jun-14	may-14	apr-14	mar-14	feb-14	jan-14
Financial margin sensitivity	5%	64%	65%	61%	54%	54%	51%	49%	48%	46%	50%	45%

Consumption of alerts

	2014	nov-14	oct-14	sep-14	aug-14	jul-14	jun-14	may-14	apr-14	mar-14	feb-14	jan-14
Economic value sensitivity	10%	18%	23%	22%	37%	37%	37%	35%	35%	37%	15%	7%
Economic Capital (EC)	25%	40%	40%	39%	34%	34%	33%	33%	33%	36%	38%	35%
Margin at Risk (MeR)	10%	11%	11%	10%	9%	9%	10%	10%	8%	9%	9%	8%

As part of the measurement process, the Bank has set hypotheses on the evolution and behavior of certain items, such as those relating to products without explicit or contractual maturity. These hypotheses are supported by studies that determine the approximate relation between interest rates of these products and market interest rates and allow the disaggregation of specific balances into trend balances with long-term maturity, and seasonal or volatile balances with short-term residual maturity.

(c) Liquidity risk

Liquidity risk control, follow-up and management activities are intended to, in the short term, ensure the compliance with the entity's payment commitments on a timely basis and as agreed, without having to resort to borrowing funds under burdensome terms or impair the entity's image and reputation. In the medium term, the purpose of these activities is to guarantee the appropriateness of the financial structure and its evolution within the context of Peru's economic situation, markets and regulatory changes.

The Bank's liquidity risk management and structural financing are based on the principle of financial autonomy with regard to the BBVA Group. This management approach contributes to the prevention and restriction of liquidity risks by reducing the Bank's vulnerability during high risk periods.

Management and monitoring of liquidity risk is carried out comprehensively using a double approach: short and long term. The short-term liquidity approach, with a period of time of up to 365 days, is focused on the management of payments and collections for market activities, and includes the operations of the treasury area and potential liquidity needs of the entity as a whole. The second approach, medium-term or financing, is focused on the financial management of assets and liabilities, with a period of time of one year or more.

Liquidity is comprehensively managed by the Asset-Liability Committee (ALCO), and the Financial Management division, within the Finances area, analyses the implications of the entity's different projects, in terms of financing and liquidity, and their compatibility with the target financing structure and the situation of financial markets. In this regard, the Financial Management division, according to approved budgets, carries out the proposals agreed by ALCO and manages liquidity risk based on a wide scheme of limits, sub-limits and alerts, duly approved, on which the Risk Area carries out independent measurement and control-related tasks, and provides the manager with support tools and metrics for decision-making purposes.

Regular measurements of risks incurred and the follow-up of limit consumption are carried out by the Structural, Market and Trust Risk division, which reports liquidity risk levels to ALCO on a monthly basis, and, more often, to management units. The frequency of communications and the amount of information are decided by the Liquidity Committee at the proposal of the Technical Liquidity Group (TLG) which, in the event of any alert or possible crisis, conducts the first analysis of the entity's short-term or long-term liquidity situation. The TLG is made up of technical staff from the Trading Desk of the Treasury, Financial Management and Structural and Trust Risk areas. If those alerts identify an impairment situation, the TLG informs the Liquidity Committee, made up by Assistant General Managers of the corresponding areas and the Director – General Manager.

On the other hand, regarding regulatory matters, the Basel Committee on Banking Supervision has proposed a new liquidity regulation scheme based on two ratios: Liquidity Coverage Ratio (LCR), effective from 2015, and Net Stable Funding Ratio (NSFR) that will be implemented since 2018. Both the Bank and the BBVA Group were involved in the corresponding quantitative impact study (QIS) and have gathered new regulatory challenges in their general action framework on Liquidity and Financing matters. At a local level, the SBS has also implemented the follow-up of LCR by following the general guidelines of the Basel Committee adapted to Peruvian reality. The measurement of this LCR indicator began on December 2013 and it is calculated on a daily basis. The limit established for LCR is 80% for the period 2014 – 2016 (90% in 2017 and 100% for 2018 and onwards) which the Bank is fully adhering to.

As new liquidity reports became effective, the SBS established new guidelines for the distribution of assets and liabilities per residual terms, which included items with contractual maturity and those items that have been distributed based on assumptions made. The distribution of assets and liabilities per maturity as of December 31, 2015 and 2014 is as follows, including pertinent accrued yields for the portfolio of loans and deposits:

In thousands of S/

ASSET	Up to 1 month	More than 1 month and less than 3 months	More than 3 months and less than 6 months	More than 6 months and less than 1 year	More than 1 year and less than 5 years	More than 5 years	Past-due loans and under court-ordered payment	No contractual maturity	Total
Cash and due from banks	6,702,518	2,526,639	482,382	278,758	13,442,187	-	-	-	23,432,484
Interbank funds	363,589	-	-	-	-	-	-	-	363,589
Investments at fair value through profit or loss	71,064	-	-	-	-	-	-	23,823	94,887
Available-for-sale investments	4,626,081	38	600	-	37,675	55,625	-	-	4,720,019
Held-to-maturity investments	-	5,767	1,967	-	-	454,998	-	-	462,732
Loan portfolio	6,918,886	7,615,169	5,378,065	4,604,159	15,397,447	9,094,317	1,077,109	-	50,085,152
Trading derivatives	91,075	91,576	106,489	71,682	481,756	484,974	-	-	1,327,552
Hedging derivatives	-	-	-	-	7,202	265	-	-	7,467
Total	18,773,213	10,239,189	5,969,503	4,954,599	29,366,267	10,090,179	1,077,109	23,823	80,493,882

LIABILITY	Up to 1 month	More than 1 month and less than 3 months	More than 3 months and less than 6 months	More than 6 months and less than 1 year	More than 1 year and less than 5 years	More than 5 years	Total
Obligations to the public	10,252,860	7,157,796	2,691,156	1,371,238	24,966,802	-	46,439,852
Demand	2,513,082	1,839,621	-	-	11,057,476	-	15,410,179
Savings	1,138,539	832,630	-	-	10,712,826	-	12,683,995
Term	6,548,203	4,485,545	2,691,156	1,371,238	3,196,500	-	18,292,642
Others	53,036	-	-	-	-	-	53,036
Interbank funds	128,015	-	-	-	-	-	128,015
Deposits in financial system companies and international financial organizations	299,137	338,071	312,212	188,629	238,509	-	1,376,558
Due to bank and other financial obligations	1,602,424	1,004,511	1,371,179	2,187,674	12,887,780	4,656,009	23,709,577
Trading derivatives	135,685	115,831	116,187	102,144	473,342	322,151	1,265,340
Hedging derivatives	-	-	375	-	105,149	13,391	118,915
Payable	363,682	-	-	-	-	-	363,682
Other liabilities	925,390	-	-	-	-	-	925,390
Total	13,707,193	8,616,209	4,491,109	3,849,685	38,671,582	4,991,551	74,327,329

In thousands of S/

ASSET	Up to 1 month	More than 1 month and less than 3 months	More than 3 months and less than 6 months	More than 6 months and less than 1 year	More than 1 year and less than 5 years	More than 5 years	Past-due loans and under court-ordered payment	No contractual maturity	Total
Cash and due from banks	5,280,095	1,627,079	348,188	1,870,335	5,507,386	-	-	-	14,633,083
Interbank funds	20,002	-	-	-	-	-	-	-	20,002
Investments at fair value through profit or loss	682,326	-	-	-	-	-	-	60,919	743,245
Available-for-sale investments	2,236,810	-	609	-	37,381	52,809	-	-	2,327,609
Held-to-maturity investments	-	5,680	1,994	-	-	443,558	-	-	451,232
Loan portfolio	6,877,783	6,829,452	4,614,600	3,469,765	12,998,541	8,301,484	976,191	-	44,067,816
Trading derivatives	75,752	78,303	28,326	13,018	307,576	324,749	-	-	827,724
Hedging derivatives	-	-	-	-	18,060	755	-	-	18,815
Total	15,172,768	8,540,514	4,993,717	5,353,118	18,868,944	9,123,355	976,191	60,919	63,089,526

LIABILITY	Up to 1 month	More than 1 month and less than 3 months	More than 3 months and less than 6 months	More than 6 months and less than 1 year	More than 1 year and less than 5 years	More than 5 years	Total
Obligations to the public	7,999,071	6,082,735	1,603,988	1,593,075	21,276,303	-	38,555,172
Demand	1,657,374	1,212,880	-	-	9,409,908	-	12,280,162
Savings	1,091,499	798,771	-	-	9,063,351	-	10,953,621
Term	5,199,497	4,071,084	1,603,988	1,593,075	2,803,044	-	15,270,688
Others	50,701	-	-	-	-	-	50,701
Interbank funds	120,011	-	-	-	-	-	120,011
Deposits in financial system companies and international financial organizations	1,277,100	233,159	13,455	9,416	89,616	-	1,622,746
Due to bank and financial obligations	124,076	279,870	182,819	1,937,805	7,259,516	5,476,073	15,260,159
Trading derivatives	89,004	68,871	46,123	43,722	290,057	189,480	727,257
Hedging derivatives	-	-	-	-	59,127	-	59,127
Payable	389,657	-	-	-	-	-	389,657
Other liabilities	167,106	-	-	-	-	-	167,106
Total	10,166,025	6,664,635	1,846,385	3,584,018	28,974,619	5,665,553	56,901,235

Operational risk

The Bank has implemented an operational risk management model for all the organization, which is supported by methodologies and procedures for the identification, evaluation and follow-up of this type of risk, according to the risk appetite and tolerance, reducing its impact on the organization.

Operational risk management is carried out through operational risk management committees in each area or division, led by staff responsible for the management of processes and with the support of Control Experts of each field.

Our model is supported by tools that allow qualitative and quantitative operational risk management. Regarding qualitative management, STORM (Support Tool for Operational Risk Management), based on a self-assessment methodology, supports the identification and quantification of operational risks associated with a level of processes, as well as the regular assessment of controls related to critical risks. STORM includes specific modules for the management of key risk indicators (KRI) and scenarios. During 2015, scenarios performed in 2014 were reviewed and additional scenarios were created. This information completes historical events stored by the Bank.

On the other hand, SIRO is an essential qualitative tool. SIRO is a database that stores all operational risk events that represent losses for the Bank. These events are classified per line of business and type of risk.

With regard to the authorization for the calculation of regulatory capital requirement for operational risk, the Bank is authorized to use the alternative standard method for an indefinite period of time. Besides being a risk management acknowledgment, this authorization allows to optimize the regulatory capital requirement.

In 2015, the Bank calculated the regulatory capital requirement for operational risk by using the alternative standard method, which amounted to S/ 390 million as of December 31, 2015.

Regarding regulatory matters, it is important to note the active participation of the Bank in the CPRO Project (Operational Risk Loss Center), led by the SBS. During 2015, training sessions for operational risk managers and experts continued, as well as e-learning programs and face-to-face lectures about operational risk management oriented to new members, including new employees.

24. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments are contracts that give rise simultaneously to a financial asset in a company and a financial liability or equity instrument in another company. In case of Grupo Continental, financial instruments correspond to primary instruments such as accounts receivable, accounts payable and equity shares in other companies and derivative financial instruments (forwards and swaps).

Financial instruments are classified as liabilities or equity according to the substance of the contractual agreement originating them. Interests, dividends, profits and losses arising from a financial instrument classified as liability are recorded as expenses or income in the statement of income. Payments to holders of financial instruments classified as equity are directly recorded in equity. Financial instruments are offset when Grupo Continental has the legal right to set off and Management has the intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

Fair value is the amount for which an asset may be exchanged between a buyer and a seller, duly informed, or an obligation may be settled between a debtor and creditor with sufficient information, under the terms of an arm's length transaction.

In cases where quotation value is not available, fair value is determined based on the quotation value of a financial instrument with similar characteristics, the present value of expected cash flows or other valuation techniques, which are significantly affected by different assumptions used. Even though Management uses its best criteria to estimate the fair value of its financial instruments, there are weaknesses inherent to any valuation technique. As a result, fair value may not be an approximate estimate of the net realizable value or settlement value.

Considerations as to the methodology and assumptions used in estimating the fair value of financial instruments of Grupo Continental include:

(a) Assets and liabilities whose fair value is similar to their carrying amount

This assumption is applicable to those assets and liabilities with current maturities, agreed at a variable rate, and those which the SBS determined that their fair value is equivalent to their carrying amount by virtue of Multiple Official Letter No. 1575-2014-SBS.

(b) Assets and liabilities at fixed rate

The projection method of future cash flows discounted at market rates is used for instruments with similar characteristics.

(c) Assets and liabilities measured at fair value

There are three levels for fair value measurement:

Level 1: For instruments quoted in active markets, fair value is determined considering the observable price in such markets and for instruments whose market quotation is not available but the quotation of their components is available, fair value will be determined based on relevant market prices of those components.

Level 2: For instruments quoted in non-active markets, fair value is determined through a valuation technique or model, which uses market observable data to the best extent possible and minimizes internally calculated inputs.

Level 3: For unquoted instruments, fair value is determined by using valuation techniques or models.

The fair value of trading and available-for-sale investments has been determined based on their market quotations or the quotations of underlying items (sovereign risk rate) as of the date of the consolidated financial statements.

For derivative financial instruments, fair value is determined by using valuation techniques.

Carrying amount and fair value of financial assets and liabilities

Taking into account fair value considerations above and Multiple Official Letter No. 43078-2014-SBS, under which the SBS determined that the fair value of loans and deposits is equivalent to their carrying amount, as of December 31, 2015 and 2014, the carrying amount and fair values of financial assets and liabilities are as follows:

In thousands of S/	2015		2014	
Fair value and carrying amount	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
ASSET				
Cash and due from banks	23,432,484	23,432,484	14,633,083	14,633,083
Interbank funds	363,589	363,589	20,002	20,002
Investments at fair value through profit or loss	94,887	94,887	743,245	743,245
Equity instruments	23,823	23,823	60,919	60,919
Debt instruments	71,064	71,064	682,326	682,326
Available-for-sale investments	4,720,019	4,720,019	2,327,609	2,327,609
Representative equity instruments	48,355	48,355	46,533	46,533
Representative debt instruments	4,671,664	4,671,664	2,281,076	2,281,076
Held-to-maturity investments	462,732	474,365	451,232	465,756
Loan portfolio	47,848,768	47,848,768	42,056,399	42,056,399
Trading derivatives	1,327,552	1,327,552	827,724	827,724
Hedging derivatives	7,467	7,467	18,815	18,815
Accounts receivable	25,432	25,432	20,086	20,086
Other assets	1,132,330	1,132,330	271,944	271,944
TOTAL	79,415,260	79,426,893	61,370,139	61,384,663
LIABILITY				
Obligations to the public	46,439,852	46,439,852	38,555,172	38,555,172
Interbank funds	128,015	128,015	120,011	120,011
Deposits of financial entities and international financial organizations	1,376,558	1,376,558	1,622,746	1,622,746
Due to banks and financial obligations	23,709,576	23,619,213	15,260,159	15,261,806
Trading derivatives	1,265,340	1,265,340	727,257	727,257
Hedging derivatives	118,915	118,915	59,127	59,127
Accounts payable	363,682	363,682	389,657	389,657
TOTAL	73,401,938	73,311,575	56,734,129	56,735,776

Financial instruments recorded at fair value and fair value hierarchy

Assets and liabilities recorded at fair value according to their fair value hierarchy level are as follows:

In thousands of S/	2015				2014			
Financial instruments recorded at fair value according to valuation methods	**Fair value**	**Level 1**	**Level 2**	**Level 3**	**Fair value**	**Level 1**	**Level 2**	**Level 3**
ASSET								
Investments at fair value through profit or loss	94,887	94,887	-	-	743,245	743,245	-	-
Equity instruments	23,823	23,823	-	-	60,919	60,919	-	-
Debt instruments	71,064	71,064	-	-	682,326	682,326	-	-
Available-for-sale investments	4,716,057	461,215	4,254,842	-	2,324,156	535,007	1,789,149	-
Representative equity instruments	44,392	44,392	-	-	43,081	43,081	-	-
Representative debt instruments	4,671,665	416,823	4,254,842	-	2,281,075	491,926	1,789,149	-
Trading derivatives	1,327,552	-	1,327,552	-	827,724	-	827,724	-
Hedging derivatives	7,467	-	7,467	-	18,815	-	18,815	-
TOTAL	6,145,993	556,132	5,589,861	-	3,913,940	1,278,252	2,635,688	-
LIABILITY								
Due to banks and financial obligations	4,948,805	-	4,948,805	-	3,159,557	-	3,159,557	-
Trading derivatives	1,265,340	-	1,265,340	-	727,257	-	727,257	-
Hedging derivatives	118,915	-	118,915	-	59,127	-	59,127	-
TOTAL	6,333,060	-	6,333,060	-	3,945,941	-	3,945,941	-

Description of valuation techniques for instruments recorded at fair value

Level 2		**Valuation techniques / Hypotheses**	**Main inputs used**
Debts and bonds		Calculation of the present value of hedging derivative considering the market interest rates, and translating it into Peruvian soles at current exchange rate (where necessary). Items considered include: Variable cash flows (if any) and cash flow projection.	• Year-end exchange rates. • Market interest rate curves.
Derivatives	Forwards, IRS, CCS	Calculation of the present value of each derivative component (fixed / variable) considering the market interest rates and translating them into Peruvian soles at current exchange rate (where necessary). Items considered include: variable flows (if any), cash flow projection, discount curves per underlying item, and current market interest rates.	• Forwards points. • Fixed vs. variable quotations. • Year-end exchange rates. • Market interest rate curves.
	Options	For options on shares, currencies or raw materials: Black-Scholes hypotheses consider any possible adjustments to convexity.	Derivatives on shares, currencies or raw materials: • Forward structure of underlying item. • Volatility of options. • Observable correlations between underlying items.
		For derivatives on interest rates: Black-Scholes hypotheses assume a normal log process of forward rates and consider any possible adjustments to convexity.	Derivatives on interest rates: • Term structure of interest rate curve. • Volatility of underlying items.

25. SUBSEQUENT EVENTS

We are not aware of any subsequent event that may have occurred between the closing date of these consolidated financial statements and their issue date that may have significantly affect them.