

OFFERING MEMORANDUM

U.S.\$300,000,000



Banco de Crédito del Perú

2.250% SENIOR NOTES DUE 2019

We, Banco de Crédito del Perú, or “BCP”, a commercial bank organized and existing under the laws of the Republic of Peru, are offering U.S.\$300,000,000 aggregate principal amount of senior notes due 2019, or the notes. The notes will mature on October 25, 2019. The notes will bear interest of 2.250% per year. Interest will be payable on April 25 and October 25 of each year, commencing on April 25, 2017.

Payments in respect of the notes will be made without deduction of, withholding for or on account of, taxes imposed by the Republic of Peru, or other then applicable jurisdictions, subject to certain exceptions. See “Description of the Notes—Payment of Additional Amounts.” In the event of certain changes in the laws affecting the taxes applicable to payments under the notes, we may redeem the notes before their stated maturity at a price equal to 100% of their principal amount plus accrued and unpaid interest to the redemption date. We are entitled to redeem the notes, in whole, or in part, from time to time, at a redemption price equal to the greater of (1) 100% of the principal amount of the notes on such redemption date and (2) the “make whole” amount set forth in this offering memorandum, plus, in each case, any accrued and unpaid interest, if any, up to, but not including, the date of redemption. See “Description of the Notes—Redemption Prior to Maturity—Optional Redemption.”

The notes will be our senior unsecured obligations and will rank equally in right of payment with all of our other senior unsecured indebtedness, except for obligations that are preferred by statute. The notes will be structurally subordinated to the existing and future obligations of our subsidiaries, including trade payables. The notes will not be guaranteed by our parent company or any of our subsidiaries. See “Regulatory Environment – Intervention by the SBS and Liquidation.”

For a more detailed description of the notes, see “Description of the Notes” beginning on page 119.

No public market currently exists for the notes. We have applied to list the notes on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF Market. See “Listing and General Information.”

Investing in the notes involves risks. See “Risk Factors” beginning on page 14.

Issue Price: 99.695% and accrued interest, if any, from October 25, 2016.

The notes will be sold in minimum denomination of U.S.\$200,000 and in integral multiples of U.S.\$1,000 in excess thereof.

The notes have not been registered under the U.S. Securities Act of 1933, as amended, or the Securities Act, and are being offered only to (1) qualified institutional buyers, or QIBs, under Rule 144A and (2) outside the United States in compliance with Regulation S. Prospective purchasers that are QIBs are hereby notified that the sellers of the notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. Any offer or sale of the notes in any member state of the European Economic Area which has implemented Directive 2003/71/EC (the “Prospectus Directive”) must be addressed to qualified investors (as defined in the Prospectus Directive). For more information about restrictions on transfer of the notes, see “Notice to Investors.”

The notes (or beneficial interests therein) may not be offered or sold in Peru except in compliance with the securities laws thereof. The notes do not have the benefit of bank deposit insurance under the laws of Peru, the United States or any other jurisdiction.

This offering memorandum constitutes a prospectus for purposes of Part IV of the Luxembourg law on prospectus for securities dated July 10, 2005, as amended.

The notes were delivered to purchasers in book-entry form on October 25, 2016.

Joint Book-Runners

BofA Merrill Lynch

Credicorp Capital

J.P. Morgan

Offering Memorandum dated November 25, 2016

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You should only rely on the information contained in this offering memorandum. We have not authorized anyone to provide you with different information. Neither we nor the initial purchasers are making an offer of the notes in any jurisdiction where the offer is not permitted. You should not assume that the information contained in this offering memorandum is accurate as of any date other than the date on the cover of this offering memorandum regardless of time of delivery or any sale of the notes.

The initial purchasers assume no responsibility for, and make no representation or warranty, express or implied, as to the accuracy or completeness of the information contained in this offering memorandum. Nothing contained in this offering memorandum is or shall be relied upon as, or a promise or representation by the initial purchasers as to the past or future. The initial purchasers accept no responsibility in relation to the information in this offering memorandum or any other information provided by the issuer.

We, having made all reasonable inquiries, confirm that the information contained in this offering memorandum with regard to our company is true and accurate in all material respects, that the opinions and intentions we express in this offering memorandum are honestly held, and that there are no other facts the omission of which would make this offering memorandum as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect. We accept responsibility accordingly.

Unless otherwise indicated or the context otherwise requires, all references in this offering memorandum to “Banco de Crédito del Perú,” “BCP,” “Bank,” “we,” “our,” “ours,” “us” or similar terms refer to Banco de Crédito del Perú and our subsidiaries. References to the “Issuer” refer only to Banco de Crédito del Perú excluding our subsidiaries.

This offering memorandum does not constitute an offer to sell, or a solicitation of an offer to buy, any notes offered hereby by any person in any jurisdiction in which it is unlawful for such person to make such an offer or solicitation. Neither the delivery of this offering memorandum nor any sale made hereunder shall under any circumstances imply that there has been no change in our affairs or the affairs of our subsidiaries or that the information set forth in this offering memorandum is correct as of any date subsequent to the date of this offering memorandum.

This offering memorandum has been prepared by us solely for use in connection with the proposed offering of the notes. We reserve the right to reject any offer to purchase, in whole or in part, for any reason, or to sell less than all of the notes offered by this offering memorandum. Merrill Lynch, Pierce, Fenner & Smith Incorporated, Credicorp Capital Sociedad Agente de Bolsa S.A. and J.P. Morgan Securities LLC will act as initial purchasers with respect to the offering of the notes. This offering memorandum is personal to you and does not constitute an offer to any other person or to the public in general to subscribe for or otherwise acquire the notes.

Credicorp Capital Sociedad Agente de Bolsa S.A. (“Credicorp Capital”) is not a broker-dealer registered with the Securities and Exchange Commission, and therefore may not make sales of any securities in the United States or to U.S. persons except in compliance with applicable U.S. laws and regulations. Credicorp Capital will not make offers or effect sales of the notes in the United States or to U.S. persons. Credicorp Capital will only make offers and sales of the notes outside of the United States to non-U.S. persons.

You must (1) comply with all applicable laws and regulations in force in any jurisdiction in connection with the possession or distribution of this offering memorandum and the purchase, offer or sale of the notes, and (2) obtain any required consent, approval or permission for the purchase, offer or sale by you of the notes under the laws and regulations applicable to you in force in any jurisdiction to which you are subject or in which you make such purchases, offers or sales, and neither we nor the initial purchasers or their agents have any responsibility therefor. See “Notice to Investors” and “Plan of Distribution” for information concerning some of the transfer restrictions applicable to the notes.

You acknowledge that:

- you have been afforded an opportunity to request from us, and to review, all additional information considered by you to be necessary to verify the accuracy of, or to supplement, the information contained in this offering memorandum;
- you have not relied on the initial purchasers or their respective agents or any person affiliated with the initial purchasers or their respective agents in connection with your investigation of the accuracy of such information or your investment decision; and
- no person has been authorized to give any information or to make any representation concerning us or the notes other than those as set forth in this offering memorandum. If given or made, any such other information or representation should not be relied upon as having been authorized by us, the initial purchasers or their agents.

In making an investment decision, you must rely on your own examination of our business and the terms of this offering, including the merits and risks involved. The notes have not been recommended by the Securities and Exchange Commission, or the “SEC,” or any state securities commission or any Peruvian or other regulatory authority. Furthermore, these authorities have not confirmed the accuracy or determined the adequacy of this offering memorandum. Any representation to the contrary is a criminal offense.

In connection with this offering, the initial purchasers may over-allot notes or effect transaction with a view to supporting the market price of the notes at a level higher than that which might otherwise prevail. However, there is no assurance that the initial purchasers will undertake stabilization action at all. Any stabilization action may begin on or after the date on which adequate public disclosure of the terms of the offer of the notes is made and, if begun, the initial purchasers may discontinue it at any time, but it must end no later than 30 days after the issuance of the notes.

The notes may not be transferred or resold except as permitted under the Securities Act and related regulations and applicable state securities laws and laws of other jurisdictions. In making your purchase, you will be deemed to have made certain acknowledgements, representations and agreements set forth in this offering memorandum under the caption “Notice to Investors.” You should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time.

This offering memorandum may only be used for the purpose for which it has been published. Neither the initial purchasers nor any of their agents is making any representation or warranty as to the accuracy or completeness of the information contained in this offering memorandum, and nothing contained in this offering memorandum is, or shall be relied upon as, a promise or representation, whether as to the past or the future. Neither the initial purchasers nor any of their agents has independently verified any of such information and assumes no responsibility for the accuracy or completeness of the information contained in this offering memorandum.

See “Risk Factors,” for a description of certain factors relating to an investment in the notes, including information about our business. None of us, the initial purchasers or any of our or their representatives is making any representation to you regarding the legality of an investment by you under applicable legal investment or similar laws. You should consult with your own advisors as to legal, tax, business, financial and related aspects of a purchase of the notes.

The notes will be available initially only in book-entry form. We expect that the notes offered and sold in the United States to qualified institutional buyers (“QIBs”) in reliance upon Rule 144A under the Securities Act will be represented by beneficial interests in a permanent global note in fully registered form without interest coupons, or the Rule 144A note. We expect that the notes offered and sold outside the United States to non-U.S. persons pursuant to Regulation S under the Securities Act will be represented by beneficial interests in a permanent global note in fully registered form without interest coupons, or the Regulation S note and, together with the Rule 144A note, the global notes. The global notes will be deposited with The Depository Trust Company, or “DTC.” Notes shall be issued in minimum denominations of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof. See “Description of the Notes” for further discussion of these matters.

NOTICE TO RESIDENTS OF PERU

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED WITH OR APPROVED BY THE PERUVIAN SUPERINTENDENCY OF CAPITAL MARKETS (*SUPERINTENDENCIA DEL MERCADO DE VALORES* OR “SMV”) OR THE LIMA STOCK EXCHANGE (*BOLSA DE VALORES DE LIMA* OR “BVL”). ACCORDINGLY, THE NOTES CANNOT BE OFFERED OR SOLD IN PERU, EXCEPT IN COMPLIANCE WITH THE APPLICABLE PERUVIAN SECURITIES LAWS.

ENFORCEABILITY OF CIVIL LIABILITIES

We are a commercial bank organized and existing under the laws of Peru. Substantially all of our directors and officers reside in Peru, and all or a significant portion of the assets of such persons may be, and substantially all of our assets are, located outside the United States. As a result, it may not be possible for investors to effect service of process upon such persons or entities outside Peru or to enforce against them in the courts of jurisdictions other than Peru any judgments obtained in such courts that are predicated upon the laws of such other jurisdictions.

We have been advised by our Peruvian counsel, Payet, Rey, Cauvi, Pérez Abogados, that any final and conclusive judgment for a fixed and definitive sum obtained against us in any foreign court having jurisdiction in respect of any suit, action or proceeding against us for the enforcement of any of our obligations under the notes that are governed by New York law will, upon request, be deemed valid and enforceable in Peru without the local court reopening the case provided that: (a) there is in effect a treaty between the country where said foreign court sits and Peru regarding the recognition and enforcement of foreign judgments or (b) in the absence of such a treaty, the following requirements are met:

- (i) the judgment does not resolve matters under the exclusive jurisdiction of Peruvian courts, and the matters contemplated in respect of this offering memorandum or the notes are not such matters;

- (ii) such court had jurisdiction under its own conflicts of law rules and under general principles of international procedural jurisdiction;
- (iii) we received service of process in accordance with the laws of the place where the proceeding took place, we were granted a reasonable opportunity to appear before such foreign court, and we were guaranteed due process rights;
- (iv) the judgment has the status of res judicata as defined in the jurisdiction of the court rendering such judgment;
- (v) no pending litigation in Peru between the same parties for the same dispute was initiated before the commencement of the proceeding that concluded with the foreign judgment;
- (vi) the judgment is not incompatible with another judgment that fulfills the requirements of recognition and enforceability established by Peruvian law unless such foreign judgment was rendered first;
- (vii) the judgment is not contrary to public order or good morals; and
- (viii) it is not proven that such foreign court denies enforcement of Peruvian judgments or engages in a review of the merits thereof.

There is no existing treaty between the United States and Peru for the reciprocal enforcement of foreign judgments. We have been advised by Payet, Rey, Cauvi, Pérez Abogados, our Peruvian counsel, that there is no reason to believe that any obligation under the notes, which are governed by New York law, would be contrary to Peruvian public policy and international treaties binding upon Peru or generally accepted principles of international law.

In connection with the issuance of the notes, we will designate National Registered Agents, Inc. as our agent upon whom process may be served in connection with any proceedings in New York.

MARKET AND INDUSTRY INFORMATION

Market data and certain industry forecast data used in this offering memorandum were obtained from internal reports and studies, where appropriate, as well as estimates, market research, publicly available information, including information available from the Peruvian Superintendency of Banks, Insurance and Private Pension Fund Administrators (*Superintendencia de Banca, Seguros y Administradoras Privadas de Fondos de Pensiones* or “SBS”) and industry publications. Market share, deposit and other data obtained from the SBS in the case of the banking operations of Peruvian banks, includes foreign branches and representative offices of Peruvian banks, such as our agency in Miami and our branch in Panama, which has an international banking license. However, the SBS information is presented on an unconsolidated basis and excludes information regarding subsidiaries of Peruvian banks. Therefore, the SBS information as it relates to us excludes the operations of our Peruvian subsidiaries Empresa Financiera Edyficar S.A. or “Edyficar”, Banco de la Microempresa S.A., or “Mibanco”, among others. Credifondo, Credibolsa and Creditítulos were spun-off to Credicorp Capital Peru S.A.A. formerly BCP Capital S.A.A. (Credicorp holds 97.7%, indirectly, through Grupo Crédito S.A. and Credicorp Capital Ltd., of its capital stock) during the fourth quarter of 2012 and are no longer our subsidiaries. Banco de Crédito de Bolivia was sold to Inversiones Credicorp Bolivia S.A. during the second quarter of 2016 and is no longer our subsidiary. Industry publications generally state that the information they contain has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information are not guaranteed. Similarly, internal reports and studies, estimates and market research, while believed to be reliable and accurately extracted by us for the purposes of this offering memorandum, have not been independently verified. However, we believe such data is accurate and agree that we are responsible for the accurate extraction of such information from such sources and its correct reproduction in this offering memorandum.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This offering memorandum contains statements that constitute estimates and forward-looking statements, including but not limited to the sections “Summary,” “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” These statements appear in a number of places in this offering memorandum and include statements regarding our intent, belief or current expectations, and those of our officers, with respect to (among other things) our financial condition.

Our estimates and forward-looking statements are based mainly on current expectations and estimates of future events and trends, which affect, or may affect, our business and results of operations. Although we believe that these estimates and forward-looking statements are based upon reasonable assumptions, they are subject to several risks and uncertainties and are based on information currently available to us.

Our estimates and forward-looking statements may be influenced by the following factors, among others:

- changes in the demand from, and the financial condition of, our customers, and competitive conditions in the markets we serve;
- changes in economic, political and business conditions in Peru;
- governmental interventions resulting in changes in the Peruvian economy, taxes, tariffs or regulatory environment;
- our ability to compete successfully;
- changes in our business;
- our ability to successfully implement marketing strategies;
- our identification of business opportunities;
- our ability to develop and introduce new products and services;
- changes in the cost of products and our operating costs;
- our level of indebtedness and other financial obligations;
- our ability to obtain financing on satisfactory terms;
- our ability to attract new customers;
- inflation or deflation in Peru, depreciation or appreciation of the Sol against the U.S. dollar and interest rate fluctuations;
- changes in the level of dollarization of the Peruvian economy;
- present or future changes in laws and regulations;
- our ability to maintain existing business relationships, and to create new relationships; and
- other risk factors discussed under the “Risk Factors” in this offering memorandum.

The words “believe,” “may,” “may have,” “would,” “estimate,” “continues,” “anticipates,” “intends,” “hopes,” and similar words are intended to identify estimates and forward-looking statements. Estimates and forward-looking statements refer only to the date when they were made, and we undertake no obligation to update or review any estimate or forward-looking statement due to new information, future events or any other factors. Estimates and forward-looking statements involve risks and uncertainties and do not guarantee future performance, as actual results or developments may be substantially different from the expectations described in the forward-looking statements. In light of the risks and uncertainties described above, the events referred to in the estimates and

forward-looking statements included in this offering memorandum may or may not occur, and our business performance and results of operation may differ materially from those expressed in our estimates and forward-looking statements, due to factors that include but are not limited to those mentioned above. Investors are warned not to place undue reliance on any estimates or forward-looking statements in making decisions regarding investment in the notes.

Neither we nor the initial purchasers undertake any obligation to update or revise any estimates or forward-looking statements, whether as a result of new information, future events or otherwise.

PRESENTATION OF FINANCIAL INFORMATION

Our annual consolidated financial statements as of and for the years ended December 31, 2014 and 2013 and our annual consolidated financial statements as of and for the years ended December 31, 2015 and 2014 included herein, or together the “annual consolidated financial statements,” and as of June 30, 2016 and for the six months ended June 30, 2015 and 2016 included herein, or the “interim consolidated financial statements” (and together with the annual consolidated financial statements, the “financial statements”), have been prepared and presented in accordance with generally accepted accounting principles prescribed by the SBS for financial institutions subject to supervision by the SBS, or “Peruvian GAAP.” For a description of highlights of certain differences among Peruvian GAAP, IFRS, as adopted by the IASB, and U.S. GAAP, see “Accounting Practices” set forth in Appendix A.

The annual consolidated financial statements as of and for the year ended December 31, 2015 have been audited by Gaveglío Aparicio & Asociados S.C.R.L., or “GAA,” a member firm of PricewaterhouseCoopers International Limited and the annual consolidated financial statements as of December 31, 2014 and for the years ended December 31, 2013 and 2014 have been audited by Paredes, Burga & Asociados S.C.R.L., or “PBA.” (formerly Paredes, Zaldívar, Burga & Asociados), a member firm of Ernst & Young Global Limited, each independent certified public accountants in Peru. The interim consolidated financial statements as of June 30, 2016 and for the six months ended June 30, 2016 and 2015 have not been audited but have undergone a review by GAA in accordance with the International Standard on Review Engagements No. 2410 “Review of Interim Financial Information performed by the Independent Auditor of the Entity” as specified by the International Auditing and Assurance Standards Board. See the interim consolidated financial statements included in this offering memorandum. Unless otherwise indicated, the financial information presented herein is based upon the financial statements.

Unless otherwise specified, in accordance with Peruvian GAAP, the financial statements and other financial information contained in this offering memorandum are presented in consolidated form. Consolidation principles under both Peruvian GAAP are based upon the concept of control and are substantially similar, requiring consolidation of all controlled entities irrespective of the sector in which they operate. Under Peruvian GAAP, an enterprise is required to consolidate special purpose entities, or “SPEs,” when the substance of the relationship between them indicates that the enterprise controls the SPE.

Unless otherwise specified or the context otherwise requires, references in the annual consolidated financial statements to “\$,” “U.S.\$,” “dollars” and “U.S. dollars” are to United States dollars and references to “S/,” “Sol” or “Soles” are to Peruvian Soles.

For the convenience of the reader, this offering memorandum presents translations of certain Sol amounts into U.S. dollars at specified rates, or the S/ to U.S.\$ exchange rate. Any data in U.S. dollars derived from the financial statements have been translated from Soles to U.S. dollars as follows:

- data as of and for the period ended December 31, 2015 have been translated from Soles into U.S. dollars at a rate of S/3.411 = U.S.\$1.00 (the December 31, 2015 exchange rate as published by the SBS); and
- data as of and for the period ended June 30, 2016 have been translated from Soles into U.S. dollars at a rate of S/3.289 = U.S.\$1.00 (the June 30, 2016 exchange rate as published by the SBS).

No representation is made that the Sol or U.S. dollar amounts in this offering memorandum at any time could have been or could be converted into U.S. dollars or Soles, as the case may be, at any particular rate or at all. For a discussion of the effects on us of fluctuating exchange rates, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations for the Six Months Ended June 30, 2015 and 2016” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations for the Years Ended December 31, 2013, 2014 and 2015.”

Certain amounts and percentages included in this offering memorandum have been rounded, and the totals presented in certain tables therefore may not be an arithmetic aggregation of the figures that precede them.

SUMMARY

The following summary should be read in conjunction with, and is qualified in its entirety by, the detailed information and the financial statements and notes thereto appearing elsewhere in this offering memorandum. Prospective investors should review the section entitled “Risk Factors” for a discussion of certain factors that should be considered in connection with an investment in the notes.

BCP

We were established in 1889 in Lima, Peru under the name of Banco Italiano by a group of Italian immigrants. By 1920, we had become, as we are today, the largest commercial bank in Peru, by total assets, loans, deposits, shareholders' equity and branch network. We are currently controlled by Credicorp Ltd. (NYSE: BAP), or “Credicorp,” which holds directly and through Grupo Crédito S.A., a wholly owned-subsidiary domiciled in Peru, 97.7% of our capital stock. Mr. Dionisio Romero Paoletti, our Chairman and President, is the Chairman and Chief Executive Officer of Credicorp. As of February 10, 2016, members of the Romero family hold 13.92% of Credicorp's common shares as stated in Credicorp's annual report on form 20-F filed with the SEC on April 29, 2016. We are listed and our common shares are traded on the BVL. As of December 31, 2015, 2.3% of our common stock was publicly held.

We have the leading banking franchise in Peru, including commercial and retail. We acquired Edyficar (microfinance) in October 2009 as part of our strategy of increasing our presence in underbanked segments. On March 20, 2014, BCP, through Edyficar, acquired a 60.7% stake of Mibanco, a local bank that specializes in the micro and small entities sector. On April 8, 2014, Grupo Crédito S.A. and Edyficar acquired from the International Finance Corporation (“IFC”) an additional 6.5% stake in Mibanco (5.0% Grupo Crédito S.A. and 1.5% Edyficar). During July 2014, through two transactions, Edyficar acquired 18.6% of the capital stock of Mibanco. In September 2014, Edyficar acquired from La Positiva Seguros y Reaseguros S.A. 1.2% of the capital stock of Mibanco. As of December 31, 2015, Credicorp held 86.93% of Mibanco's capital stock and paid an aggregate of approximately S/722.5 million. A spin-off transaction was completed on March 2, 2015 between Edyficar and Mibanco, which involved a spin-off of the majority of the assets and liabilities of Edyficar. No gains or losses were recognized on our income statement in connection with this spin-off. In connection with the aforementioned spin-off, by means of Resolution SBS No. 7612-2015, the SBS has approved Edyficar's request so it no longer qualifies as a financial entity. On February 23, 2015, a merger transaction between Edyficar and Solución Empresa Administradora Hipotecaria S.A. (“SEAH”) was agreed upon. Such transaction will enter into force upon the completion of additional corporate and regulatory actions. As a result of such merger, Edyficar will be absorbed by SEAH. As of June 30, 2016, BCP held 93.6% of the capital stock of Mibanco and Grupo Crédito held 1.8%. As of such date, Mibanco represented 6.5% of our total assets.

We provide a full range of corporate and retail banking products to our corporate and retail clients through our nationwide distribution network. According to information from the SBS, as of June 30, 2016, and excluding Mibanco, we had the largest branch network among Peruvian banks, with 442 branches and agencies, including 281 in Lima and the adjoining city of Callao, as well as a branch in Panama and an agency in Miami. Additionally, as of June 30, 2016, Mibanco had 314 branches. As of the same date, we also had 2,322 automated teller machines, or “ATM”, and 5,570 BCP Agents, a form of automated teller service.

As of June 30, 2016, on an unconsolidated basis and excluding Mibanco, we were the largest financial institution in Peru in terms of total assets, which stood at S/120.2 billion (or U.S.\$36.5 billion), total net direct loans, which stood at S/73.7 billion (or U.S.\$22.4 billion), total deposits, which stood at S/70.4 billion (or U.S.\$21.4 billion), and shareholders' equity, which stood at S/12.1 billion (or U.S.\$3.7 billion), according to figures published by the SBS. As of June 30, 2016, our direct loans and deposits represented 28.1% and 28.4%, respectively, of the entire Peruvian financial system, according to the SBS. Given our relatively higher concentration on corporate clients, as of June 30, 2016, of our total loans and deposits, 35.6% and 55.4%, respectively, were denominated in U.S. dollars as compared to 28.0% and 43.4%, respectively, for the entire Peruvian financial system. As of June 30, 2016, our unconsolidated capital adequacy ratio was 15.8% (compared to the minimum regulatory capital

requirement of 10.0%), and our net income for the six months ended June 30, 2016 was S/1,413.8 million (or U.S.\$429.9 million) according to figures published by the SBS.

Our extensive retail network, strong reputation and brand recognition allow us to benefit from a diversified and stable deposit base. According to unconsolidated figures published by the SBS, we have one of the highest core-deposit ratios (calculated as demand deposits, savings and severance indemnity deposits to total deposits) in the Peruvian financial system, which as of June 30, 2016, stood at 76.6% compared to the average ratio of the system of 64.1%. We have historically focused on our core lending activities as a major source of income. As of June 30, 2016, our ratios of loans to total assets and loans to total deposits were 62.7% and 105.1%, respectively.

We believe that we have a strong competitive position due to the diversity and size of our customer portfolio, our extensive relationships with prominent corporate clients, our widespread branch network, and our low-cost funding structure, our high level of investment in technology and the experience and professionalism of our management.

During the years 2011 and 2012, Credicorp followed a strategy aimed at establishing a subsidiary (which will operate independently from BCP) engaged in financial advisory activities, asset management and investment banking at a regional scale and primarily focused on the Latin American Integrated Market (*Mercado Integrado Latinoamericano*, or “MILA”). MILA comprises the main stock exchanges of Peru, Chile, Mexico and Colombia.

For this purpose, during 2012, BCP acquired a majority interest in Credicorp Capital Colombia S.A. (formerly, Correval S.A. Sociedad Comisionista de Bolsa), (“Correval”) one of the market leaders in the Colombian brokerage services industry; and Inversiones IM Trust S.A. (“IM Trust”), a Chilean brokerage and financial services company. Both companies have been transferred to a new holding entity, Credicorp Capital Ltd. (“Credicorp Capital”) formerly Credicorp Investments, a wholly-owned subsidiary of Credicorp (IM Trust in November 2012 and Correval in June 2013).

Additionally, certain of our former local subsidiaries including Credifondo, Credibolsa, Creditítulos and BCP’s investment banking division were spun off and acquired by Credicorp Capital Perú S.A.A. (“Credicorp Capital Perú”), formerly BCP Capital S.A.A. As of June 30, 2016 Credicorp holds 97.8% of Credicorp Capital Perú’s capital stock, directly and through Credicorp Capital. Currently, IM Trust and Correval are already indirect subsidiaries of Credicorp Capital.

On December 30, 2015, our Executive Committee approved the sale of the 100% of our stake in Banco de Crédito de Bolivia (“BCB”) to Inversiones Credicorp Bolivia S.A.(“ICBSA”), indirect subsidiary of Credicorp. We obtained the relevant authorizations of the Bolivian regulators. On May 12, 2016 we sold our stake through the Bolivian Stock Exchange.

Our operations in Peru, including those of Mibanco, are supervised and regulated by the SBS and the *Banco Central de Reserva del Perú* (the Peruvian Central Bank, or the “BCRP”). The operations of our Panamanian branch are supervised and regulated by the SBS and the *Superintendencia de Bancos de la República de Panamá* (the Panamanian Superintendency of Banks, or the “PSB”) and we hold an international banking license issued by the PSB. Our agency in Miami is regulated by the Federal Reserve System and by the Florida Office of Financial Regulation.

Strategy

Our strategy is to continue improving in the following four areas:

- Customers: we maintain a focus on customer attention, satisfaction and retention, continuously enhancing our products and services to meet our customers’ needs while supporting their growth and development;
- Efficient growth: we seek growth through continuous improvement and managing our efficiency levels;
- Risk management: we continuously seek to improve our comprehensive approach to risk management, with a focus on assessing credit risk, market risk, operational risk and reputational risk; and

- Employees: we seek to attract and retain the best talent in the market and aim to establish ourselves as the best place to work in Peru.

We believe we are a leader in the Peruvian financial system, offering innovative financing solutions in the markets in which we operate. Furthermore, we believe we have been able to deliver high quality and cost-competitive products, due to our broad deposit base and our efficient operating cost structure.

We expect to continue implementing, through a combination of organic growth and selective acquisitions, our strategy of expanding our retail banking business, which is characterized by higher margins. This strategy will allow us to continue to grow in segments in which BCP has a lower average market share as a result of our historic focus on the corporate segment.

We will continue to expand our branch network by establishing new offices in under-banked areas of Lima and Peru in general, where we expect demand for banking services to grow quickly. Excluding Mibanco, the number of our branches increased from 389 as of December 31, 2013 to 442 as of June 30, 2016, including our branch in Panama and our agency in Miami, as reported by the SBS. Additionally, the number of ATMs increased from 2,091 as of December 31, 2013 to 2,322 as of June 30, 2016, and the number of BCP Agents increased from 5,820 as of December 31, 2013 to 5,570 as of June 30, 2016. We intend to continue to focus on serving historically under-banked sectors in the main metropolitan areas of Peru as well as on lending to small and micro-businesses. Our management expects these segments to continue growing at above average rates. Also, we expect our distribution network to further increase efficiencies, resulting in higher profitability.

In the near term, we believe that the financial sector and the availability of credit in Peru will continue to expand. The rebalancing of the loan mix towards products with higher spreads and towards products denominated in Soles is expected to offset the anticipated reductions in spreads in the corporate sector and lower spreads in U.S. dollars. As a result, we expect overall interest margins to remain relatively stable. We also expect that declines in fees and commissions due to increased competition and regulation will be offset by higher transaction and loan volumes.

We expect to benefit from positive trends in the Peruvian economy. In retail banking, we expect that the growing Peruvian economy will help produce continued growth in mortgage loans, consumer loans and loans to small companies and micro-businesses loans. Our management believes that Peru's continued economic growth should also be beneficial to middle-market and wholesale banking, which we believe will continue to expand.

THE OFFERING

The following is a brief summary of certain material provisions of this offering. Some of the terms and conditions described below are subject to important limitations and exceptions. For a more complete description of the terms of the notes, see “Description of the Notes” in this offering memorandum.

Issuer	Banco de Crédito del Perú.
Notes.....	U.S.\$300,000,000 aggregate principal amount of senior notes due 2019.
Maturity	October 25, 2019.
Issue Date	October 21, 2016.
Interest	The notes will bear interest at the rate of 2.250% per annum. Interest will be payable on April 25 and October 25 of each year, commencing on April 25, 2017.
Issue Price.....	99.695% of the principal amount, plus accrued interest, if any, from October 25, 2016.
Ranking.....	The notes will be our direct, unconditional and unsecured general obligations and will, other than as set forth below, at all times rank <i>pari passu</i> in right of payment with all of our other unsecured obligations other than obligations that are, by their terms, expressly subordinated in right of payment to the notes. The notes will be effectively subordinated to (i) all of our secured indebtedness with respect to the value of our assets securing that indebtedness and (ii) certain direct, unconditional and unsecured general obligations that in case of our insolvency are granted preferential treatment pursuant to Peruvian law. The notes will be structurally subordinated to the existing and future obligations of our subsidiaries, including trade payables. See “Regulatory Environment—Intervention by the SBS and Liquidation.” As of June 30, 2016, we had approximately S/1,772.5 million (approximately U.S.\$538.9 million) in promotional credit lines that are secured by a loan portfolio, S/13,324.5 million (approximately U.S.\$4,051.2 million) in repurchase agreements that are secured by cash, available-for-sale investments and held-to-maturity investments, S/4.6 million (approximately U.S.\$1.4 million) in locally issued certificates of deposit, S/100 million (approximately U.S.\$30.4 million) in locally issued leasing bonds, S/1,576.5 million (approximately U.S.\$479.3 million)

in locally issued corporate bonds, S/5,685.1 million (approximately U.S.\$1,728.5 million) due to banks and correspondents with local and foreign financial institutions, S/1,342.8 million (approximately U.S.\$408.3 million) due to related parties, S/6,066.3 million (approximately U.S.\$1,844.4 million) in internationally issued corporate bonds, S/313.0 million (approximately U.S.\$95.2 million) in locally issued subordinated bonds, S/3,660.9 million (approximately U.S.\$1,113.1 million) in internationally issued subordinated bonds and S/879.8 million (approximately U.S.\$267.5 million) in internationally issued junior subordinated bonds.

Optional Redemption.....

We may, at our option, at any time prior to maturity, redeem the notes in whole, or in part from time to time, at a redemption price equal to the greater of (1) 100% of the principal amount of the notes on such redemption date and (2) the Make-Whole Amount plus, in each case, Additional Amounts, if any, together with any accrued and unpaid interest, if any, up to, but not including, the date of redemption. The terms “Make-Whole Amount” and “Additional Amounts” are defined under “Description of the Notes—Redemption Prior to Maturity—Optional Redemption” and “Description of the Notes—Payment of Additional Amounts”, respectively. Such redemption may only be made so long as: (i) it is not prohibited by Peruvian laws or Central Bank regulations and (ii) it does not cause us to incur increased mandatory reserve requirements (*encaje*).

Redemption Solely for Taxation Reasons

We may, at our option, subject to applicable Peruvian law, redeem the notes in whole, but not in part, upon giving not less than 30 nor more than 60 days’ notice to the holders of the notes, at the principal amount thereof, plus Additional Amounts, if any, together with any accrued and unpaid interest, if any, to the date fixed for redemption if the laws or regulations affecting taxes in any Taxing Jurisdiction change in certain respects and impose Additional Amounts in respect of the notes in excess of the gross amount of Additional Amounts payable in respect of such notes prior to a Change in Tax Law. The terms “Change in Tax Law” and “Taxing Jurisdiction” are defined under “Description of the Notes— Redemption Prior to Maturity—Redemption Solely for Taxation Reasons”. Such redemption may only be made so long as: (i) it is not prohibited by Peruvian laws or Central Bank regulations and (ii) it does not cause us to incur increased mandatory reserve requirements (*encaje*).

Covenants	The indenture governing the notes will contain covenants that, among other things: • limit our ability to consolidate with or merge into any other corporation or convey or transfer our properties and assets substantially as an entirety to any person; and • require us to furnish to the trustee certain supplementary and periodic information, documents and reports. These covenants are subject to a number of important limitations and exceptions. See “Description of the Notes—Covenants.”
Book-Entry; Form and Denomination	The notes will be issued in the form of one or more global notes without coupons, registered in the name of a nominee of The Depository Trust Company (“DTC”), as depositary, for the accounts of its participants including Euroclear Bank S.A./N.V. (“Euroclear”), and Clearstream Banking, société anonyme, Luxembourg (“Clearstream”). The notes will be issued in minimum denominations of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof. The notes will not be issued in definitive form except under certain limited circumstances. See “Description of the Notes—Book-Entry System; Delivery and Form—Certificated Notes.”
Use of Proceeds	The net proceeds from the offering will be used for general corporate purposes.
Further Issuances	Subject to the limitations contained in the indenture, we may from time to time, without notice to or consent of the holders of the notes, create and issue an unlimited principal amount of additional notes on terms and conditions substantially identical to those of the notes offered hereby (except for the issue date, issue price and amount and date of the first payment of interest thereon) which additional notes shall be consolidated and form a series with the notes offered hereby. See “Description of the Notes.”
Governing Law; Submission to Jurisdiction.....	The notes are being issued by BCP as Senior Notes under Article 234 of the Peruvian Banking Law and will be governed by the law of New York. We will submit to the non-exclusive jurisdiction of the United States federal and state courts located in the Borough of Manhattan in The City of New York in respect of any action arising out of or based on the notes.

Listing.....	Application has been made to list the notes on the Official List of the Luxembourg Stock Exchange and to trade on the Euro MTF Market. The approval for such listing is not a condition to the consummation of this offering.
Peruvian Registrations.....	Neither the notes nor this offering memorandum have been or will be registered with or approved by the SMV or the BVL. Accordingly, the notes cannot be offered or sold in Peru, except in compliance with the applicable Peruvian securities regulations.
Trustee, Security Registrar, Calculation Agent and Paying Agent	The Bank of New York Mellon
Luxembourg Paying Agent, Transfer Agent and Listing Agent.....	The Bank of New York Mellon (Luxembourg) S.A.
Transfer Restrictions; no Registration Rights.....	The notes have not been registered under the Securities Act and are subject to restrictions on transfer and resale. The notes may only be offered and sold (1) to persons who are QIBs, in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A; or (2) to non-U.S. Persons (as defined in Regulation S of the Securities Act) in offshore transactions in reliance on Regulation S under the Securities Act; and (3) in accordance with any applicable law. We will not be required to, nor do we intend to, register the notes for resale under the Securities Act or to offer to exchange the notes for notes registered under the Securities Act or the securities laws of any jurisdiction. See “Notice to Investors.”
No Established Trading Market.....	The notes are a new issue of securities with no established trading market. We cannot assure you that an active or liquid trading market for the notes will develop. If an active or liquid trading market for the notes does not develop, the market price and liquidity of the notes may be adversely affected.
Risk Factors	Investing in the notes involves substantial risks and uncertainties. See “Risk Factors” and other information included in this offering memorandum for a discussion of factors you should carefully consider before deciding to purchase any notes.

SUMMARY FINANCIAL INFORMATION

The following summary of financial and operating data as of and for each of the three years ended December 31, 2013, 2014 and 2015 have been derived from the annual consolidated financial statements. The summary of financial and operating data as of June 30, 2016 and for the six months ended June 30, 2015 and 2016 have been derived from the unaudited interim consolidated financial statements. The audited consolidated financial statements as of December 31, 2015 and for the year then ended have been audited by GAA and the annual consolidated financial statements as of December 31, 2014 and for the two years ended on December 31, 2013 and 2014 have been audited by PBA, and their reports included therein, are included in this offering memorandum. This information should be read in conjunction with the annual consolidated financial statements and the interim consolidated financial statements as of June 30, 2016 and for the six months ended June 30, 2015 and 2016, and the notes thereto as well as the sections entitled "Capitalization," "Selected Financial Information" and "Management's Discussion and Analysis of Financial Condition and Results of Operations." As indicated above, the financial statements have been prepared in accordance with Peruvian GAAP.

	For the years ended December 31,			
	2013	2014	2015	2015
	(Soles in thousands) (audited)			(U.S. dollars in thousands)(1) (unaudited)
INCOME STATEMENT DATA				
Financial income.....	6,573,454	8,072,776	9,338,845	2,737,861
Financial expenses.....	(1,996,835)	(2,152,053)	(2,393,623)	(701,736)
Gross financial margin.....	4,576,619	5,920,723	6,945,222	2,036,125
Allowance for loan losses, net of recoveries (2).....	(1,239,943)	(1,754,963)	(1,931,842)	(566,356)
Gross financial margin after provisions for loan losses.....	3,336,676	4,165,760	5,013,380	1,469,769
Net gain (loss) for exchange difference.....	155,072	245,406	17,516	5,135
Net financial margin.....	3,491,748	4,411,166	5,030,896	1,474,904
Banking services commissions, net.....	1,755,663	1,953,907	2,155,447	631,911
Net gain (loss) on sale of securities.....	(78,754)	63,221	415,760	121,888
Net gain on foreign exchange transactions.....	515,562	457,489	741,553	217,400
Other non-financial income.....	81,348	51,186	78,170	22,917
Operating expenses.....	(3,472,495)	(4,154,340)	(4,518,313)	(1,324,630)
Income before income tax.....	2,293,072	2,782,629	3,903,513	1,144,390
Income tax.....	(650,638)	(875,540)	(1,096,151)	(321,359)
Net income from continuing operations.....	1,642,434	1,907,089	2,807,362	823,031
Net income from discontinued operations.....	6,865	—	—	—
Net income	1,649,299	1,907,089	2,807,362	823,031
Attributable to:				
Equity holders of Banco de Crédito del Perú.....	1,647,418	1,914,519	2,797,362	820,100
Non-controlling interests.....	1,881	(7,430)	10,000	2,931
Net income	1,649,299	1,907,089	2,807,362	823,031
Basic and diluted earnings per share (in Soles)(3).....	0.2817	0.3258	0.4796	0.1406
Dividends declared per common share (in Soles)(4).....	0.09	0.08	0.20	0.06

- (1) For the convenience of the reader data as of and for the period ended December 31, 2015 have been translated from Soles into U.S. dollars at a rate of S/3.411 = U.S.\$1.00 (the December 31, 2015 exchange rate as published by the SBS).
- (2) Provision for loan losses includes provisions with respect to total direct and indirect loans. While direct loans represent outstanding loans, indirect loans include guarantees and stand-by letters of credit, import and export letters of credit, and amounts due from bank acceptances, which are not included as assets on our consolidated statement of financial position.
- (3) See note 25 to the annual consolidated financial statements.
- (4) Dividends declared for the year divided by the number of outstanding common shares at year end.

	As of December 31,			
	2013	2014	2015	2015
	(Soles in thousands)			(U.S. dollars in thousands)(1)
	(audited)			(unaudited)
STATEMENT OF FINANCIAL POSITION DATA				
Total assets	97,943,214	115,650,505	135,503,439	39,725,429
Investments in trading, available-for-sale and held to maturity securities, net and permanent investments	12,421,366	11,769,689	13,788,879	4,042,474
Gross loans (2).....	62,361,144	77,453,064	88,040,024	25,810,620
Reserves for loan losses (3)	2,275,478	3,335,733	3,846,067	1,127,548
Net loans	60,085,666	74,117,331	84,193,957	24,683,072
Past due loans	1,435,742	2,007,795	2,309,413	677,049
Total deposits.....	64,747,081	72,749,718	84,182,613	24,679,746
Issued bonds	11,429,081	12,912,762	14,445,273	4,234,909
Shareholders’ equity attributable to BCP equity holders.....	8,195,028	9,785,204	11,931,813	3,498,040

- (1) For the convenience of the reader data as of and for the period ended December 31, 2015 have been translated from Soles into U.S. dollars at a rate of S/3.411 = U.S.\$1.00 (the December 31, 2015 exchange rate as published by the SBS).
- (2) Net of deferred interest on discounted notes, plus accrued interest from performing loans, but prior to reserve for loan losses. In addition to direct loans outstanding, we had indirect loans of S/13.1 billion, S/17.7 billion and S/19.3 billion as of December 31, 2013, 2014 and 2015, respectively.
- (3) Reserves for loan losses include reserves with respect to direct loans only.

	For the six months ended June 30,		
	2015	2016	2016
	(Soles in thousands) (unaudited)		(U.S. dollars in thousands)(1) (unaudited)
INCOME STATEMENT DATA			
Financial income.....	4,321,561	4,817,303	1,464,671
Financial expenses.....	(1,078,765)	(1,416,892)	(430,797)
Gross financial margin.....	3,242,796	3,400,411	1,033,874
Allowance for loan losses, net of recoveries (2).....	(965,352)	(892,121)	(271,244)
Gross financial margin after provisions for loan losses.....	2,277,444	2,508,290	762,630
Net gain (loss) for exchange difference.....	6,393	(43,447)	(13,210)
Net financial margin.....	2,283,837	2,464,843	749,420
Banking services commissions, net.....	1,002,524	1,080,930	328,650
Net gain (loss) on sale of securities.....	407,083	12,575	3,823
Net gain on foreign exchange transactions.....	347,660	328,677	99,932
Other non-financial income.....	28,607	40,438	12,295
Operating expenses.....	(2,065,750)	(2,137,576)	(649,916)
Income before income tax.....	2,003,961	1,789,887	544,204
Income tax.....	(587,401)	(491,425)	(149,415)
Net income from continuing operations.....	1,416,560	1,298,462	394,789
Net income from discontinued operations (3).....	33,743	140,561	42,737
Net income.....	1,450,303	1,439,023	437,526
Attributable to:			
Equity holders of Banco de Crédito del Perú.....	1,446,589	1,431,704	435,301
Non-controlling interests.....	3,714	7,319	2,225
Net income.....	1,450,303	1,439,023	437,526
Basic and diluted earnings per share (in Soles)from continuing operations.....	0.2477	0.2036	0.0619
Basic and diluted earnings per share (in Soles)from discontinued operations.....	0.0058	0.0199	0.0061
Dividends declared per common share (in Soles).....	N/A	N/A	N/A

- (1) For the convenience of the reader data as of and for the period ended June 30, 2016 have been translated from Soles into U.S. dollars at a rate of S/3.289 = U.S.\$1.00 (the June 30, 2016 exchange rate as published by the SBS).
- (2) Provision for loan losses includes provisions with respect to total direct and indirect loans. While direct loans represent outstanding loans, indirect loans include guarantees and stand-by letters of credit, import and export letters of credit and amounts due from bank acceptances, which are not included as assets on our consolidated statement of financial position.
- (3) Net income from discontinued operations includes gains and losses from assets and liabilities classified as held-for-sale, which are assets whose carrying amount will be recovered principally through a sale transaction rather than continuing use.

	As of December 31,	As of June 30,	
	2015	2016	2016
	(Soles in thousands) (audited)	(unaudited)	(U.S. dollars in thousands)(1) (unaudited)
STATEMENT OF FINANCIAL POSITION DATA			
Total assets	135,503,439	128,050,199	38,932,867
Investments in trading, available-for-sale and held to maturity securities, net and permanent investments.....	13,788,879	12,780,637	3,885,873
Gross loans (2).....	88,040,024	84,122,546	25,576,937
Reserves for loan losses (3)	3,846,067	3,825,917	1,163,246
Net loans.....	84,193,957	80,296,629	24,413,691
Past due loans	2,309,413	2,515,004	764,671
Total deposits.....	84,182,613	76,398,329	23,228,437
Issued bonds	14,445,273	13,656,079	4,152,046
Shareholders' equity attributable to BCP equity holders.....	11,931,813	12,088,869	3,675,545

- (1) For the convenience of the reader data as of and for the period ended June 30, 2016 have been translated from Soles into U.S. dollars at a rate of S/3.289 = U.S.\$1.00 (the June 30, 2016 exchange rate as published by the SBS).
- (2) Net of deferred interest on discounted notes, plus accrued interest from performing loans, but prior to reserve for loan losses. In addition to direct loans outstanding, we had indirect loans of S/15.9 billion and S/19.3 billion as of June 30, 2016 and December 31, 2015, respectively.
- (3) Reserves for loan losses include reserves with respect to direct loans only.

The following summary financial and operating data as of and for each of the years ended December 31, 2013, 2014 and 2015 and for the six months ended June 30, 2015 and 2016 have been derived from the financial statements. This information should be read in conjunction with the financial statements and the notes thereto. As indicated above, the financial statements have been prepared in accordance with Peruvian GAAP.

	As of and for the years ended			As of and for the six months ended
	December 31,			June 30,
	2013	2014	2015	2016
(Soles in millions, except as otherwise indicated)				
OTHER FINANCIAL DATA:				
Total operating revenue(1)	5,610.5	6,691.6	8,404.3	3,970.9
Dividends declared	337.7	387.3	1,170.8	-
Average interest-earning assets(2).....	87,525.9	98,323.9	107,739.2	115,218.8
Average total assets(3).....	94,170.2	106,796.9	125,577.0	131,776.8
Average shareholders' equity(4).....	7,668.2	8,990.1	10,858.5	12,010.3
Risk-weighted assets(5)	74,379.4	87,938.9	101,068.8	99,612.1
Total regulatory capital.....	10,754.0	12,703.8	14,489.6	15,703.0
SELECTED FINANCIAL RATIOS:				
Profitability and Efficiency				
Return on average shareholders' equity(6)	21.5%	21.7%	25.9%	24.0%
Return on average total assets(7)	1.7%	1.8%	2.2%	2.2%
Dividend payout ratio(8)	20.5%	20.3%	41.7%	-
Net interest margin(9).....	5.2%	6.0%	6.4%	5.9%
Allowance for loans losses as a percentage of total operating revenue.....	22.1%	26.2%	23.0%	22.5%
Efficiency ratio(10).....	48.8%	48.2%	44.7%	43.4%
Net fee income as a percentage of total operating revenue(11)	31.3%	29.2%	25.6%	27.2%
Capitalization and Balance Sheet Structure				
Equity-to-asset ratio(12)	8.1%	8.4%	8.6%	9.1%
Total regulatory capital as a percentage of risk-weighted assets	14.5%	14.4%	14.3%	15.8%
Net loans as a percentage of total deposits	92.8%	101.9%	100.0%	105.1%
Total deposits as a percentage of total assets.....	66.1%	62.9%	62.1%	59.7%
Credit Quality				
Reserve for loan losses as a percentage of total gross loans(13).....	3.6%	4.3%	4.7%	4.8%
Reserve for loan losses as a percentage of past due loans (coverage ratio) (14).....	167.0%	172.6%	178.0%	160.8%
Past due loans as a percentage of total gross loans(15)	2.3%	2.6%	2.6%	3.0%

- (1) Total operating revenue is the aggregate of net interest income after provisions, fees and commissions from banking services, net gains (loss) from sales of securities, net gains on foreign exchange transactions and other income.
- (2) Average interest-earning assets include deposits in the Central Bank, deposits in other banks, interbank funds, investment securities and loans and the sum is calculated based on the monthly average of every period.
- (3) Average total assets is defined as the simple average between the value of total assets at the end of the period or year and the value of total assets at the end of the previous corresponding period or year.
- (4) Average shareholders' equity is defined as the simple average between the value of shareholders' equity at the end of the period or year and the value of shareholders' equity at the end of the previous corresponding period or year.
- (5) Includes on and off balance sheet assets on an unconsolidated basis as reported to the SBS.
- (6) Return on average shareholders' equity is defined as net income (annualized figures) as a percentage of average shareholders' equity, calculated on a monthly basis.

- (7) Return on average total assets is defined as net income (annualized figures) as a percentage of average total assets, calculated on a monthly basis.
- (8) Declared dividends per share divided by net income per share.
- (9) Net interest margin is defined as gross financial margin divided by average interest-earning assets.
- (10) Efficiency ratio for the period is calculated by dividing (i) operating expenses deducting other operating expenses by (ii) gross financial margin adding fees and commissions from banking services plus net gains on foreign exchange transactions.
- (11) Fees and commissions from banking services, net, as a percentage of total operating revenue.
- (12) Average shareholders' equity divided by average total assets.
- (13) Reserve for loan losses includes reserves with respect to direct and indirect loans.
- (14) Reserve for direct loans losses divided by total past due loans.
- (15) Total past due loans divided by total gross loans.

RISK FACTORS

You should carefully consider the following risk factors, as well as other information set forth in this offering memorandum, prior to making an investment in the notes. The risks described below are not the only ones that we face. Additional risks not presently known to us or that we currently deem immaterial may also have a negative effect on our business operations. In general, investing in the securities of issuers in emerging market countries, such as Peru, involves risks not typically associated with investing in the securities of U.S. companies.

Risk Factors Relating to BCP and our Business

A significant deterioration of our loan portfolio may have an adverse effect on our business, financial condition and results of operations.

Given that a significant percentage of our income is related to lending activities, a significant deterioration of loan quality would have a material adverse effect on our business, financial condition and results of operations. We are subject to concentration default risks in our loan portfolio. Problems with one or more of our largest borrowers may adversely affect our financial condition and results of operations. As of June 30, 2016, the aggregate outstanding principal amount of our 20 largest borrowing relationships represented approximately 14.1% of our total consolidated direct loan portfolio (compared to 13.5% as of December 31, 2015). While loan portfolio risk associated with lending to certain economic sectors or clients in certain market segments can be mitigated through adequate diversification, our pursuit of opportunities, in which we can charge higher interest rates, and thereby increase revenue, may reduce diversification of our loan portfolio and expose us to greater credit risk.

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

We face strong competition from existing and new competitors in our markets, which may put pressure on our margins and reduce our profitability.

We have experienced increased competition, which has put pressure on our margins. Competition comes primarily from highly liquid multinational commercial banks with innovative technology and marketing resources, and from local pension funds that lend to our corporate customers through the capital markets. We have also experienced an increase in competition from financial companies and microfinance entities. In addition, larger Peruvian companies have gained access to new sources of funding, through local and international capital markets, and our traditional and new competitors have increasingly made inroads into the higher-margin middle-market and retail banking sectors. According to the SBS, as of June 30, 2016, the Peruvian financial system was composed of 61 financial institutions, including 17 commercial banks, 11 financial companies, 12 municipal and 7 rural savings and loan associations (*cajas*), 10 small-business development non-bank institutions, two leasing companies and two state-owned banks (not including the Peruvian Central Bank), including Banco de la Nación and Banco Agropecuario. As of June 30, 2016, the Peruvian financial sector also included 21 insurance companies and 4 private pension fund administrators.

Increased competition may affect our loan growth and reduce the average interest rates that we charge our customers. Competitors may also dedicate greater resources to, and be more successful in, the development of technologically advanced products and services that may compete directly with our products and services. Such competition would adversely affect the acceptance of our products and/or lead to adverse changes in the spending and saving habits of our customer base. If competing entities are successful in developing products and services that are more effective or less costly than the products and services developed by us, our products and services may be unable to compete successfully. We may not be able to maintain our market share if we are not able to match our competitors' loan pricing or keep pace with their development of new products and services. Even if our products and services prove to be more effective than those developed by other entities, such other entities may be more

successful in marketing their products and services than us because of their greater financial resources, higher sales and marketing capacity or other similar factors.

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

Our allowances for impairment losses may not be adequate to cover the future actual losses to our loan portfolio.

We record allowances for impairment losses on loans and other assets. The amount of allowances we record is based on our current assessment of and expectations concerning various factors affecting the quality of our loan portfolio and follows SBS guidelines. These factors include, among other things, our borrowers' financial condition, repayment abilities and repayment intentions, the realizable value of any collateral, the prospects for support from any guarantor, Peru's economy, government macroeconomic policies, interest rates and the legal and regulatory environment. Many of these factors are beyond our control. In addition, as these factors evolve, the models we use to determine the appropriate level of allowance for impairment losses on loans and other assets require recalibration, which can lead to increased provision expense. We believe our allowance is adequate as of the date hereof for all known losses. If our assessment of and expectations concerning the above mentioned factors differ from actual developments, or if the quality of our loan portfolio deteriorates or the future actual losses exceed our estimates, our allowance for impairment losses may not be adequate to cover actual losses and we may need to make additional provisions for impairment losses, which may materially and adversely affect our results of operations and financial condition.

Our operations are supervised and regulated by the SBS and the Central Bank, which may take actions that could adversely affect our business, financial condition and results of operations.

Our operations are supervised and regulated by the SBS and the Central Bank. The Peruvian Constitution and the *Ley General del Sistema Financiero y del Sistema de Seguros y Orgánica de la Superintendencia de Banca y Seguros y AFP*, or the "Peruvian Banking Law," grant the SBS the authority to oversee and control banks and other financial institutions. The SBS and the Central Bank have general administrative responsibilities over us, including authority to set loan loss provisions, capitalization and deposit reserve requirements. In past years, and recently, the Central Bank has, on numerous occasions, changed the deposit reserve requirements (*encaje*) applicable to Peruvian commercial banks and both the rate of interest paid on deposit reserves and the amount of deposit reserves on which no interest is payable by the Central Bank. Also, we could be required to increase our level of provisions in response to pro-cyclical provisioning requirements that could be activated by regulators under certain favorable macroeconomic conditions. The criterion that triggers the pro-cyclical provisions is not currently fulfilled. We cannot predict whether the current or any future chairman of the SBS will implement changes in policies or regulations affecting financial institutions such as us. Potential changes in bank supervision and regulation may adversely affect our business, financial condition and results of operations. For a more detailed description of Peruvian banking regulations, see "Regulatory Environment."

Peru has corporate disclosure and accounting standards different from those with which you may be familiar.

Securities disclosure requirements in Peru differ from those in the United States. Accordingly, the information about us, a non-U.S. SEC reporting company, available to you may not be the same as the information available to security holders of a U.S. company or a foreign private issuer that is required to file reports with the SEC in the United States. This is the case despite the fact that our ultimate parent company, Credicorp Ltd., files reports with the SEC.

There are also significant differences between Peruvian and U.S. accounting and financial reporting standards. The annual consolidated financial statements contained herein have been prepared in accordance with Peruvian GAAP and they differ from financial statements prepared in accordance with IFRS, or U.S. GAAP. We have not

prepared a quantitative reconciliation of the specific differences among Peruvian GAAP, IFRS, and U.S. GAAP. In addition, we cannot estimate the net effect that applying IFRS, or U.S. GAAP would have on our consolidated results of operations or consolidated financial position or any component thereof. The effect of such differences may be, individually or in the aggregate, material, and in particular, as a result of such differences, various items including but not limited to, total shareholders' equity might be materially different if reported under IFRS or U.S. GAAP. Differences in the presentation of the financial statements, as well as differences in the information provided in the footnotes to the financial statements, have not been reported.

We engage in transactions with certain related parties that could result in conflicts of interest.

Certain parties related to us have been involved, directly or indirectly, in credit transactions with us. In accordance with the Peruvian Banking Law, related parties include directors, principal executive officers and holders that own, directly or indirectly, more than 4% of our shares, and companies controlled (for purposes of the Peruvian Banking Law) by any of them. Under the Peruvian Banking Law, all loans to related parties must be made on terms no more favorable than those offered to third parties. The SBS regulates and closely monitors related-party transactions and establishes a limit on aggregate related-party transactions equivalent to 30% of a bank's regulatory capital. Our related-party exposure, on a consolidated basis, equaled 11.4%, 11.2%, 16.6% and 11.5% of our regulatory capital, as of December 31, 2013, December 31, 2014, December 31, 2015, and June 30, 2016, respectively.

As of June 30, 2016, direct and indirect loans to BCP related parties on a consolidated basis were S/2.2 billion (U.S.\$607.7 million), in the aggregate, including S/1.8 billion (U.S.\$549.2 million) in outstanding direct loans, which comprised approximately 2.2% of our total loan portfolio, of which 97.2% were classified as Normal (*Normal*), 0.8% as a Potential Problem (*Problema Potencial*), 1.6% as Substandard (*Deficiente*), 0.4% as Doubtful (*Dudoso*) and 0.0% as a Loss (*Pérdida*). See "Regulatory Environment—Loan Loss Reserves." As of June 30, 2016, loans and other credits to our employees on a consolidated basis amounted to S/749.3 million (U.S.\$227.8 million).

We believe we are in compliance with all related-party transaction requirements imposed by the Peruvian Banking Law and the SBS. Although we intend to continue entering into transactions with related parties on terms similar to those that would be offered by or to an unaffiliated third party, such financial transactions create the potential for, or could result in, conflicts of interest. For further information on our transactions with related parties, see "Related Party Transactions."

A depreciation of the Sol may adversely affect our business, financial condition and results of operations.

The Peruvian economy is dollarized to a degree and over the past decade the dollar exchange rate has been stable relative to other Latin American countries. As a result, a significant portion of our assets and liabilities and those in the Peruvian financial system are denominated in U.S. dollars. However, a depreciation of the Sol could present a risk to us and a systematic risk to the Peruvian financial system. On a consolidated basis, 32.4% and 45.4% of our direct loans to clients were denominated in U.S. dollars, as of December 31, 2015 and 2014, respectively. As of June 30, 2016, 32.7% of our loans to clients were denominated in U.S. dollars and the proportion of U.S. dollar-denominated loans in the Peruvian financial system was 28.4%. If there were to be a depreciation of the Sol, it would be more difficult for our clients with income denominated in Soles to repay their U.S. dollar-denominated loans (in particular mortgages and other loans of retail customers). An increased credit default by our customers would have a negative effect on our revenues. Depreciation is a systemic risk. As of December 31, 2015, the Peruvian financial system had 30.2% of its direct loans denominated in U.S. dollars according to the SBS, compared to 38.4% as of December 31, 2014.

On a consolidated basis, 52.9% and 49.6% of our deposits were denominated in U.S. dollars, as of December 31, 2015, and 2014, respectively. According to the SBS, as of December 31, 2015, 49.5% of the deposits in the Peruvian financial system were denominated in U.S. dollars, compared to 43.4% as of December 31, 2014. As of June 30, 2016, our U.S. dollar-denominated deposits represented 52.4% of our total balance, compared to 46.7% in the entire Peruvian financial system. The risk from this "dollarization" of deposits derives from the financial system's potential need for U.S. dollars to pay for deposits, which would require the Central Bank to provide U.S. dollars to the banks. In the past, during periods of political turmoil or uncertainty, such as the run-up to presidential elections in 2016, we have experienced temporary shifts in the currency mix of our deposit base from Soles or U.S. dollars. However, Peru's foreign reserves currently compare favorably with those of many other Latin American countries, though a reduction in the level of foreign reserves would impact the country's ability to meet its foreign

currency-denominated obligations. A decline in Peruvian foreign reserves to inadequate levels, among other economic circumstances, could lead to currency depreciation or volatility in short-term capital inflows. As of December 31, 2015, according to the Central Bank, Peruvian reserves were U.S.\$61.5 billion and, according to the SBS, U.S. dollar-denominated deposits in the Peruvian financial system as of December 31, 2015 were U.S.\$33.5 billion. As of June 30, 2016, Peruvian reserves were U.S.\$59.6 billion and U.S. dollar denominated deposits in the Peruvian financial system were U.S.\$32.1 billion.

As of December 31, 2014, December 31, 2015 and June 30, 2016 the difference between our U.S. dollar-denominated assets and U.S. dollar-denominated liabilities (including off-balance sheet positions) was positive. This positive difference reduces our direct exposure to a depreciation of the Sol but, at the same time, exposes us to translation losses if the Sol appreciates. We cannot assure you that this asset-liability position will be maintained or that a depreciation of the Sol will not have a direct or indirect negative effect on us, on our equity and/or on the quality of our assets.

The adoption of new international banking guidelines may result in a higher cost of borrowing or the unavailability of funds from certain sources or the need for additional capital, and have an adverse effect on our business, financial condition and results of operations.

In June 2004, the Basel Committee on Banking Supervision published a report entitled “International Convergence of Capital Measurement and Capital Standards: A Revised Framework,” which sets out a new capital adequacy framework (commonly referred to as the Basel II Framework) to replace the Basel Capital Accord issued in 1988. The Basel II Framework was designed to improve the manner in which regulatory capital requirements reflect underlying risks and to better address the financial innovation that had occurred in previous years. The Basel Committee members encouraged authorities in other jurisdictions, such as Peru, to consider the readiness of their supervisory structures for the Basel II Framework and recommended that they proceed at their own pace, based on their own priorities.

In Peru, new regulations based on the Basel II Framework were enacted in July 2009 and were implemented in full as of July 1, 2010. See “Regulatory Environment.”

In December 2010, the Basel Committee on Banking Supervision announced higher global minimum capital standards for commercial banks. This was followed by an agreement reached in June 2011 regarding the overall design of the capital and liquidity reform package, now referred to as “Basel III.” This new capital framework revises and strengthens the three pillars established by Basel II. The accord is also extended with new capital buffers (including a capital conservation buffer, a countercyclical capital buffer, and a global systemically important banks buffer), a leverage ratio and liquidity requirements.

In July 2011, the SBS issued SBS Resolution No. 8425-2011, establishing the final methodologies and the implementation schedule of the additional capital requirements consistent with certain aspects of Basel III. The new capital requirements, which are aimed at covering risks not contemplated in Pillar I of Basel II, include requirements to cover concentration, interest rate and systemic risk. Additionally, pro-cyclical capital requirements were also established. These additional requirements were fully implemented in July 2016. As of the date of this offering memorandum, we are fully compliant with these additional capital requirements.

In February 2016, the SBS issued Resolution No. 975-2016 – the “Subordinated Debt Regulation”, which aims to improve the quality of the total regulatory capital (*patrimonio efectivo*), increase solvency requirements and align Peruvian regulation towards Basel III, by modifying (i) the characteristics that subordinated debt must meet to be considered in the calculation of total regulatory capital and (ii) the calculation of risk-weighted assets.

We have begun implementing the Basel III framework and do not expect the adoption of this new framework to have a material effect on our operations. We cannot assure you that our assumptions will turn out to be correct, nor that the adoption of this new framework will not have an adverse effect in our business, financial condition and results of operation. We cannot assure you that when the SBS requires us to fully implement the Basel III framework, such guidelines will not require us to need additional capital in order to maintain our asset base or will not cause our cost of funds to increase.

Our operations require the maintenance of our banking and other licenses and any noncompliance with our license and reporting obligations could have an adverse effect on our business, financial condition and results of operations.

All banking operations in Peru require licensing by the SBS. We currently have the necessary licenses to conduct all of our banking and other operations in Peru. Although we believe we are currently in compliance with our existing material license and reporting obligations to the SBS and other Peruvian governmental authorities, we cannot assure you that we will be able to maintain the necessary licenses in the future. The loss of a license, a breach of the terms of our licenses or a failure to obtain any further required licenses in the future could have a material adverse effect on our business, financial condition and results of operations.

A failure, interruption in or breach of our information technology systems could have an adverse effect on our business, financial condition and results of operations.

We rely heavily on our information technology systems to conduct our business. Any failure, interruption or breach in the security of these systems could result in failures or interruptions in our risk management, general ledger, deposit servicing, loan organization and/or other important systems. If our information technology systems fail, even if for a short period of time, we may be unable to serve some or all of our customers' needs on a timely basis and may lose business as a result. Likewise, a temporary shutdown of our information technology systems could result in additional costs required for information retrieval and verification. In addition, failure to update and develop our existing information technology systems as effectively as our competitors may result in a loss of the competitive advantages that we believe our information technology systems currently provide.

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

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

Our interest-earning assets and the interest rates we pay on our interest-bearing liabilities could be adversely affected by a volatility in interest rates or exchange rates, which could have an adverse effect on our business, financial condition and results of operations.

The interest rates we earn on our interest-earning assets and the interest rates we pay on our interest-bearing liabilities could be affected differently by changes in domestic and international market interest rates and by exchange rates because the Peruvian economy remains highly dollarized although there has been a de-dollarization trend in recent years. This difference could result in an increase in financial expense relative to financial income, which would reduce our net financial income. See "Business—Risk Management." Furthermore, an increase in interest rates may reduce the demand for our loans and our ability to originate loans. A decrease in the general level of interest rates may affect us through, among other things, increased pre-payments on our loan portfolio and increased competition for deposits. Interest rates are highly sensitive to many factors beyond our control, including monetary policies and domestic and international economic and political conditions.

If we are unable for any reason to re-price our assets and liabilities in an expedited or effective manner or if interest rates rise as a result of economic or other reasons and our assets are not appropriately match-funded, our financial income margins may be affected. While we have implemented several policies to manage interest rate risk exposure, we cannot assure you that such measures would be adequate to address any volatility in market interest rates, which could have a material adverse effect on our business, financial condition and results of operations.

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

As part of our treasury operations, we trade various financial instruments and other assets, including equity, fixed income, currency and related derivatives as both agent and principal, and we derive a portion of our non-financial income from trading revenues. Our Market Risk Committee and Asset and Liability Committee set position limits for local and foreign currency-denominated securities in accordance with our overall risk management policy as well as the requirements of the SBS. However, we are exposed to numerous factors that are beyond our control, including overall market trading activity, interest rate levels, the credit risk of our counterparties and general market volatility. In addition, a significant portion of our trading activity is related to customer transactions and we may still be exposed to a number of risks related to the movement of market prices in the underlying instruments, including the risk of unfavorable market price movements relative to our long or short positions, a decline in the market liquidity of the related instruments, volatility in market prices, interest rates or foreign currency exchange rates relating to these positions and the risk that the instruments with which we hedge certain positions do not track the market value of those positions. If we incur any losses from these exposures, it would reduce our trading activity revenues or cause us to suffer losses from trading activities, either of which could have a material adverse effect on our business, financial condition and results of operations.

We are susceptible to fraud by employees or outsiders, unauthorized transactions by employees and other operational errors, and the failure of our system of internal controls to discover and rectify such matters could have a material adverse effect on our business, financial condition and results of operations.

As are other financial institutions, we are susceptible to, among other things, fraud by employees or outsiders, unauthorized transactions by employees and other operational errors (including clerical or record keeping errors and errors resulting from faulty computer or telecommunications systems). Given a high volume of transactions that may occur at a financial institution, errors could be repeated or compounded before they are discovered and rectified. In addition, a number of our banking transactions are not fully automated, which may further increase the risk that human error or employee tampering will result in losses that may be difficult to detect quickly or at all. While we believe that we maintain a system of internal controls designed to monitor and control operational risk, we cannot assure you that our system of internal controls will be entirely effective. Losses from the failure of our system of internal controls to discover and rectify such matters could have a material adverse effect on our business, financial condition and results of operations.

Our anti-money laundering and anti-terrorist financing measures might not prevent third parties from using us as a conduit for such activities and could damage our reputation or expose us to fines, sanctions or legal enforcement, which could have a material adverse effect on our business, financial condition and results of operation.

We believe that we are in compliance with applicable anti-money laundering and anti-terrorist financing laws and regulations and have adopted various policies and procedures, including internal controls and “know-your-customer” procedures, aimed at preventing money laundering and terrorist financing. We believe that our anti-money laundering policies and procedures are based upon, and are in compliance in all material respects with, the applicable provisions of Peruvian law. In addition, as we also rely on our correspondent banks having their own appropriate anti-money laundering and anti-terrorist financing procedures, we employ what we believe are commercially reasonable procedures for monitoring our correspondent banks. However, such measures, procedures and compliance may not be completely effective in preventing third parties from using us (and our correspondent banks) as a conduit for money laundering (including illegal cash operations) or terrorist financing without our (and our correspondent banks’) knowledge. If we were to be associated with money laundering (including illegal cash operations) or terrorist financing, our reputation could suffer and/or we could become subject to fines, sanctions or legal enforcement (including being added to any “blacklists” that would prohibit certain parties from engaging in transactions with us), which could have an adverse effect on our business, financial condition and results of operation.

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

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

We are subject to risks related to litigation and administrative proceedings that could adversely affect our business and financial performance in the event of an unfavorable ruling.

The nature of our business exposes us to litigation relating to product liability claims, labor, health and safety matters, regulatory, tax and administrative proceedings, governmental investigations, tort claims and contract disputes. Litigation is inherently costly and unpredictable, making it difficult to accurately estimate the outcome among other matters. Currently, as in the past, we are subject to proceedings or investigations of actual or potential litigation. Although we establish provisions as we deem necessary, the amounts that we reserve could vary significantly from any amounts we actually pay due to the inherent uncertainties in the estimation process. We cannot assure you that these or other legal proceedings will not materially affect our business. See “Business—Legal Proceedings.”

We are subject to anti-corruption, anti-bribery, anti-money laundering and antitrust laws and regulations in Peru and other countries. Our violations of any such laws or regulations could have a material adverse impact on our reputation and results of operations and financial condition.

We are subject to anti-corruption, anti-bribery, anti-money laundering, antitrust and other international laws and regulations and are required to comply with the applicable laws and regulations of Peru and certain other jurisdictions. In addition, we are subject to economic sanctions regulations that restrict our dealings with certain sanctioned countries, individuals and entities. There can be no assurance that our internal policies and procedures will be sufficient to prevent or detect all inappropriate practices, fraud or violations of law by our affiliates, employees, directors, officers, partners, agents and service providers or that any such persons will not take actions in violation of our policies and procedures. Any violations by us of anti-bribery and anti-corruption laws or sanctions regulations could have a material adverse effect on our business, reputation, results of operations and financial condition.

We depend on our retention of certain key personnel and on our ability to hire additional key personnel and maintain good labor relations.

We depend on our executive officers and key employees. In particular, our senior management has significant experience in the banking, financial services and pension fund management businesses, and the loss of any of our executive officers, key employees or senior managers could negatively affect our ability to execute our business strategy. We depend on our continuing ability to identify, hire, train and retain other qualified sales, marketing and managerial personnel. Competition for such qualified personnel is intense and we may be unable to attract, integrate or retain qualified personnel at levels of experience or compensation that are necessary to sustain or expand our operations. Our businesses could be materially and adversely affected if we cannot attract these necessary personnel.

In addition, as of June 30, 2016, approximately 0.1% of our employees were unionized, and we could incur higher ongoing labor costs and disruptions in our operations in the event of a strike or other work stoppage.

Risks not contemplated in our insurance policies may affect our results of operation.

We maintain insurance in amounts that we believe to be adequate to cover risks related to our operations including, among others, general banking liability insurance for our business, general professional liability for services we provide, general directors and officers liability for our directors and executives and general liability against fraudulent activity. However, it is possible that the terms and conditions of the insurance policies we have will not cover a specific event or incident or that our insurance will cover only part of the losses that we may incur.

If any uninsured events occur with respect to a significant portion of our operations, such lack of coverage could have a material adverse effect on our financial conditions and results of operations. Additionally, if we are

unable to renew our insurance policies from time to time or losses or other liabilities occur that are not covered by insurance or that exceed our insurance limits, we could be subject to significant unexpected additional costs which could adversely affect our business.

Risk Factors Relating to Peru

Peru may experience political or economic problems that could affect our business, financial condition and results of operations.

The vast majority of our operations is conducted in Peru and is dependent upon the performance of the Peruvian economy. As a result, our business, financial position and results of operations may be affected by the general conditions of the Peruvian economy, price instability, inflation, interest rates, regulation, taxation, social instability, political unrest and other developments in or affecting Peru, over which we have no control.

Our banking and other businesses are significantly dependent upon our customers' ability to make payments on their loans and meet their obligations with us. Declining economic activity in the Peruvian economy, the depreciation of the Sol and increases in inflation or domestic interest rates may reduce our customers' ability to repay loans when due or to meet their other debt service requirements, which would increase our past-due loan portfolio and could materially reduce our net earnings and capital levels. In the past, Peru has experienced periods of weak economic activity and deterioration in economic conditions. We cannot assure you that such deterioration will not occur, nor that such a recurrence would not have a material and adverse effect on our business, financial condition or results of operations.

Our financial condition and results of operations may also be adversely affected by changes in Peru's political climate to the extent that such changes affect the nation's economic policies, growth, stability, outlook or regulatory environment.

In the past, Peru has experienced economic and political instability. At present, Peru is a stable democracy having completed a peaceful transition from the administration of President Ollanta Humala to President Pedro Pablo Kuczynski, who took office in July 2016. Peru's gross domestic product ("GDP") growth rates, low inflation, and external surplus reflect, in part, the strength of Peru's economic fundamentals. However, a deterioration of the global economy or a sharp decrease in commodity prices may adversely affect Peru's economy. In addition, an economic contraction or weak economic growth in Peru's trading partners may have an adverse effect on Peru. Despite Peru's ongoing economic growth and stabilization, the social and political tensions and high levels of poverty and unemployment continue. Future government policies to pre-empt or respond to social unrest could include, among other things, the suspension of the enforcement of creditor's rights and new taxation policies. There can be no assurance that Peru will not face political, economic or social problems in the future or that these problems will not interfere with our ability to service our indebtedness.

Furthermore, some of the measures proposed by the new administration may generate political and social opposition, which may in turn prevent the new government from adopting such measures as proposed. Political parties opposed to the new administration retained a majority of the seats in the Peruvian Congress in the recent elections, which will require the new administration to seek political support from such opposition parties for its economic proposals. This creates further uncertainty in the ability of the new administration to pass measures that it expects to implement. In addition, economic and political developments in other countries in Latin America, such as Argentina, Bolivia, Brazil, Ecuador, Colombia and Venezuela may have an adverse effect on other countries in the region, including Peru.

Any changes in the Peruvian economy or the Peruvian government's economic policies may have a negative effect on our business, financial condition and results of operations. Therefore, the risk of political and economic change should be carefully considered.

Peru has a history a domestic terrorism and social conflict that could affect our business, financial condition and results of operations.

Peru has a history of domestic terrorism. Between the late 1970s and the early 1990s, both Shining Path (*Sendero Luminoso*) and MRTA (by its Spanish acronym, *Movimiento Revolucionario Túpac Amaru*) conducted a series of terrorist attacks that caused thousands of casualties and affected normal political, economic and social activities in many parts of the country, including Lima, the capital. In 1992, the leader of Shining Path, Abimael

Guzmán, was captured and later sentenced to life in prison (a new trial affirmed the sentence in 2006). Most other members of Shining Path, as well as MRTA, were also captured and sentenced to prison terms by the end of the 1990s. However, in late 1996 a group of MRTA members stormed the residence of Japan's Ambassador to Peru and held a group of politicians, diplomats and public figures hostage for approximately four months. In April 1997, a military operation put an end to the hostage situation: all 14 terrorists died in the confrontation while all but one hostage survived. Since then, and for the following 19 years, terrorist activity in Peru has been mostly confined to small-scale operations in the Huallaga Valley and the VRAEM (Valleys of the Rivers Apurímac, Ene and Mantaro) areas, both in the Eastern part of the country. In 2012, the Peruvian government captured Florindo Flores, one of the last remaining leaders of Shining Path and thus gravely weakened the organization's activities in the Huallaga Valley.

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

Another source of risk is related to political and social unrest in areas where mining, oil and gas operations take place. In recent years, Peru has experienced protests against mining projects in several regions around the country. Mining is an important part of the Peruvian economy, representing as of June 30, 2016 approximately 61.1% of the country's exports, while oil and gas represent 5.5% according to the BCRP. On several occasions, local communities have opposed these operations and accused them of polluting the environment and hurting agricultural and other traditional economic activities. In late 2011 and throughout 2012, social and political tension peaked around Conga, a gold project in the northern region of Cajamarca. The launch of Conga, which involved investments of approximately U.S.\$4.5 billion, failed as a result of the protests. The government commissioned an Environmental Impact Study developed by international experts which introduced recommendations for the project. Thus, social demands and conflicts could have an effect on the Peruvian economy.

A decline in the prices of certain commodities in the international markets could have a negative impact on our business.

Peru's exports are highly concentrated in the mining industry, with taxes levied on the sector representing approximately 2% of the Peruvian government's total revenues. In addition, gold and copper exports represent 43% of all shipments. Consequently, Peruvian trade is closely tied to fluctuations in metal prices, especially gold and copper. Gold and copper prices fell 36.6% and 41.7%, respectively between December 2012 and December 2015, turning a U.S.\$6.3 billion trade surplus in 2012 into a U.S.\$3.2 billion trade deficit in 2015.

Decreases in commodity prices may have a negative impact on government finances, and consequently regional and local governments may lower their spending on social programs that primarily benefit rural communities. This may result in decreased support for the central government, which could manifest itself through political unrest. During recent years, there were several protests in the provinces caused mainly by groups of people that oppose private investments, mining projects in particular. Lower commodity prices could also affect private investment, consumption, and, consequently, the financial system, leading to, for example, lower credit demand, deteriorating asset quality and currency depreciation.

An economic recession could adversely affect our financial condition and results of operations and the value of our securities.

If Peru's economy undergoes a recession, some segments of our retail portfolio, particularly small and medium businesses which are more vulnerable to economic cycles and represent a segment with which we have not experienced a previous recession, could show higher default rates and may adversely affect our ability to fulfill our obligations under the notes. In a scenario of economic recession and higher default rates we would expect less demand for loans from our clients, and we would restrict some of our credit policies, particularly regarding small and medium businesses, hindering growth of our loan portfolio and affecting our operating results. We cannot assure you that a future recession will not have a negative effect on our results of operation.

The re-implementation of certain laws by the Peruvian government, most notably restrictive exchange rate policies, could have an adverse effect on our business, financial condition and results of operations.

Since 1991, the Peruvian economy has undergone a major transformation from a highly protected and regulated system to a free-market economy. During this period, protectionist and interventionist laws and policies have been gradually dismantled to create a liberal economy dominated by private sector and market forces. The Peruvian economy has, in general, responded well to this transformation, growing at an average annual rate of over 5.3% during the period from 2001 to 2015. Exchange controls and restrictions on remittances of profits, dividends and royalties have ceased. Prior to 1991, Peru exercised control over the foreign exchange markets by imposing multiple exchange rates and placing restrictions on the possession and use of foreign currencies. In 1991, the Fujimori administration eliminated all foreign exchange controls and unified exchange rates. Currently, foreign exchange rates are determined by market conditions, with regular operations by the Central Bank in the foreign exchange market in order to reduce volatility in the value of Peru's currency against the U.S. dollar.

We cannot assure you that the Peruvian government will not institute restrictive exchange rate policies in the future. Any such restrictive exchange rate policy could affect our ability to engage in foreign exchange activities, and could also have a material adverse effect on our business, financial condition and results of operations.

Inflation could adversely affect our financial condition and results of operations.

As a result of reforms begun in the early 1990s, Peruvian inflation has decreased significantly in recent years from triple-digit inflation during the 1980s. As of December 30, 2015 and June 30, 2016, the Peruvian economy experienced annual inflation averaging approximately 4.4% and 3.3%, respectively, as measured by the Peruvian Consumer Price Index. This index is calculated by the *Instituto Nacional de Estadística e Informática* (the National Institute of Statistics and Information, or "INEI") and measures variations in prices of a selected group of goods and services typically consumed by Peruvian families. We cannot assure, however, that inflation will remain at these levels.

The BCRP establishes a target inflation rate for each fiscal year and announces this target rate in order to shape market expectations. The target annual inflation rate since 2007 was lowered to 2.0%, plus or minus 1.0%.

If Peru experiences substantial inflation in the future, our costs may increase, and, if not accompanied by a corresponding increase in interest rates, our operating and net margins may decrease, which may adversely affect our business and results of operations. An effect on our value may also result in a decrease in the value of the notes. Inflationary pressures may also curtail our ability to access foreign financial markets and may lead to further government intervention in the economy, including the introduction of government policies that may adversely affect the overall performance of the Peruvian economy. Our operating results and the value of our issued securities, including the notes, may be adversely affected by higher inflation.

The dollarization of the Peruvian economy hampers monetary policy, which in turn may have an effect on our business.

Dollarization generally refers to the degree to which the U.S. dollar has displaced the Sol in the economy. Despite the positive effect that it may have on reducing cross-border transaction costs and preserving purchasing power, the dollarization of the Peruvian economy has also hampered monetary policy by undermining the Central Bank's ability to control the money supply. The dollarization of the economy affects the Peruvian financial system by forcing the Central Bank to establish high levels of reserve requirements in U.S. dollars while also adding a risk to participating banks' balance sheets, including ours. An appreciation of the U.S. dollar poses a risk to us and a systemic risk to the Peruvian financial system because of the levels of U.S. dollar-denominated assets and liabilities in the Peruvian financial system. This risk comes from the potential imbalance that a bank's clients may experience when borrowing in U.S. dollars and earning in Soles. As a result, the SBS has been enacting rules aimed to make banks capable of identifying clients with potential imbalances and establishing reserves if necessary. Additionally, potential imbalances in our U.S. dollar-denominated assets and liabilities could expose us to translation losses.

To confront the volatility of short-term capital flows, which in the past have been a destabilizing factor in Peru's monetary system, the Central Bank generally prescribes high foreign currency reserve requirements that discourage significant capital outflows and promote holdings of local currency. Under the Peruvian Banking Law, all financial institutions regulated by the SBS (except for small-business development non-bank institutions) are required to maintain a legal reserve (*encaje*) for certain obligations. The Central Bank may require additional and

marginal reserves. The exact level and method of calculation of the reserve requirement is set by the Central Bank, which has issued different sets of regulations for foreign and local currency-denominated obligations of banks. Among others, the following liabilities are subject to the reserve requirement: demand and time deposits, savings accounts, certificates of deposits, certain bonds and funds administered by the bank and amounts due to foreign banks and other foreign financial companies (in certain circumstances). Subject to certain requirements, the regulation excludes from the reserve requirement mid-term and long-term funding (i.e. liabilities with a minimum average maturity of more than two years, subject to other conditions) through the issuance of securities such as the notes.

We cannot assure you that the Central Bank will not increase the base rate or will impose additional requirements in the future, or that such changes in the regulatory environment will not have an adverse effect on our business, financial condition or results of operations.

Climatic and natural phenomena such as earthquakes and floods may adversely affect lending volume and the quality of our loan portfolio to segments of the Peruvian economy that are most likely to be negatively affected.

We are exposed to natural disasters in Peru, such as earthquakes, floods and mudslides. Earthquakes in Peru are common occurrences as the country is located in a seismic zone: the interface between the Nazca and South American tectonic plates. Peru has been adversely affected by earthquakes in the past, including a 7.9 magnitude earthquake that struck the central coast of Peru in 2007. The country is also vulnerable to El Niño phenomenon, which provokes floods and mudslides in the north and central Andean regions. For instance, the 1997-1998 El Niño, due to its very strong intensity, destroyed crops and infrastructure equivalent to 2.2% of Peruvian GDP.

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

Our clients could also be affected by such natural disasters, which in turn could affect their ability to repay their loans or force them to withdraw their deposits with us.

Market volatility in the international capital markets and political uncertainty may affect the Peruvian capital markets and the Peruvian financial system.

In recent years the performance of the BVL has been affected by volatility in the international capital markets and by political uncertainty surrounding the global economy. The General Index of the Lima Stock Exchange, or the “IGBVL,” decreased by 16.7% in 2011, increased by 5.9% in 2012, decreased by 23.6% in 2013, decreased by 6.1% in 2014 and decreased by 33.4% in 2015 (each compared to the previous year). In the six months ended June 30, 2016, the IGBVL increased by 5.7% as compared to the six months ended June 30, 2015. The volatility in the international markets, caused by events such as the recent European debt crisis, may adversely affect the Peruvian financial system as well, affecting interest rates for local corporate bonds and influencing the exchange rate. Monetary tightening in developed economies, particularly on the part of the Federal Reserve System in the United States, could affect economic activity in Peru to the degree that it strengthens the dollar and increases interest rates, thereby reducing access to funding for some local businesses. In addition, Peru is also vulnerable to fluctuations in foreign demand, especially from the United States and China. A more pronounced economic slowdown in China over the next few years poses a risk to Peruvian growth as it may hurt exports and foreign direct investment. Lower growth in Latin America can also hurt the Peruvian economy and our business, especially in the cases of Chile, Colombia and Panama, where we have operations, as well as Brazil and Mexico, which have a broad impact throughout the region because of their size.

The Peruvian financial system has not experienced any significant liquidity problems as a result of the recent international liquidity environment, primarily because the major source of funds for local banks, including BCP, is represented by the deposit base. However, we cannot assure you that future market volatility will not affect the Peruvian financial system, including BCP, or that such volatility will not have an adverse effect on our business, financial condition or results of operations.

Furthermore, on June 23, 2016, the United Kingdom held an in-or-out referendum on the United Kingdom's membership within the European Union, the result of which favored the exit of the United Kingdom from the European Union, or "Brexit." A process of negotiation will determine the future terms of the United Kingdom's relationship with the European Union. The potential impact of Brexit on our results of operations is unclear. Depending on the terms of Brexit, economic conditions in the United Kingdom, the European Union and global markets may be adversely affected by reduced growth and volatility. The uncertainty before, during and after the period of negotiation could also have a negative economic impact and increase volatility in the markets, particularly in the Eurozone. Such volatility and negative economic impact could, in turn, adversely affect the value and trading of the notes.

The stability of the Peruvian financial system depends on public confidence in Peruvian banking and financial institutions.

Financial institutions, including us, depend on public confidence in the Peruvian financial system. In the event of adverse developments affecting Peru's economic, political or social conditions or if a bank faces liquidity problems, the general public may withdraw deposits and savings from the troubled bank or from banks generally, thereby precipitating a liquidity crisis, as occurred in Peru in the late 1990s. If depositors withdraw significant holdings from banks generally, including us, there will be a substantial adverse impact on the manner in which financial institutions, including us, conduct their business, on their ability to operate as financial intermediaries and on their financial condition, which would adversely affect our results of operations and financial condition.

The perception of higher risk in other countries, especially in emerging economies, may adversely affect the Peruvian economy, our business and the market price of Peruvian securities issued by Peruvian issuers, including the notes.

Emerging markets like Peru are subject to greater risks than more developed markets, and financial turmoil in any emerging market could disrupt business in Peru and adversely affect the price of the notes. Moreover, financial turmoil in any important emerging market country may adversely affect prices in stock markets and prices for debt securities of issuers in other emerging market countries as investors move their money to more stable, developed markets. An increase in the perceived risks associated with investing in emerging markets could dampen capital flows to Peru and adversely affect the Peruvian economy in general, and the interest of investors in our notes, in particular. We cannot assure you that investors' interest in Peru, and in our notes, will not be negatively affected by events in other emerging markets or the global economy in general.

Deterioration in economic and market conditions in Latin America and other emerging countries could adversely affect our financial condition and results of operations.

The market for securities issued by Peruvian companies is influenced by economic and market conditions in Peru and, to varying degrees, market conditions in other Latin American and emerging market countries. Although economic conditions are different in each country, the reaction of investors to developments in one country is likely to cause the capital markets in other countries to fluctuate. For example, political and economic events, such as the recent crises in Venezuela, Ecuador, Bolivia, Brazil and Argentina, influenced investors' perceptions of risk with regard to Peru. The negative investor reaction to developments in our neighboring countries may adversely affect the market for securities issued by countries in the region, cause foreign investors to decrease the flow of capital into Latin America and introduce uncertainty about plans for further integration of regional economies.

Risk Factors Relating to the Notes

The notes constitute a new issue of securities for which there is no existing market, and we cannot assure you that you will be able to sell your notes in the future.

The notes constitute a new issue of securities for which there is no existing market, and we cannot assure you that in the future a market for the notes will develop or that you will be able to sell any notes you have purchased or that any such notes may be sold for any particular price. Although application has been made for the notes to be listed on the Luxembourg Stock Exchange and traded on the Euro MTF Market, we cannot assure you that an active market for the notes will develop.

The initial purchasers have advised us that they intend to make a market in the notes, but they are not obligated to do so and may discontinue any market making in the notes at any time, in their sole discretion. If the initial

purchasers do not facilitate trading in the notes (or beneficial interests therein) for any reason, we cannot assure you that another firm or person will do so. In addition, trading or resale of the notes (or beneficial interests therein) may be negatively affected by other factors described in this offering memorandum arising from this transaction or the market for securities of Peruvian issuers generally. As a result, we cannot assure you as to the liquidity of any trading market for the notes and as a result, you may be required to bear the financial risk of your investment in the notes indefinitely.

We cannot assure you that the credit ratings for the notes will not be lowered, suspended or withdrawn by the rating agencies.

The credit ratings of the notes may change after issuance. Such ratings are limited in scope, and do not address all material risks relating to an investment in the notes, but rather reflect only the views of the rating agencies at the time the ratings are issued. Moreover, a downgrade in a company's rating may result from issues not relating to its capacity to repay indebtedness, as was the case when on February 26, 2013 Moody's Investors Service downgraded BCP's Subordinated Bonds as a result of a change in its rating methodology that involved the elimination of the systemic support from the rating of those instruments.

An explanation of the significance of ratings may be obtained from the rating agencies. We cannot assure you that such credit ratings will remain in effect for any given period of time or that such ratings will not be lowered, suspended or withdrawn entirely by the rating agencies, if, in the judgment of such rating agencies, circumstances so warrant. Any lowering, suspension or withdrawal of such ratings may have an adverse effect of the market price and marketability of the notes.

Enforcing your rights as a noteholder in Peru may prove difficult.

Your rights under the notes will be subject to the insolvency and administrative laws applicable to banks in Peru, and we cannot assure that you will be able to effectively enforce your rights in such bankruptcy, insolvency or similar proceedings. In addition, the bankruptcy, insolvency, administrative and other laws applicable to banks in Peru may be materially different from, or in conflict with, each other, including in the areas of rights of creditors, priority of government entities and other third-party and related-party creditors, ability to obtain post-bankruptcy filing loans or to pay interest and the duration of proceedings. The laws of Peru may not be as favorable to your interests as the laws of jurisdictions with which you are familiar. The application of these laws, or any conflict among them, could call into question what and how Peruvian laws should apply. Such issues may adversely affect your ability to enforce your rights under the notes in Peru or limit any amounts that you may receive. See "Regulatory Environment—Intervention by the SBS and Liquidation."

The notes are subject to restrictions on transfer.

The notes have not been and will not be registered under the Securities Act, any U.S. state securities laws or the laws of any other jurisdiction. You may not offer the notes in the United States except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws, or pursuant to an effective registration statement. It is your obligation to ensure that your offers and sales of the notes within the United States and other countries comply with applicable securities laws. See "Notice to Investors."

The notes have not been and will not be registered with or approved by the SMV or the BVL. Accordingly, the notes cannot be offered or sold in Peru, except in compliance with the applicable Peruvian securities regulations.

The ability of investors to enforce civil liabilities under U.S. securities laws may be limited.

None of our directors or executive officers are residents of the United States. Almost all of our assets and those of our directors and executive officers are located outside the United States. As a result, it may not be possible for investors in our securities to effect service of process within the United States upon such persons or to enforce in U.S. courts or outside the United States judgments obtained against such persons outside the United States.

We are a commercial bank organized and existing under the laws of Peru, and there is no existing treaty between the United States and Peru for the reciprocal enforcement of foreign judgments of courts outside Peru, including judgments of the United States courts. It is not clear whether a foreign court would accept jurisdiction and

impose civil liability if proceedings were commenced in a foreign jurisdiction predicated solely upon U.S. federal securities laws. See “Enforceability of Civil Liabilities.”

The notes may be subordinated to certain statutory liabilities.

Under the Peruvian Banking Law, our obligations under the notes are subordinated to certain statutory preferences. In the event of an intervention and/or liquidation, those statutory preferences, including certain direct, unconditional and unsecured general obligations, will have preference over any other claims, including claims by any investor under the notes. See “Regulatory Environment—Intervention by the SBS and Liquidation.”

In addition, creditors of the issuer may hold negotiable instruments or other instruments governed by local law that grant rights to attach the assets of the issuer at the inception of judicial proceedings in the relevant jurisdiction, which attachment is likely to result in priorities benefitting those creditors when compared to the rights of holders of the notes.

The interests of our principal shareholders may differ from, and could conflict with, those of the holders of the notes.

The interests of our principal shareholders may differ from, and could conflict with, those of the holders of the notes. Actions taken by the principal shareholders may limit our flexibility to respond to market developments, to engage in certain transactions or to otherwise make changes to our business and operations, all of which may have a material adverse effect on our business, financial condition, results of operations and our ability to repay the notes.

USE OF PROCEEDS

We estimate that the net proceeds from this offering will be approximately U.S.\$298.0 million after deducting the initial purchasers' discounts and commissions and the estimated offering expenses payable by us. The net proceeds from the offering will be used for general corporate purposes.

CAPITALIZATION

The following table sets forth our unconsolidated regulatory capital as of June 30, 2016. This information has been derived from the interim consolidated financial statements included elsewhere in this offering memorandum and is based on the company's accounting records published by the SBS.

As of June 30, 2016 (unaudited)				
	Actual		As adjusted for the offering	
	(Soles in millions)	(U.S. dollars in millions)(1)	(Soles in millions)	(U.S. dollars in millions)(1)
Capital stock, net	7,066	2,148	7,066	2,148
Legal and other capital reserves.....	3,582	1,089	3,582	1,089
Accumulated earnings with capitalization commitments.....	-	-	-	-
Non-cumulative junior subordinated debt	822	250	822	250
Computable subordinated debt	4,443	1,351	4,443	1,351
Loan loss reserves(2).....	1,140	347	1,140	347
Unrealized gains	119	36	119	36
Less: goodwill	(122)	(37)	(122)	(37)
Less: investment in subsidiaries and financial institutions and others	(1,347)	(410)	(1,347)	(410)
Total regulatory capital(3)	15,703	4,774	15,703	4,774
Risk-weighted assets (4)	99,612	30,286	100,599	30,586
Capital ratios				
Regulatory capital as a percentage of risk-weighted assets(5)(6)	15.76%	15.76%	15.61%	15.61%
Ratio of risk-weighted assets to regulatory capital(5)(6)	6.3x	6.3x	6.4x	6.4x

(1) For the convenience of the reader, these figures have been translated into U.S. dollars at S/3.289 = \$1.00, the June 30, 2016 exchange rate published by the SBS. Such translation should not be construed as a representation that the Sol amounts have been converted into U.S. dollars pursuant to the requirements of Peruvian GAAP or generally accepted accounting principles in any other country.

(2) SBS rules allow banks using the standardized method for capital adequacy purposes to include loan loss reserves of up to 1.25% of risk-weighted assets in the calculation of regulatory capital.

(3) Regulatory capital as calculated in accordance with guidelines by the BIS II Accord as adopted by the SBS. This ratio is calculated on an unconsolidated basis.

(4) Risk-weighted asset figures adjusted for the offering assume the proceeds from the offering are invested in assets that are 100% risk-weighted.

(5) As part of the implementation of Basel II, the SBS minimum regulatory capital requirement, expressed as a percentage of risk-weighted assets has been progressively increased from 9.8% effective July 1, 2010, and to 10% effective July 1, 2011 onwards. For further details see "Regulatory Environment—Implementation of Basel Principles—Capital adequacy".

(6) As part of the implementation of Basel II, this ratio has been lowered from 10.2x effective July 1, 2010, to 10.0x effective July 1, 2011, onwards. For further details see "Regulatory Environment—Implementation of Basel Principles—Capital adequacy."

EXCHANGE RATES

Exchange rates for the Sol have been relatively stable in recent years. The following table sets forth the period-average and period-end rates for U.S. dollars for the years ended December 31, 2011 through December 31, 2015 and through the date indicated in the table below, based on information published by the SBS. On June 30, 2016 the S/ to U.S.\$ exchange rate was S/3.289 to U.S.\$1.00.

	Low	High	Period Average(1)	Period End
Year Ended:				
December 31, 2011.....	2.694	2.833	2.752	2.696
December 31, 2012.....	2.550	2.709	2.634	2.550
December 31, 2013.....	2.540	2.820	2.702	2.795
December 31, 2014.....	2.773	2.988	2.876	2.986
December 31, 2015.....	2.982	3.411	3.186	3.411
Month Ended:				
April 30, 2016.....	3.249	3.403	3.302	3.273
May 31, 2016.....	3.290	3.372	3.334	3.372
June 30, 2016	3.293	3.379	3.337	3.289
July 31, 2016	3.277	3.358	3.299	3.355
August 31, 2016.....	3.303	3.392	3.333	3.392
September 30, 2016	3.354	3.412	3.382	3.400
October 31, 2016 (through October 17th)	3.391	3.409	3.401	3.398

(1) Calculated as the average of the month-end or day-end exchange rates during the relevant period, as applicable.

Source: SBS

Depreciation of the Sol in relation to the U.S. dollar would adversely affect our ability to meet our U.S. dollar-denominated obligations, including the notes offered hereby, while appreciation of the Sol in relation to the U.S. dollar could adversely affect the ability of some of our clients, mainly exporters, to meet their obligations with us, which could in turn affect our business and results of operations. See “Risk Factors—Risk Factors Relating to BCP and our Business—A depreciation of the Sol may adversely affect our business, financial condition and results of operations.”

In the past, the Peruvian economy has suffered balance of payment deficits and shortages in foreign exchange reserves. While the Peruvian government does not currently restrict the ability of Peruvian or foreign persons or entities to convert Soles to U.S. dollars, it may do so in the future. Any such restrictive exchange control policy could adversely affect our ability to make payments in U.S. dollars, and could also have a material adverse effect on our financial condition and results of operations.

SELECTED FINANCIAL INFORMATION

The following selected financial and operating data as of and for each of the three years ended December 31, 2013, 2014 and 2015 have been derived from the annual consolidated financial statements. The selected financial and operating data as of June 30, 2016 and for the six months ended June 30, 2015 and 2016 have been derived from the unaudited interim consolidated financial statements. The audited consolidated financial statements as of and for the years ended December 31, 2014 and 2013 and the audited consolidated financial statements as of and for the years ended December 31, 2015 and 2014, along with their respective auditor's reports included therein, are included in this offering memorandum. Financial data as of and for the year ended December 31, 2015 has been derived from the annual consolidated financial statements, as explained under "Summary" and "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies." This information should be read in conjunction with the annual consolidated financial statements and the interim consolidated financial statements as of June 30, 2016 and for the six months ended June 30, 2015 and 2016, and the notes thereto as well as the sections entitled "Capitalization," "Summary Financial Information" and "Management's Discussion and Analysis of Financial Condition and Results of Operations." As indicated above, the financial statements have been prepared in accordance with Peruvian GAAP.

	For the years ended December 31,			
	2013	2014	2015	2015
	(Soles in thousands)			(U.S. dollars in thousands)(1)
	(audited)			(unaudited)
INCOME STATEMENT DATA				
Financial income.....	6,573,454	8,072,776	9,338,845	2,737,861
Financial expenses	(1,996,835)	(2,152,053)	(2,393,623)	(701,736)
Gross Financial Margin.....	4,576,619	5,920,723	6,945,222	2,036,125
Allowance for loan losses, net of recoveries (2).....	(1,239,943)	(1,754,963)	(1,931,842)	(566,356)
Gross financial margin after provisions for loan losses	3,336,676	4,165,760	5,013,380	1,469,769
Net gain (loss) for exchange difference.....	155,072	245,406	17,516	5,135
Net financial margin	3,491,748	4,411,166	5,030,896	1,474,904
Banking services commissions, net.....	1,755,663	1,953,907	2,155,447	631,911
Net gain (loss) on sale of securities	(78,754)	63,221	415,760	121,888
Net gain on foreign exchange transactions.....	515,562	457,489	741,553	217,400
Other non-financial income.....	81,348	51,186	78,170	22,917
Operating expenses	(3,472,495)	(4,154,340)	(4,518,313)	(1,324,630)
Income before income tax	2,293,072	2,782,629	3,903,513	1,144,390
Income tax	(650,638)	(875,540)	(1,096,151)	(321,359)
Net income from continuing operations	1,642,434	1,907,089	2,807,362	823,031
Net income from discontinued operations	6,865	—	—	—
Net income	1,649,299	1,907,089	2,807,362	823,031
Attributable to:				
Equity holders of Banco de Crédito del Perú	1,647,418	1,914,519	2,797,362	820,100
Non-controlling interests	1,881	(7,430)	10,000	2,931
Net income	1,649,299	1,907,089	2,807,362	823,031
Basic and diluted earnings per share (in Soles)(3)	0.2817	0.3258	0.4796	0.1406
Dividends declared per common share (in Soles)(4)	0.09	0.08	0.20	0.06

- (1) For the convenience of the reader data as of and for the period ended December 31, 2015 have been translated from Soles into U.S. dollars at a rate of S/3.411 = U.S.\$1.00 (the December 31, 2015 exchange rate as published by the SBS).
- (2) Provision for loan losses includes provisions with respect to total direct and indirect loans. While direct loans represent outstanding loans, indirect loans include guarantees and stand-by letters of credit, import and export letters of credit, and amounts due from bank acceptances, which are not included as assets on our consolidated statement of financial position.
- (3) See note 25 to the annual consolidated financial statements.
- (4) Dividends declared for the year divided by the number of outstanding common shares at year end.

	As of December 31,			
	2013	2014	2015	2015
	(Soles in thousands)			(U.S. dollars in thousands)(1)
	(audited)			(unaudited)
STATEMENT OF FINANCIAL POSITION DATA				
Total assets	97,943,214	115,650,505	135,503,439	39,725,429
Investments in trading, available-for-sale and held to maturity securities, net and permanent investments	12,421,366	11,769,689	13,788,879	4,042,474
Gross loans (2)	62,361,144	77,453,064	88,040,024	25,810,620
Reserves for loan losses (3).....	2,275,478	3,335,733	3,846,067	1,127,548
Net loans	60,085,666	74,117,331	84,193,957	24,683,072
Past due loans.....	1,435,742	2,007,795	2,309,413	677,049
Total deposits	64,747,081	72,749,718	84,182,613	24,679,746
Issued bonds.....	11,429,081	12,912,762	14,445,273	4,234,909
Shareholders' equity attributable to BCP equity holders	8,195,028	9,785,204	11,931,813	3,498,040

- (1) For the convenience of the reader data as of and for the period ended December 31, 2015 have been translated from Soles into U.S. dollars at a rate of S/3.411 = U.S.\$1.00 (the December 31, 2015 exchange rate as published by the SBS).
- (2) Net of deferred interest on discounted notes, plus accrued interest from performing loans, but prior to reserve for loan losses. In addition to direct loans outstanding, we had indirect loans of S/13.1 billion, S/17.7 billion and S/19.3 billion as of December 31, 2013, 2014 and 2015, respectively.
- (3) Reserves for loan losses include reserves with respect to direct loans only.

	For the six months ended June 30,		
	2015	2016	2016
	(Soles in thousands) (unaudited)		(U.S. dollars in thousands)(1) (unaudited)
INCOME STATEMENT DATA			
Financial income.....	4,321,561	4,817,303	1,464,671
Financial expenses.....	(1,078,765)	(1,416,892)	(430,797)
Gross financial margin.....	3,242,796	3,400,411	1,033,874
Allowance for loan losses, net of recoveries (2).....	(965,352)	(892,121)	(271,244)
Gross financial margin after provisions for loan losses....	2,277,444	2,508,290	762,630
Net gain (loss) for exchange difference.....	6,393	(43,447)	(13,210)
Net financial margin.....	2,283,837	2,464,843	749,420
Banking services commissions, net.....	1,002,524	1,080,930	328,650
Net gain (loss) on sale of securities.....	407,083	12,575	3,823
Net gain on foreign exchange transactions.....	347,660	328,677	99,932
Other non-financial income.....	28,607	40,438	12,295
Operating expenses.....	(2,065,750)	(2,137,576)	(649,916)
Income before income tax.....	2,003,961	1,789,887	544,204
Income tax.....	(587,401)	(491,425)	(149,415)
Net income from continuing operations.....	1,416,560	1,298,462	394,789
Net income from discontinued operations (3).....	33,743	140,561	42,737
Net income.....	1,450,303	1,439,023	437,526
Attributable to			
Equity holders of Banco de Crédito del Perú.....	1,446,589	1,431,704	435,301
Non-controlling interests.....	3,714	7,319	2,225
Net income.....	1,450,303	1,439,023	437,526
Basic and diluted earnings per share (in Soles)from continuing operations.....	0.2477	0.2036	0.0619
Basic and diluted earnings per share (in Soles)from discontinued operations.....	0.0058	0.0199	0.0061
Dividends declared per common share (in Soles).....	N/A	N/A	N/A

- (1) For the convenience of the reader data as of and for the period ended June 30, 2016 have been translated from Soles into U.S. dollars at a rate of S/3.289 = U.S.\$1.00 (the June 30, 2016 exchange rate as published by the SBS).
- (2) Provision for loan losses includes provisions with respect to total direct and indirect loans. While direct loans represent outstanding loans, indirect loans include guarantees and stand-by letters of credit, import and export letters of credit and amounts due from bank acceptances, which are not included as assets on our consolidated statement of financial position.
- (3) Net income from discontinued operations includes gains and losses from assets and liabilities classified as held-for-sale, which are assets whose carrying amount will be recovered principally through a sale transaction rather than continuing use.

	As of December 31,	As of June 30,	
	2015	2016	2016
	(Soles in thousands) (audited)	(unaudited)	(U.S. dollars in thousands)(1) (unaudited)
STATEMENT OF FINANCIAL POSITION DATA			
Total assets	135,503,439	128,050,199	38,932,867
Investments in trading, available-for-sale and held to maturity securities, net and permanent investments.....	13,788,879	12,780,637	3,885,873
Gross loans (2).....	88,040,024	84,122,546	25,576,937
Reserves for loan losses (3)	3,846,067	3,825,917	1,163,246
Net loans.....	84,193,957	80,296,629	24,413,691
Past due loans	2,309,413	2,515,004	764,671
Total deposits.....	84,182,613	76,398,329	23,228,437
Issued bonds	14,445,273	13,656,079	4,152,046
Shareholders' equity attributable to BCP equity holders..	11,931,813	12,088,869	3,675,545

- (1) For the convenience of the reader data as of and for the period ended June 30, 2016 have been translated from Soles into U.S. dollars at a rate of S/3.289 = U.S.\$1.00 (the June 30, 2016 exchange rate as published by the SBS).
- (2) Net of deferred interest on discounted notes, plus accrued interest from performing loans, but prior to reserve for loan losses. In addition to direct loans outstanding, we had indirect loans of S/15.9 billion and S/19.3 billion as of June 30, 2016 and December 31, 2015, respectively.
- (3) Reserves for loan losses include reserves with respect to direct loans only.

The following selected financial and operating data as of and for each of the years ended December 31, 2013, 2014 and 2015 and for the six months ended June 30, 2015 and 2016 have been derived from the financial statements. This information should be read in conjunction with the financial statements and the notes thereto. As indicated above, the financial statements have been prepared in accordance with Peruvian GAAP.

	As of and for the years ended			As of and for the six months ended
	December 31,			June 30,
	2013	2014	2015	2016
(Soles in millions, except as otherwise indicated)				
OTHER FINANCIAL DATA:				
Total operating revenue(1)	5,610.5	6,691.6	8,404.3	3,970.9
Dividends declared	337.7	387.3	1,170.8	-
Average interest-earning assets(2).....	87,525.9	98,323.9	107,739.2	115,218.8
Average total assets(3).....	94,170.2	106,796.9	125,577.0	131,776.8
Average shareholders' equity(4).....	7,668.2	8,990.1	10,858.5	12,010.3
Risk-weighted assets(5)	74,379.4	87,938.9	101,068.8	99,612.1
Total regulatory capital	10,754.0	12,703.8	14,489.6	15,703.0

SELECTED FINANCIAL RATIOS:

Profitability and Efficiency.....				
Return on average shareholders' equity(6)	21.5%	21.7%	25.9%	24.0%
Return on average total assets(7)	1.7%	1.8%	2.2%	2.2%
Dividend payout ratio(8)	20.5%	20.3%	41.7%	-
Net interest margin(9).....	5.2%	6.0%	6.4%	5.9%
Provisions for loans losses as a percentage of total operating revenue.....	22.1%	26.2%	23.0%	22.5%
Efficiency ratio(10).....	48.8%	48.2%	44.7%	43.4%
Net fee income as a percentage of total operating revenue(11)	31.3%	29.2%	25.6%	27.2%

	As of and for the years ended			As of and for the
	December 31,			six months ended
	2013	2014	2015	June 30,
	2016			
	(Soles in millions, except as otherwise indicated)			
Capitalization and Balance Sheet Structure				
Equity-to-asset ratio(12)	8.1%	8.4%	8.6%	9.1%
Total regulatory capital as a percentage of risk-weighted assets	14.5%	14.4%	14.3%	15.8%
Net loans as a percentage of total deposits	92.8%	101.9%	100.0%	105.1%
Total deposits as a percentage of total assets.....	66.1%	62.9%	62.1%	59.7%
Credit Quality				
Reserve for loan losses as a percentage of total gross loans(13)	3.6%	4.3%	4.7%	4.5%
Reserve for loan losses as a percentage of past due loans (coverage ratio) (14)	167.0%	172.6%	178.0%	160.8%
Past due loans as a percentage of total gross loans(15)	2.3%	2.6%	2.6%	3.0%

- (1) Total operating revenue is the aggregate of net interest income after provisions, fees and commissions from banking services, net gains (loss) from sales of securities, net gains on foreign exchange transactions and other income.
- (2) Average interest-earning assets include deposits in the Central Bank, deposits in other banks, interbank funds, investment securities and loans and the sum is calculated based on the monthly average of every period.
- (3) Average total assets is defined as the simple average between the value of total assets at the end of the period or year and the value of total assets at the end of the previous corresponding period or year.
- (4) Average shareholders' equity is defined as the simple average between the value of shareholders' equity at the end of the period or year and the value of shareholders' equity at the end of the previous corresponding period or year.
- (5) Includes on and off balance sheet assets on an unconsolidated basis as reported to the SBS.
- (6) Return on average shareholders' equity is defined as net income (annualized figures) as a percentage of average shareholders' equity, calculated on a monthly basis.
- (7) Return on average total assets is defined as net income (annualized figures) as a percentage of average total assets, calculated on a monthly basis.
- (8) Declared dividends per share divided by net income per share.
- (9) Net interest margin is defined as gross financial margin divided by average interest-earning assets.
- (10) Efficiency ratio for the period is calculated by dividing (i) operating expenses deducting other operating expenses by (ii) gross financial margin adding fees and commissions from banking services plus net gains on foreign exchange transactions.
- (11) Fees and commissions from banking services, net, as a percentage of total operating revenue.
- (12) Average shareholders' equity divided by average total assets.
- (13) Reserve for loan losses includes reserves with respect to direct and indirect loans.
- (14) Reserve for direct loans losses divided by total past due loans.
- (15) Total past due loans divided by total gross loans.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Our financial condition and results of operations depend significantly upon the macroeconomic conditions prevailing in Peru and prospective investors should (among other things) consider the factors set forth under “Cautionary Statements Regarding Forward-Looking Statements” and “Risk Factors—Risk Factors Relating to BCP and our Business” and “Risk Factors—Risk Factors Relating to Peru.”

Introduction

The following discussion should be read in conjunction with the interim consolidated financial statements as of June 30, 2016 and for the six months ended June 30, 2015 and 2016, which were prepared in accordance with Peruvian GAAP, and the audited consolidated financial statements as of and for the years ended December 31, 2014 and 2013 and the audited consolidated financial statements as of and for the years ended December 31, 2015 and 2014, which were prepared in accordance with Peruvian GAAP, in each case including the notes thereto. The annual consolidated financial statements have been audited by PBA and GAA, respectively, as stated in the reports appearing herein.

Under Peruvian GAAP, our financial statements are consolidated with the financial statements of our subsidiaries, which are companies controlled by us (*i.e.*, we have the power to govern the financial and operating policies of these enterprises so as to obtain benefits from their activities). See note 3 to the annual consolidated financial statements.

Critical Accounting Policies

In the preparation and presentation of the annual consolidated financial statements, our management has complied with the regulations established by the SBS in force in Peru as of December 31, 2013, 2014 and 2015 and June 30, 2015 and 2016. Certain of the accounting practices we employ, which conform to Peruvian GAAP, may differ in certain significant respects from generally accepted accounting principles in other countries. Critical accounting principles and practices used in the preparation of the annual and interim consolidated financial statements are described below. For further details on these accounting principles, see note 3 to the annual consolidated financial statements.

Basis for presentation and use of estimates

The annual consolidated financial statements have been prepared from our accounting records, which are maintained in nominal Soles as of the date of the transactions, in accordance with Peruvian GAAP. These accounting principles are consistent with those used in 2014 and 2013.

The preparation of the annual consolidated financial statements requires management to make estimates that affect the reported amounts of assets and liabilities, income and expenses and disclosure of material contingencies in the notes to the annual consolidated financial statements. Actual results could differ from those estimates. The most significant estimates used in the preparation of the financial statements are related to the calculation of the allowance for loan losses, the valuation of investments, the estimated useful life and recoverable amount of property, furniture and equipment and intangible assets, the provision for seized assets, the valuation of brand name, goodwill and client relationships, the valuation of derivatives, and the share base payments. The accounting criteria used for each of these items are described the following paragraphs.

Consolidation

Subsidiaries are all entities over which the Bank has control, meaning the power to govern their financial and operating policies. This is generally evidenced by a shareholding of more than one half of the voting rights. Subsidiaries are consolidated from the date on which effective control is transferred to the Bank and are no longer consolidated from the date that control ceases.

Business acquisitions in which control is acquired are recorded in accordance with IFRS 3. This involves recognizing the identifiable assets (including intangible assets not previously recognized) and liabilities (including contingent liabilities and excluding future restructuration) of the acquired entity at fair value.

Any excess of acquisition cost over the fair value of the identifiable net assets, including tangible and intangible assets and the recognized amount for the non-controlling interest; is recorded as goodwill. If the acquisition cost is less than the fair value of the net identifiable assets, the difference is recorded directly in the consolidated income statement in the acquisition year.

All transactions, balances, gains and losses between the Bank and its subsidiaries have been eliminated in the consolidation process. The equity attributable to the non-controlling interests is presented separately from the consolidated balance sheets. The income attributable to the non-controlling interests is presented separately in the consolidated statements of income.

The accounting records of foreign subsidiaries are kept in the original currency of each country. For consolidation purposes its balances were translated to Peruvian Soles as follows: (i) assets and liabilities are translated at the exchange rate on the free market as of the consolidated statement of financial position date, and (ii) revenues and expenses are translated at the monthly average exchange rate.

All differences arising from the translation were included in "Translation result" of the consolidated statements of changes in shareholders' equity.

Recognition of revenue

Financial revenues for interest are recognized on an accrual basis over the related contract period and reflect the interest rates agreed with clients, except for interest generated from past due, refinanced, restructured or under legal collection loans and loans classified in the categories of doubtful and loss, which interest is recognized as revenue on a cash basis. When management determines that the debtor's financial condition has improved and the loan is reclassified as current and/or in the categories of normal, with potential problems or substandard, interest is again recorded on an accrual basis.

Revenue includes interest on fixed income investments classified as held for trading, available for sale and held-to-maturity, including recognition of any discount or premium. Dividends are recognized as income when they are declared. Commissions for financial services related to the maintenance of loans granted and payments for additional operations and services and/or complementary to such loans, are recognized as income when received. Commissions for loan origination, as well as the granting, analyzing and assessment of direct and indirect loans granted since 2013, are recorded as income on a time proportion basis over the agreement period.

Offsetting financial instruments

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

Assets classified as held for sale and liabilities directly associated with those assets

Assets classified as held for sale are assets whose carrying amount will be recovered principally through a sale transaction rather than continuing use. To qualify as assets available for sale, the sale must be highly probable. Those assets and liabilities are presented in the consolidated statement of financial position as "Assets classified as held for sale" and "Liabilities directly associated with those assets" at their book values, which, in this case, corresponds to the value at which they are going to be transferred. Furthermore, in the consolidated statement of income, gains or losses are presented as "Discontinued operations." Similarly, cash flows from operating, investing and financing activities generated by the discontinued operation have been excluded from the consolidated statements of cash flows.

Allowance for loan losses

Management determines the allowance for loan losses in accordance with the guidelines established by the SBS. In accordance with such criteria, our management periodically conducts a formal review and analysis of the loan portfolio. All the loans are classified under the following categories: Normal (*Normal*), Potential Problem (*Problema Potencial*), Substandard (*Deficiente*), Doubtful (*Dudoso*), or Loss (*Pérdida*), based on the risk of non-payment by the customer.

As of June 30, 2016 and December 31, 2015, 2014 and 2013 the allowance for loan losses was determined in accordance with the guidelines established by SBS Resolutions No. 11356-2008 “Regulation for the evaluation and classification of the debtor and the requirement of provisions” and No. 6941-2008 “Regulation for Managing the Risk of Retail Debtors with High Leverage Levels”. Pursuant to SBS Resolution No. 11356-2008, the loan portfolio is separated into retail and non-retail borrowers. Retail borrowers include individual and legal entities who have direct or indirect loans, within the categories of consumer (revolving and non-revolving), micro-business, small-business or mortgage loans. Non-retail borrowers are individuals or legal entities who have direct or indirect loans within the categories of corporate, large-business or medium-business loans.

In general, the SBS guidelines include the following three components: (i) the provision for loan losses which results from the classification of the loan portfolio, (ii) the pro-cyclical provision, which was deactivated in November 2014 by SBS, based on the behavior of local macro-economic variables, and (iii) the over-indebtedness provisions for retail borrowers, when applicable.

For corporate, big-business, and medium-business loans, the risk classification takes into consideration several factors, including the payment history of the loan, our relationship history with the client/debtor’s management, the debtor’s operating history, repayment capability and availability of funds, the status of any collateral or guarantee received, the debtor’s financial statements and the risk classification granted by other financial institutions. The following table sets forth the loan classification and the corresponding reserve requirement (excluding pro-cyclical requirements) for corporate, big-business and medium-business loans:

Level of Risk Classification	Corporate and Big-Business Loans (%)			Medium-Business Loans (%)		
	No guarantee	Highly liquid preferred guarantees	Readily preferred guarantees	No guarantee	Highly liquid preferred guarantees	Readily preferred guarantees
I: Normal (<i>Normal</i>).....	0.7	0.7	0.7	1.0	1.0	1.0
II: Potential Problem (<i>Problema Potencial</i>).....	5.0	2.5	1.25	5.0	2.5	1.25
III: Substandard (<i>Deficiente</i>).....	25.0	12.5	6.25	25.0	12.5	6.25
IV: Doubtful (<i>Dudoso</i>).....	60.0	30.0	15.0	60.0	30.0	15.0
V: Loss (<i>Pérdida</i>).....	100.0	60.0	30.0	100.0	60.0	30.0

For small-business, micro-business, consumer (revolving and non-revolving), and residential mortgage loans, the risk classification considers several factors, including: the payment history of the loan, our relationship historically dealing history with the client/debtor’s management, the debtor’s: operating history, repayment capability and availability of funds, the status of any collateral or guarantee received, the debtor’s financial statements, the risk classification granted by other financial institutions. For retail loans, the risk classification is based, mainly, on how long payments are overdue. The following table sets forth the loan classification and the corresponding reserve requirement (pro-cyclical requirements are not included) for small-business, micro-business, consumer loans, and residential mortgage loans:

Level of Risk Classification	Small-Business, Micro-Business and Consumer Loans		Residential Mortgage Loans	
	Past Due (days)	Reserve (%)	Past Due (days)	Reserve (%)
I: Normal (<i>Normal</i>).....	0-8	1.0	0-30	0.7
II: Potential Problem (<i>Problema Potencial</i>).....	9-30	5.0	31-60	2.5
III: Substandard (<i>Deficiente</i>).....	31-60	25.0	61-120	12.5
IV: Doubtful (<i>Dudoso</i>).....	61-120	60.0	121-365	30.0
V: Loss (<i>Pérdida</i>).....	more than 120	100.0	more than 365	60.0

As of June 30, 2016 and December 31, 2015, 2014 and 2013, the allowance rate for indirect loans can be 0%, 20%, 50% and 100%, depending on the type of credit.

The provision is computed considering the risk classifications assigned, and using specific percentages, which vary depending on whether the loans are or not secured by self-liquidating preferred guarantees (mainly cash deposits and rights on credit certificates); highly liquid preferred guarantees (treasury bonds issued by the Peruvian Government, financial instruments of the Peruvian Central Bank, debit instruments issued by governments and central banks traded on a stock exchange, among others) or preferred guarantees (primary pledge on financial instruments, machinery, property, agriculture products or mineral, insurance credit on exports, among others), considered at their net realizable value as determined by independent appraisers. Likewise, for credits subject to counterparty substitution by a financial or insurance entity, the provision requirement for the secured amount depends on the risk classification of the counterparty, regardless of the risk classification of the customer debtor.

The provisions for customers classified as doubtful or loss for more than 36 months or 24 months, respectively, is computed without considering the value of the guarantees. For past due loans over 90 days, the expected loss is estimated and, if it is greater than the provision recorded, the Bank must record additional provisions. The provision for loan losses on indirect loans based on the "Exposure equivalent to credit risk" is established accordingly to the credit conversion factor. In the case of debtors operating in countries where there is a higher risk of difficulties in servicing external debt, an assessment of the political and economic situation is made, and an additional country risk allowance is recorded.

Pro-cyclical provisions were calculated for loans classified as normal and according to the percentages established by the SBS. However, date November 27, 2014, pro-cyclical component of the provision was deactivated and at that date the Bank and its subsidiaries maintain pro-cyclical provision amounted to S/381.2 million, classified as voluntary general provisions, as established by the Circular Letter SBS No. 2224-2014.

The allowance for direct loans is presented as an asset deduction, while the allowance for indirect loans is presented as a liability.

In the case of borrowers in countries where there is an increased risk of difficulty in servicing external debt, an assessment of the political and economic situation is made, and an additional allowance for country risk may be added.

Investments at fair value through profit or loss, available-for-sale and held-to-maturity.

As of January 1, 2013, the initial recognition and the subsequent measurement of investments at fair value through profit or loss, available-for-sale and held to maturity, are carried out following SBS Resolution No. 7033-2012 (which superseded SBS Resolution No. 10639-2008) "Regulations for the classification and valuation of investments" and amendment. The guidelines for valuation of investments, according to their classification are as follows:

Investments at fair value through profit or loss (trading securities). Initial recognition is at fair value, considering the transaction costs associated with such investments as expenses. Subsequent measurement is at fair value and any gain or loss arising from changes in the initial cost and subsequent fair value is recognized directly in the consolidated income statement.

Available-for-sale investments. Initial recognition is at fair value, including the transaction costs that are directly associated to their acquisition. Gains or losses originated by changes between the initial cost and fair value are recognized directly in equity, unless a permanent impairment in its value exists. When an instrument is realized or sold, the unrealized gains or losses previously recognized as part of equity are recognized in the consolidated income statement.

In the case of debt securities, before their subsequent measurement at fair value, the amortized cost is updated applying the effective interest rate; considering this amortized cost, unrealized gains or losses due to changes in fair value are recognized.

Investments held-to-maturity. Initial recognition is at fair value, including the transaction costs that are directly associated to their acquisition; subsequent measurement is at amortized cost, using the effective interest rate method. Transactions are recorded at the date of negotiation, that is, the date of the assumption of the reciprocal obligations that must be complied with, within terms established by regulations and practices of the market on which the transaction is performed. Interest is recognized using the effective interest rate, which includes both interest receivables and premium or discount amortization. Gains or losses on exchange differences regarded to amortized

cost of debt instruments affect the consolidated income statement; gain or losses on exchange differences regarded to fair value valuation are recorded as part of the unrealized gains or losses in the consolidated equity. Equity instruments are considered non-monetary items, therefore, the original cost in local currency is not modified, the exchange difference is part of the valuation and is recognized as unrealized results in the consolidated equity. The Bank and its subsidiaries evaluate, at each date of the consolidated financial statements, if there is evidence that any instrument classified as available-for-sale and held-to-maturity is impaired; if that is the case, an impairment is recognized in the consolidated income statement, even though the investment has not been retired or sold. The difference between the proceeds received from the sale of an investment and its book value is recognized in the consolidated income statement.

In any of the aforementioned cases, if the SBS considers it necessary to establish any additional provision for any type of investment, this provision shall be determined on the basis of each individual instrument, and must be recorded in the consolidated statements of income of the period in which the SBS requires such provision.

Investments in associates

This category includes only equity securities acquired with the purpose of having equity participation and/or significant influence in other entities or institutions. Investments in associates are initially recognized at their fair value including the transaction costs directly attributable to their acquisition; subsequently they are recorded using the equity participation method. In the case of investments quoted on a stock exchange, when their market value shows a decreasing trend due to non-temporary circumstances, the Bank and its Subsidiaries must record a provision for impairment; nevertheless, the SBS at its own criteria, can require the recognition of an additional provision for impairment.

Derivative financial instruments -

Derivative financial instruments are recorded in accordance with accounting criteria established by SBS Resolution No. 1737-2006 "Regulation for Trading and Accounting of Derivatives for Financial Entities" and amendments, as explained below:

Trading. Trading derivative financial instruments are initially recognized in the consolidated statements of financial position at fair value recognizing an asset or liability in the consolidated statements of financial position, and the related gains and losses arising from changes in fair values are recorded in the consolidated statements of income. Also, derivative transactions are recorded as risks and contingent commitments at their reference values in the committed currency. Fair values are estimated based on the market exchange and interest rates.

Hedging. A derivative financial instrument that seeks to achieve a financial hedge for a given risk is designated as for hedge purposes if, at its negotiation, it is foreseen that changes in fair value or cash flows are expected to be highly effective in offsetting the fair value or cash flow changes of the hedged item attributable to the hedged risk at inception, which must be documented when the financial derivative is negotiated and during the period that the hedge relation exists. A hedge is considered as highly effective if changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated are expected to offset in a range of 80 to 125 percent.

If the SBS considers the documentation to be unsatisfactory or finds weaknesses in the methodologies applied, it may require the immediate termination of the hedge relationship and the recording of the derivative financial instrument as trading.

For cash flow hedges, the effective portion of gain or loss over the hedge instrument is recognized directly in equity, in the caption "Unrealized gains (losses)" as a cash flow hedges reserve. The ineffective portion of gain or loss of the hedged instrument is recognized in the consolidated statements of income. When the cash flow hedge affects the consolidated statements of income, the gain or loss in the hedge instrument is recorded in the corresponding caption of the consolidated statements of income or when a forecast transaction occurs.

For fair value hedges, changes in fair value of the derivative are recognized in the consolidated statements of income. Changes in fair value of the hedged item attributed to the hedged risk are recorded as part of the balance of the hedged item and recognized in the consolidated statements of income.

If the hedge instrument expires, is sold, terminated or exercised, or when the hedge does not fulfill the hedging accounting criteria, the hedge relationship is prospectively terminated and the balance recorded in the consolidated statements of financial position is transferred to the consolidated statements of income during the term the hedged item is kept.

Following the SBS permission, certain derivative financial instruments maintained by the Bank and its subsidiaries have been designated as hedging operations considering the functional currency of Credicorp Ltd., the U.S. Dollar, until December 31, 2013. From January 1, 2014 Credicorp Ltd. changed its functional currency to Soles.

Embedded derivatives. Certain derivatives embedded in other financial instruments (host contract) are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not carried at fair value through profit or loss. These embedded derivatives are separated from the host instrument and recognized at fair value in the consolidated statements of income, unless the Bank and its subsidiaries choose to designate the hybrid contracts (host and embedded derivative) at fair value through profit and loss.

As of December 31, 2013, in accordance with SBS Resolution No. 1737-2006, the Bank had Indexed Certificates to Credicorp Ltd. stock price that will be settled in cash, which were hybrid instruments with embedded derivatives that were not closely related to the risk of the host contract. In this regard, the Bank decided to classify these instruments at inception at fair value through profit and loss. Therefore, the separation of the embedded derivative was not required.

Intangible assets

On February 24, 2010, the SBS issued Resolution No. 1967-2010, which established the accounting procedures for intangible assets with limited or unlimited useful life. Limited useful life intangible assets will be amortized for a period not to exceed 5 years, and the adopted amortization method cannot be modified without prior SBS approval. Unlimited useful life assets, as well as goodwill, registered before January 1, 2010, will be amortized according to regulations in force at the time of the initial registration of such asset, and for a period not to exceed 5 years. Unlimited useful life intangible assets registered after January 1, 2010, will be recognized at cost, minus any accumulated impairment. However, according to an authorization from the SBS, goodwill generated in the acquisition of Edyficar in 2009 was measured at cost less any accumulated impairment loss.

Seized assets

Assets seized are initially recorded at the lowest of: (a) the value assigned to them through a legal proceeding, (b) the amount of any out-of-court settlement or (c) the unpaid value of the debt associated with such assets. Simultaneously with this determination of value at initial recognition, an allowance equivalent to 20% of the legal settlement or recoverable asset value is recorded. For this purpose we are permitted to use any allowance for loan losses that had been established for the related loan.

Thereafter, additional provisions should be recorded using the following guideline:

- (1) Assets that are not real estate: A monthly allowance equivalent to one twelfth of the book value of the asset (net of the 20% allowance) will be provided starting from the first month of seizure or recovery, until reaching an allowance of 100% of the seized or recovered value.
- (2) Real estate: After three and a half years, uniform monthly allowances must be provided for at the end of each month over the net book value obtained in the eighteenth or twelfth month, depending on whether the SBS extension term approval was obtained or not, respectively, until reaching a provision of 100% of the seized or recovered value.

An updated appraisal of the market value of seized assets (which should be determined by an independent appraiser and should not be more than one year old) is required and necessarily implies the creation of an impairment charge, when the net realization value is lower than its net book value. If the net realization value is higher than the net book value, the increased value cannot be recorded for accounting purposes.

Income tax

Current income tax is calculated on the basis of taxable income as determined for tax purposes, based on income tax principles as required by the tax authorities. Such principles differ from the accounting principles that we and our subsidiaries use.

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

Deferred tax assets and liabilities are recognized without taking into consideration the time in which it is estimated that temporary differences will be realized or settled. Deferred assets are recognized when sufficient future tax benefits are probable for the realization of the deferred assets. At the statement of financial position date, our management evaluates the non-recognized deferred assets and the balance of the recognized assets, and records deferred assets not previously recognized to the extent that probable future tax benefits will allow their recovery, or reduces the deferred assets to the extent that it is not likely that sufficient future tax benefits will be available to use part or all of the deferred assets recognized in the accounting records.

We determine our deferred income tax based on the tax rate applicable to our non-distributed profits and we recognize any additional tax for the distribution of dividends on the date on which the liability for distribution of such is recognized.

Workers' profit sharing

Workers' profit sharing is calculated on the basis of taxable income as determined for tax purposes, based on income tax principles as required by the tax authorities. Such principles differ from the accounting principles that we and our subsidiaries use.

Entities must only recognize a liability when the employee has rendered a service; therefore, the deferred workers' profit sharing should not be calculated by temporary differences; given that these differences would be attributable to future services that must not be considered as obligations or rights under IAS 19.

Supplementary plan for workers' profit sharing

Until 2008, we granted certain executives and employees with more than one year of service Stock Appreciation Rights (SARs) over Credicorp's shares. Credicorp is our ultimate shareholder and is listed on the Lima and New York stock exchanges. The SARs were granted at the price of Credicorp's shares on the grant date and are exercisable at that price, allowing recipient employees to benefit from the difference between the market price at the moment in which the rights/options are exercised and the agreed settlement price. The recorded expense in each year represents the estimated market value of the appreciation rights that can be exercised by the beneficiaries on the date of the consolidated statement of financial position. The price of the SARs is estimated using a binomial method in accordance with IFRS 2 "Share-based payments. At March 2014, this plan has been settled in full" For further details, see note 16 to the annual consolidated financial statements.

Stock awards accounting policy

On April 2009, a new supplementary plan for workers' profit sharing was implemented to benefit our key executives and employees in the form of stock awards. Under this new plan, we and our subsidiaries purchase Credicorp shares and transfer them to the beneficiaries of the plan. The shares are maintained as restricted securities until vesting and, for control purposes, recorded in the caption "Off-balance sheet accounts" of our consolidated statement of financial position. One third of the shares granted vest in each of the following three years on the anniversary of the grant date. In compliance with SBS Oficio 9771-2009, dated March 24, 2009, we and our subsidiaries record as an expense the full amount paid for the shares. This expense is included in the caption "Salaries and employee benefits" of the annual consolidated financial statements. For further details, see notes 3(r) and 16 to the annual consolidated financial statements.

In August 2011, the SBS issued Official Letter No. 38179-2011, by which it indicated that all share-based payments plan must be recorded following IFRS 2 – Share-based payments, starting January 1, 2012, but requiring prospective treatment.

Consequently, in accordance with IFRS 2, because the Bank is responsible of settling the plan and it is not settled in equity instruments of the Bank, but of Credicorp, the second share-based payment plan granted in the year 2012 is also recorded as cash settled.

The fair value of the shares and rights / options is estimated using a binomial method. The fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The liability is remeasured at each reporting date up to and including the settlement date, recognizing changes in fair value under “Compensation and benefits” in the consolidated statement of income. When the price or terms of the plans change, the effect of the change is recognized in the consolidated statements of income.

Sale and repurchase agreements

Securities sold under agreements to repurchase at a specified future date are not derecognized from the consolidated statement of financial position as the Bank and its subsidiaries retains substantially all of the risks and rewards of ownership. The corresponding cash received is recognized in the consolidated statement of financial position as an asset with a corresponding obligation to return it, including accrued interest as a liability within “Payables from repurchase agreements and security lending,” reflecting the transaction’s economic substance as a loan to the Bank and its subsidiaries. The difference between the sale and repurchase prices is treated as interest expense and is accrued over the life of agreement using the effective interest rate.

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

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

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

Recent Changes Affecting the Comparability of Our Results of Operations in Future Periods

Sale of Banco de Crédito Bolivia

On December 30, 2015 the Executive Committee of BCP approved, unanimously by all directors in attendance, the sale of total number of shares (14,121 shares) held by the Bank in Banco de Crédito de Bolivia to Inversiones Credicorp Bolivia S.A. In March 2016, management approved the sale and we obtained the required authorization from the Bolivian regulators.

In its general shareholders meeting held on March 10, 2016 Banco de Crédito de Bolivia, approved the capitalization of reserves for an amount of S/307.4 million (as translated from the original amount of BS. 607.5 million at an exchange rate of S/0.506 per Bs.1.00) and equivalent to U.S.\$89.5 million at an exchange rate of S/3.434 per U.S.\$1.00. This amount increased proportionally the capital stock of all shareholders. As a result, the capital structure changed and BCP, which had previously held 14,121 shares, obtained a total of 43,237 additional shares.

On May 12, 2016, Banco de Crédito del Peru, through the Bolivian Stock Exchange, carried out the sale of its entire equity holdings in Banco de Crédito de Bolivia to Inversiones Credicorp Bolivia S.A., an indirect subsidiary of Credicorp Ltd. In total, 43,237 shares were sold at a price of Bs. 25,811.00 per share, representing an amount of

Bs.1,115,990,207, an equivalent of S/541,073.3 thousand at an exchange rate of S/0.485 per Bs.1.00 and equivalent to U.S.\$162,680.8 thousand at an exchange rate of S/3.325 per U.S.\$1.00.

BCP will restate the comparative amount in its consolidated financial statements as of and for the year ending December 31, 2016 to reflect discontinued operations related to Banco de Crédito de Bolivia (BCB) and Inversiones Credicorp Bolivia S.A (ICBSA) as explained in the Note 30 to the December 31, 2015 audited financial statements and the Note 18 to the June 30, 2016 unaudited interim financial statements included in the Offering Memorandum.

As of December 31, 2015, the mainly balances shown in the balance sheet and income of BCB and ICBSA in the Bank's consolidated financial statements are as follow:

Balances of the consolidated statement of financial position

	As of December 31, 2015
	(Soles in millions) (unaudited)
Loans, net	4,556
Total assets	7,266
Deposits and obligations.....	6,379
Total liabilities.....	6,666
Net assets	600

Balances of the consolidated statement of profit and loss

	For the year ended December 31, 2015
	(Soles in millions) (unaudited)
Financial income.....	366
Financial expenses	(115)
Gross financial margin.....	251
Provision for loan losses.....	(32)
Net financial margin	219
Net income.....	69

The net income of S/ 69 million presented above represented 2.5% of BCP's consolidated net income as of December 31, 2015. After evaluating the impact on the financial and business analysis of BCP and its subsidiaries consolidated financial information, we have decided to not restate its consolidated financial statements as of and for the year ended December 31, 2015 for purposes of this offering memorandum.

Subsequent Events

We have evaluated the period after the balance sheet date and determined there were no significant events or transactions that required recognition or disclosure in the interim consolidated financial statements.

Results of Operations for the Six Months Ended June 30, 2015 and 2016

The following discussion is based upon information contained in the interim consolidated financial statements and should be read in conjunction therewith. The interim consolidated financial statements have been prepared in accordance with Peruvian GAAP.

The following table sets forth, for the six months ended June 30, 2015 and 2016, the principal components of our net income:

	For the six months ended June 30,	
	2015	2016
	(Soles in thousands) (unaudited)	
Financial income.....	4,321,561	4,817,303
Financial expense	(1,078,765)	(1,416,892)
Gross financial margin.....	3,242,796	3,400,411
Provision for loan losses.....	(965,352)	(892,121)
Gross financial margin after provision for loan losses	2,277,444	2,508,290
(Loss) gain for exchange difference	6,393	(43,447)
Net financial margin	2,283,837	2,464,843
Non-financial income	1,785,874	1,462,620
Operating expenses.....	(2,065,750)	(2,137,576)
Income before income tax	2,003,961	1,789,887
Income tax	(587,401)	(491,425)
Net income from continuing operations.....	1,416,560	1,298,462
Net Income from discontinued operations.....	33,743	140,561
Net Income	1,450,303	1,439,023
Attributable to:		
Equity holders of Banco de Crédito del Perú.....	1,446,589	1,431,704
Non-controlling interests	3,714	7,319

Net income decreased by S/11.3 million, or 0.8%, to S/1,439.0 million in the six months ended June 30, 2016 compared to the first six months of 2015. This decrease was primarily driven by a decrease of S/323.3 million, or 18.1%, in non-financial income. The decrease was partially offset by a S/157.6 million, or 4.9%, increase in gross financial margin, as explained below. Gross financial margin after provision for loan losses increased by S/230.8 million, or 10.1%.

Gross financial margin

The following table sets forth, for the six months ended June 30, 2015 and 2016, the components of our gross financial margin:

	For the six months ended June 30,	
	2015	2016
	(Soles in thousands) (unaudited)	
Financial income:		
Interest from loan portfolio.....	3,985,229	4,377,989
Interest from trading, available-for-sale and held-to-maturity investments, net	204,197	257,686
Interest from deposits in Central Bank and other banks	14,842	17,495
Commissions on loans and other financial transactions	3,939	148
Net gains (losses) in derivatives	84,285	157,302
Net fluctuation from derivative financial instruments position – swaps.....	10,905	—
Other	18,164	6,683
Total financial income	4,321,561	4,817,303
Financial expense:		
Interest on deposits and obligations.....	(319,733)	(413,166)
Interest on bonds and subordinated notes issued	(315,702)	(356,140)
Interest due to banks, correspondents and other entities.....	(437,828)	(442,197)
Deposit Insurance Fund fees.....	(3,639)	(59,748)
Fluctuation on derivative financial instruments position, net	-	(132,325)
Other	(1,863)	(13,316)
Total financial expense	(1,078,765)	(1,416,892)
Gross financial margin	3,242,796	3,400,411

In comparison to the first six months of 2015, our gross financial margin increased by S/157.6 million, or 4.9%, driven by a S/495.7 million, or 11.5%, increase in financial income. The increase in financial income was attributable primarily to higher loan balances in both foreign currency and Soles and as a result of a rebalancing of our interest earning assets toward more profitable assets, such as loans in local currency.

Financial income

Financial income increased by S/495.7 million, or 11.5%, to S/4.8 billion in the six months ended June 30, 2016 compared to the first six months of 2015, primarily as a result of higher loan balances in both foreign currency and Soles and as a result of a greater increase in what we believe are more profitable assets, such as loans in local currency with higher implicit nominal interest rates, than in what we believe are less profitable assets, such as deposits at the Central Bank and investments in securities. It is important to highlight the performance of our investment portfolio, on which average nominal interest rates earned was 3.6% as of June 30, 2016.

For the six months ended June 30, 2016, the monthly average balance of our foreign currency-denominated loan portfolio was S/30.1 billion, a decrease of 10.7% from the six months ended June 30, 2015, while the monthly average balance of our Sol-denominated loans was S/54.1 billion, an increase of 25.3% from the six months ended June 30, 2015. This trend was led by the wholesale loan portfolio, which was itself in turn due, in large part, to loan disbursements for working capital. The high growth in the local currency portfolio was due to a combination of factors, including: (i) the appreciation of the Sol in relation to U.S. dollars, (ii) increased lending in local currency for the corporate banking sector; and (iii) lower U.S. dollars funding needs in middle market companies due to the delay in the start of the local fishing season. These developments are generally in line with the goals established by the Central Bank for de-dollarization in the foreign currency portfolio.

Financial expense

Financial expense increased by S/338.1 million, or 31.3%, during the six months ended June 30, 2016 compared to the six months ended June 30, 2015. The increase was primarily driven by higher costs of derivative products as a result of currency swaps, where the rate paid in Soles was higher than the rate received in U.S. dollars. The increase was also due to higher rates paid for deposits, specifically time deposits in Soles due to, on the one hand, increases generally in the Peruvian financial system in loans in local currency and, on the other hand, an increase in deposits in foreign currency, which mismatch has caused an increase in yields for deposits in domestic currency as banks seek to attract more deposits in the medium and long term.

The average nominal interest rates paid on foreign currency-denominated deposits decreased from 0.40% in the six months ended June 30, 2015 to 0.31% in the six months ended June 30, 2016. The average nominal interest rate paid on Sol-denominated deposits increased from 1.7% in the six months ended June 30, 2015 to 2.2% in the six months ended June 30, 2016.

Our average interest-bearing foreign currency denominated deposits increased 18.6% to S/46,880.2 million in the six months ended June 30, 2016 from S/39,539.5 million in the six months ended June 30, 2015. Our average interest-bearing Sol-denominated deposits increased by 2.0% in the six months ended June 30, 2016 to S/36,574.2 million, compared to the S/35,858.3 million in the six months ended June 30, 2015.

Average nominal interest rates paid on Sol-denominated amounts due to banks and correspondents decreased from 4.8% in the six months ended June 30, 2015 to 4.6% in the six months ended June 30, 2016. Average nominal interest rates paid on foreign currency denominated amounts due to banks and correspondents increased from 3.8% in the six months ended June 30, 2015 to 4.1% in the six months ended June 30, 2016.

Average Sol-denominated amounts due to banks and correspondents increased 33.1% to S/17,069.9 million in the six months ended June 30, 2016 from S/12,823.9 million in the six months ended June 30, 2015. Our average foreign currency denominated amounts due to banks decreased 1.5% to S/19,584.7 million in the six months ended June 30, 2016 from S/19,892.5 million in the six months ended June 30, 2015.

Net financial margin

Our net financial margin (gross financial margin divided by average interest earning assets) decreased from 6.2% for the six months ended June 30, 2015 to 5.9% for the six months ended June 30, 2016.

Allowance for loan losses

The following table sets forth, for the six months ended June 30, 2015 and 2016, the movements in our allowance for loan losses, including reserves for indirect loans. Our provisions for indirect loans were S/218.8 million at June 30, 2016 compared to S/189.3 million at June 30, 2015.

	For the six months ended June 30,	
	2015	2016
	(Soles in thousands) (unaudited)	
Allowance for loan losses at the beginning of the year	3,465,419	4,109,388
Provisions of the period, net of recoveries	965,352	892,121
Recoveries of written-off loans	98,816	114,403
Write-offs	(688,107)	(820,910)
Sale of BCP Bolivia.....	(137,333)	(184,022)
Foreign exchange translation.....	6,907	(66,228)
Allowance for loan losses at the end of the period	3,711,054	4,044,752

We recorded additional provisions for loan losses of S/892.1 million in the six months ended June 30, 2016 and S/965.4 million in the six months ended June 30, 2015. Total write-offs amounted to S/820.9 million in the six months ended June 30, 2016 and S/688.1 million in the six months ended June 30, 2015. Total recoveries of write-offs reached S/114.4 million in the six months ended June 30, 2016, an increase compared to recoveries of S/98.8 million in the six months ended June 30, 2015.

Total allowance for loan losses, which amounted to S/4,044.8 million in the first six months of 2016, include the allowance for direct credits and indirect credits of approximately S/3,825.9 million and S/218.8 million, respectively.

Non-financial income

The following table reflects, for the six months ended June 30, 2015 and 2016, the components of our non-financial income:

	For the six months ended June 30,	
	2015	2016
	(Soles in thousands) (unaudited)	
Fees and commissions from banking services, net	1,002,524	1,080,930
Net gains (loss) from sales of securities	407,083	12,575
Net gains on foreign exchange transactions.....	347,660	328,677
Other non-financial income	28,607	40,438
Total non-financial income	1,785,874	1,462,620

Our non-financial income decreased 18.1% to S/1,462.6 million during the six months ended June 30, 2016. The decrease was primarily driven by a decrease of S/394.5 million, or 96.9%, in the gains generated from sales of securities, as explained below.

Fees and commissions from banking services, which is the main source of non-financial income, increased 7.8% to S/1,080.9 million during the six months ended June 30, 2016, as compared to the six months ended June 30, 2015. The increase in fees and commissions from banking services was principally due to an increase in account maintenance fees, increased commissions from credit card and debit card services and transfers.

Sales of securities resulted in a net profit of S/12.6 million in the six months ended June 30, as compared to a net profit of S/407.1 million in the six months ended June 30, 2015. The decrease is due principally to the extraordinary income registered in the six months ended June 30, 2015 due to the sale of our 100% stake in Banco de Crédito e Inversiones (BCI) Chile to Credicorp Ltd. for approximately S/338 million.

Our gains from foreign exchange transactions were S/347.7 million and S/328.7 million in the first six months of 2015 and 2016, respectively. The increase in 2016 was due to higher foreign exchange trading volumes in response, in part, to the higher volatility of the exchange rate and the depreciation of the Sol. Other non-financial income increased 41.4% to S/40.4 million in the six months ended June 30, 2016. As of June 2016, other non-financial income principally consists of the booking of an intangible asset for an IT development with McKinsey for our digital banking project and a reversal of provisions made for the payment of performance bonuses.

Operating expenses

The following table reflects, for the six months ending June 30, 2015 and 2016, the components of our operating expenses:

	For the six months ended June 30,	
	2015	2016
	(Soles in thousands) (unaudited)	
Salaries and employee benefits.....	1,115,329	1,146,150
General and administrative expenses.....	648,952	679,487
Depreciation and amortization.....	169,466	171,503
Taxes and contributions.....	68,011	88,737
Other	63,992	51,699
Total operating expenses	2,065,750	2,137,576

Our operating expenses (excluding provisions for loan losses) increased 3.5% to S/2,137.6 million during the six months ended June 30, 2016 from S/2,065.8 million during the six months ended June 30, 2015. The increase in 2016 compared to 2015 was due primarily to a 2.8% increase in salaries and employee benefits and a 4.7% increase in general and administrative expenses. We expect operating expenses to continue to increase in the second half of 2016, due to seasonal effects such as the launching of our Christmas financing campaigns.

For the six months ended June 30, 2016, salaries and employee benefits increased 2.8% or S/30.8 million. The increase in 2016 was due primarily to the increase in the number of BCP's employees caused by our acquisition of Mibanco, as well as by organic growth of our business.

General and administrative expenses increased 4.7% or S/30.5 million during the six months ended June 30, 2016. As a percentage of operating expenses, general and administrative expenses were 31.8% and 31.4% in the first six months of 2016 and 2015, respectively. The increase in expenses in 2016 was mainly due to higher programming and systems, infrastructure, channels and marketing expenses and taxes.

Depreciation and amortization increased 1.2% to S/171.5 million during the six months ended June 30, 2016. The increase in was mainly due to higher amortization expenses of intangible assets.

Other expenses decreased 19.2% to S/51.7 million in the six months ended June 30, 2016 compared to S/64.0 million in the six months ended June 30, 2015. In 2016, the decrease was driven by lower provisions for litigation, claims and other contingencies.

Income taxes

For the six months ended June 30, 2016 and 2015, our income tax expense was S/491.4 million and S/587.4 million, respectively. The statutory income tax rate payable in Peru in each of those periods was 28% of taxable income. BCP's effective tax rate was 27.5% in the first six months of 2016 and 29.3% in the first six months of 2015.

In December 2014, the Peruvian congress approved the reduction of the statutory tax rate payable in Peru from 30% to 28% for the years 2015 and 2016, to 27% for the years 2017 and 2018, and to 26% from 2019 onwards.

Results of Operations for the Years Ended December 31, 2013, 2014 and 2015

The following discussion is based upon information contained in the annual consolidated financial statements and should be read in conjunction therewith. The annual consolidated financial statements have been prepared in accordance with Peruvian GAAP.

The following table sets forth, for the years ended December 31, 2013, 2014 and 2015, the principal components of our net income:

	For the years ended December 31,		
	2013	2014	2015
	(Soles in thousands)		
Financial income.....	6,573,454	8,072,776	9,338,845
Financial expense.....	(1,996,835)	(2,152,053)	(2,393,623)
Gross financial margin.....	4,576,619	5,920,723	6,945,222
Provision for loan losses.....	(1,239,943)	(1,754,963)	(1,931,842)
Gross financial margin after provision for loan losses.....	3,336,676	4,165,760	5,013,380
(Loss) gain for exchange difference.....	155,072	245,406	17,516
Net financial margin.....	3,491,748	4,411,166	5,030,896
Non-financial income.....	2,273,819	2,525,803	3,390,930
Operating expenses.....	(3,472,495)	(4,154,340)	(4,518,313)
Income before income tax.....	2,293,072	2,782,629	3,903,513
Income tax.....	(650,638)	(875,540)	(1,096,151)
Net income from continuing operations.....	1,642,434	1,907,089	2,807,362
Net Income from discontinued operations.....	6,865	—	—
Net Income.....	1,649,299	1,907,089	2,807,362
Attributable to:			
Equity holders of Banco de Crédito del Perú.....	1,647,418	1,914,519	2,797,362
Non-controlling interests.....	1,881	(7,430)	10,000

In 2015, net income increased by S/900.3 million, or 47.2%, to S/2.8 billion compared to 2014. This increase was primarily driven by an increase of S/1,024.5 million, or 17.3%, in gross financial margin and an increase of S/865.1 million, or 34.3%, in non-financial income. The increase was partially offset by a S/176.9 million increase, or 10.1%, in provisions for loan losses and by a S/363.9 million, or 8.8%, increase in operating expenses. Gross financial margin after provision for loan losses increased by S/847.6 million, or 20.3%.

In 2014, net income increased by S/257.8 million, or 15.6%, to S/1.9 billion compared to 2013. This increase was primarily driven by an increase of S/1,344.1 million, or 29.4%, in gross financial margin. The increase was partially offset by a 681.8 million, or 19.6%, increase in operating expenses. Gross financial margin after provision for loan losses increased by S/829.0.6 million, or 24.8%.

Gross financial margin

The following table sets forth, the components of our gross financial margin:

	For the years ended December 31,		
	2013	2014	2015
Financial income:			
Interest from loan portfolio.....	6,029,470	7,531,096	8,582,347
Interest from trading, available-for-sale and held-to-maturity investments.....	438,007	423,877	455,863
Interest from deposits in Central Bank and other banks.....	88,344	38,188	26,809
Commissions on loans and other financial transactions.....	10,947	17,418	4,150
Fluctuation from derivative financial instruments position.....	-	52,331	244,329
Other.....	6,686	9,866	25,347
Total financial income.....	6,573,454	8,072,776	9,338,845

	For the years ended December 31,		
	2013	2014	2015
Financial expense:			
Interest on deposits and obligations	(726,005)	(756,703)	(740,530)
Interest on bonds and subordinated notes issued	(680,186)	(638,236)	(670,131)
Interest due to banks, correspondents and other entities.....	(407,459)	(498,212)	(837,220)
Deposit Insurance Fund fees.....	(89,494)	(97,693)	(113,242)
Fluctuation on derivative financial instruments position	(67,225)	(123,628)	(885)
Other	(26,466)	(37,581)	(31,615)
Total financial expense	(1,996,835)	(2,152,053)	(2,393,623)
Gross financial margin	4,576,619	5,920,723	6,945,222

Our gross financial margin increased by 17.3% in 2015 and 29.4% in 2014. The increase in gross financial margin was mainly due to an increase in income from interest on loans, net gain from hedging derivatives instruments and trading of interest on available-for-sale investments, which increases were partially offset by an increase in financial expense, mainly on balances due to banks and correspondents.

Financial income

Financial income increased by 15.7% in 2015 compared to 2014, after increasing by 22.8% in 2014 compared to 2013. The increases in 2015 and 2014 were primarily due to higher average loan balances.

The average nominal interest rates we earned on our loans were 10.8% in 2013, 11.1% in 2014, and 10.8% in 2015. The average nominal interest rate for foreign currency-denominated loans decreased from 6.8% in 2013 to 6.6% in 2014 and increased to 5.4% in 2015. Average nominal interest rates for Sol-denominated loans decreased from 15.7% in 2013 to 15.2% in 2014 and decreased further to 14.6% in 2015.

In 2014, the monthly average balance of our foreign currency-denominated loan portfolio was S/32.6 billion, an increase of 6.9% from 2013, while the monthly average balance of our Sol-denominated loans was S/35.5 billion, an increase of 40.2% from 2013. In 2015, the monthly average balance of our foreign currency-denominated loan portfolio was S/32.9 billion, an increase of 1.0% from 2014, while the monthly average balance of our Sol-denominated loans was S/46.6 billion, an increase of 31.4% from 2014. Our loan portfolio expanded as a result of the recent economic growth in Peru (3.3% and 2.4% real GDP growth in 2015 and 2014, respectively), the growth in commercial loans in both 2015 and 2014 and the appreciation of the U.S. Dollar in 2015 (which had a favorable impact on a significant portion of our loans that are denominated in foreign currency).

Financial expense

Financial expense increased in 2015 by 11.2% to S/ 2,393.6 million compared to an financial expense in 2014 of S/2,152.0 million, which was an increase of 7.8% compared to S/1,996.8 million in 2013. The increase in financial expense during 2015 was principally due to a higher average balances of deposits and higher balances due to banks and correspondents.

The average nominal interest rates paid on foreign currency-denominated deposits decreased from 0.6% in 2013 to 0.5% in 2014, and then to 0.5% in 2015, while the average nominal interest paid on Sol-denominated deposits increased from 1.9% in 2013 to 2.0% in 2014, and then decreased to 1.9% in 2015. The increasing dollarization of deposits and the declining dollarization of loans, driven by expectations for the depreciation of Sol, have influenced currency liquidity, and consequently, interest rates paid for deposits denominated in both currencies.

Our average interest-bearing foreign currency denominated deposits increased 21.8% to S/43,025.2 million in 2015 from S/35,322.5 million in 2014, followed by a 21.4% increase in 2014 from S/29,094.8 million in 2013. While our average interest-bearing Sol-denominated deposits increased by 1.9% in 2015 to S/35,634.5 million from S/34,964.4 million in 2014, and increased by 3.4% in 2014 from S/33,802.6 million in 2013. The rate of growth for average interest-bearing foreign currency denominated deposits accelerated or rapidly than that of our average interest-bearing Sol-denominated deposits, driven by the increased preference of the public for saving in U.S. Dollars, given the expectation of depreciation of Sol.

The average nominal interest rates paid on Sol-denominated amounts due to banks and correspondents decreased from 6.0% in 2013 to 2.0% in 2014, and then increased to 4.7% in 2015. The decrease in 2014 was due to the increase in repurchase agreements from the BCRP, with deadlines that fluctuate between one and two years, which represented a lower cost source of funding. The increase in 2015 was due to a new type of repurchase agreement launched by the BCRP called “expansion and substitution” with deadlines that fluctuate between two and four years, increasing the rate paid for those instruments, while the average nominal interest rates paid on foreign currency denominated amounts due to banks and correspondents increased from 4.5% in 2013 to 5.0% in 2014, and then decreased to 4.0% in 2015. The slight increase in 2014 was mainly due to higher aggregate amount of balances due to banks. The decrease in 2015 was mainly due to lower aggregate amount of balances due to banks.

The average Sol-denominated amounts due to banks and correspondents increased 95.2% to S/14,591.5 million in 2015 from S/7,476.2 million in 2014, followed by a 66.8% increase in 2014 from S/4,483.0 in 2013 driven by the increase of repurchase agreements issued by the BCRP, which have become an important source of funding in Soles, while our average foreign currency denominated amounts due to banks decreased 1.2% in 2015 to S/19,439.5 million from S/19,666.2 million in 2014, after having increased by 9.2% in 2014 from S/18,009.9 million in 2013. The decrease in 2015 was driven by the lower dependence on international financing. The increase in 2014 was driven by an increase in loans to finance foreign trade and working capital. .

Net financial margin

Our net financial margin (gross financial margin divided by average interest earning assets) increased from 5.2% in 2013 to 6.0% in 2014, and to 6.4% in 2015.

Allowance for loan losses

The following table sets forth, for the years ended December 31, 2013, 2014 and 2015, the movements in our allowance for loan losses, including reserves for indirect loans. Our provisions for indirect loans were S/122.3 million, S/129.7 million, and S/263.0 million at December 31, 2013, 2014 and 2015, respectively.

	For the years ended December 31,		
	2013	2014	2015
Allowance for loan losses at the beginning of the year	1,915,117	2,397,784	3,465,419
Provisions of the year, net of recoveries	1,239,943	1,754,963	1,931,842
Recoveries of written-off loans	134,725	196,688	217,868
Provision from the acquisition of Mibanco	-	564,276	-
Write-offs	(991,175)	(1,450,773)	(1,551,458)
Foreign exchange translation	99,174	2,481	45,717
Allowance for loan losses at the end of the year	2,397,784	3,465,419	4,109,388

Our allowance for loan losses, net of recoveries, increased by S/643.9 million, or 18.6%, in 2015 and increased S/1,067.6 million, or 44.5%, in 2014. The increase in 2015 was due to portfolio growth across all business segments and an increase in loan loss requirements in retail banking as a result of credit deterioration in this portfolio. The increase in 2014 was due to higher loan volumes across all business segments.

The increase in provisions in 2014 and 2015 was partially offset by write-offs, which increased by 6.9% in 2015, and by 46.4% in 2014. These write-offs were loans that were fully provisioned and considered unrecoverable. See “Regulatory Environment—Loan Loss Reserves.”

Total reserves, including reserves for indirect loans, as a percentage of past due loans were 177.9% at year-end 2015 compared to 172.6% at year-end 2014 and 167.0% at year-end 2013. Total reserves as a percentage of loans with risk classifications of deficient, doubtful and loss, increased to 112.8% in 2015 from 96.3% in 2014 after decreasing from 108.6% in 2013. Given the changing composition of our loan portfolio and recent developments in the Peruvian and global economies, our historical loss experience may not be indicative of our future loan loss experience.

Non-financial income

The following table reflects the components of our non-financial income:

	For the years ended December 31,		
	2013	2014	2015
Fees and commissions from banking services	1,755,663	1,953,907	2,155,447
Net gains from sales of securities	(78,754)	63,221	415,760
Net gains on foreign exchange transactions.....	515,562	457,489	741,553
Other non-financial income	81,348	51,186	78,170
Total non-financial income	2,273,819	2,525,803	3,390,930

Our non-financial income increased by 34.3% to S/3,390.9 million in 2015 compared to S/2,525.8 million in 2014, which was in turn an increase of 11.1% compared to S/2,273.8 million in 2013. The increases in 2015 and 2014 were primarily due to an increase in fees and commissions from banking services, net of gains from sales of securities and net of gains on foreign exchange transactions.

Fees and commissions from banking services increased by 10.3% to S/2,155.4 million in 2015 compared to S/1,953.9 million in 2014, which was in turn an 11.3% increase from S/1,755.6 million in 2013. The increases in fees and commissions from banking services in 2014 and 2015 were primarily due to an increase in maintenance of accounts, transfers and credit/debit card services, commissions for banking services, collection services and fund management fees.

Net gains from sales of securities increased 557.6% to S/415.8 million in 2015 compared to S/63.2 million in 2014, which was in turn an increase of 180.3% from a loss of S/78.7 million in 2013. The increase in 2015 was due to a S/338 gain from the sale of 50% of our stake in BCI shares, while the increase in 2014 was primarily due to the increased volatility in capital markets, which caused the appreciation of stock prices in our investment portfolio.

Net gains on foreign exchange transactions increased 62.1% to S/741.6 million in 2015 compared to S/457.5 million in 2014, which was in turn a decrease of 11.3% from S/515.6 million in 2013. The increase in 2015 compared to 2014 was primarily due to larger spread in our currency exchange positions. The decrease in 2014 compared to 2013 was due to a lower spread in our currency exchange position.

Other non-financial income increased by 52.7% to S/78.2 million in 2015, compared to S/51.2 million in 2014, which was a decrease of 37.1% from S/81.3 million in 2013. The increase in 2015 in other non-financial income was driven primarily by the recovery of write-offs from our leasing portfolio. The decrease in 2014 in other non-financial income was driven primarily by lower recoveries of write-offs and lower outsourcing and technical support income.

Operating expenses

The following table reflects, for the years ended December 31, 2013, 2014 and 2015, the components of our operating expenses:

	For the years ended December 31,		
	2013	2014	2015
Salaries and employee benefits	1,707,008	2,104,991	2,357,258
General and administrative expenses.....	1,210,170	1,415,875	1,529,838
Depreciation and amortization.....	289,718	344,314	349,986
Provision for seized assets	7,325	4,404	1,661
Taxes and contributions	135,904	148,953	165,678
Other	122,370	135,803	113,892
Total operating expenses	3,472,495	4,154,340	4,518,313

Our operating expenses (excluding provisions for loan losses) increased 8.8% to S/4.5 billion in 2015, increased 19.6% to S/4.2 billion in 2014, from S/3.5 billion in 2013. The increase in 2015 compared to 2014 was due to a 8.0% increase in general and administrative expenses and a 12.0% increase in salaries and employee benefits. The increase in 2014 compared to 2013 was due to a 23.3% increase in salaries and employee benefits and a 17.0% increase in general and administrative expenses.

Salaries and employee benefits increased 12.0% in 2015 and increased 23.3% in 2014. The increase in 2015 and 2014 was principally due to higher expenses for salaries, vacation pay, medical assistance and other personnel expenses in line with our organic growth.

General and administrative expenses increased from S/1,210.2 million in 2013 to S/1,415.9 million in 2014, and increased to S/1,529.8 million in 2015, representing an increase of 17.0% from 2013 to 2014 and an increase of 8.0% from 2014 to 2015. As a percentage of operating expenses, general and administrative expenses were 33.9%, 32.8% and 34.1% in 2015, 2014 and 2013, respectively. The increase in expenses in 2015 was mainly due to higher consulting, information technology outsourcing and infrastructure expenses. The increase in expenses in 2014 and 2013 was mainly due to higher marketing and Mibanco acquisition related expenses.

Depreciation and amortization increased 1.6% to S/349.9 million in 2015 from S/344.3 million in 2014 and increased 18.8% in 2014 from S/289.7 million in 2013. The increase in 2015 and 2014 was due mainly to higher amortization expenses of intangible assets and higher depreciation of buildings and equipment.

Other expenses decreased 16.1% to S/113.9 million in 2015 from S/135.8 million in 2014 and increased 11.0% in 2014 from S/122.4 million in 2013. The decrease in 2015 was due mainly to decreased losses from litigation and claims from clients and fewer credit write-offs at Mibanco, while the increase in 2014 was due mainly to increased losses from litigation and claims, at BCP stand-alone and at Mibanco.

Income taxes

Our income tax expense was S/1,096.2 million in 2015, S/875.5 million in 2014 and S/650.6 million in 2013. The statutory income tax rate payable in Peru in 2015 was 28.0% of taxable income and in each of 2014 and 2013 was 30% of taxable income. BCP's effective tax rates in 2013, 2014 and 2015 were 26.8%, 31.5% and 28.1%, respectively.

Analysis of Financial Condition

Total assets

The following table presents the distribution of our assets at the dates indicated:

	As of December 31,			As of June 30,
	2013	2014	2015	2016
	(Soles in thousands)			
Cash and due from banks, and interbank funds	21,448,486	24,818,983	31,541,285	29,595,218
Investments at fair value through profit or loss and available for sale, net, and investments held to maturity	12,380,028	11,723,072	13,741,248	12,752,138
Gross loans	62,361,144	77,453,064	88,040,024	84,122,546
Allowance for loan losses	(2,275,478)	(3,335,733)	(3,846,067)	(3,825,917)
Net loans	60,085,666	74,117,331	84,193,957	80,296,629
Other assets	4,029,034	4,991,119	6,026,949	5,406,214
Total assets	97,943,214	115,650,505	135,503,439	128,050,199

Total assets increased by 18.1% in 2014. As of December 31, 2015, we had total assets of S/135.5 billion, which represents an increase of 17.2% from December 31, 2014. As of June 30, 2016, we had total assets of S/128.1 billion, which represents a decrease of 5.5% from December 31, 2015, due primarily to the sale of our 100% stake in Banco de Crédito Bolivia.

In 2015, net loans increased by 13.6% driven by the expansion in our wholesale portfolio. Cash and due from banks increased by 27.1%, principally due to higher amounts maintained in cash collateral, reverse repurchase agreements and securities borrowings. Investments available-for-sale and investments held-to-maturity increased mainly due to an increase in government treasury and sovereign bonds, BCRP certificates of deposit and corporate and leasing bonds.

In 2016, net loans decreased by 4.6%, mainly due to the sale of our 100% stake in Banco de Crédito Bolivia. Cash and due from banks also decreased by 6.2%, due to lower amounts maintained in cash collateral, reverse repurchase agreements and securities borrowings. Investments available-for-sale and investments held-to-maturity decreased mainly due to less investment in BCRP certificates of deposit, corporate and leasing bonds and foreign government bonds.

As of December 31, 2015, our total loans, which correspond to direct loans including accrued interest and excluding unearned interest, were S/88.0 billion and represented 65.0% of total assets. Loans net of allowance for loan losses, were S/84.2 billion, as of the same date. As of December 31, 2014, our total loans were S/77.5 billion, which represented 67.0% of total assets, and loans net of allowance for loan losses were S/74.1 billion. From December 31, 2014 to December 31, 2015 our total loans increased by 13.7%, and loans net of allowance for loan losses increased by 15.3%.

Our total deposits with the Peruvian Central Bank decreased to S/13.9 billion as of December 31, 2015 from S/14.0 billion as of December 31, 2014. Our total deposits with the Peruvian Central Bank were S/15.6 billion in 2013. Our total deposits with the Peruvian Central Bank continued to decrease to S/12.4 billion as of June 30, 2016. Our securities holdings (which include trading securities, available-for-sale and held-to-maturity investments) increased by 17.2% to S/13.7 billion as of December 31, 2015 from S/11.7 billion as of December 31, 2014, and as compared to S/12.4 billion in 2013. The increase of the securities portfolio in 2015 was primarily due to higher investments in governments' treasury bonds, BCRP certificates of deposit and corporate, leasing and subordinated bonds. As of June 30, 2016 our securities holdings decreased to S/12.6 million, mainly due to a decrease in our purchases of BCRP certificates of deposits.

As of June 30, 2016, our direct loans, net of provisions, were S/80.3 billion compared to S/84.2 billion, S/74.1 billion and S/60.1 billion as of December 31, 2015, 2014, and 2013, respectively. This was a result of an increase primarily in our wholesale loan portfolio in local currency and the results of the acquisition of Mibanco. Our direct net loans represented 62.7% of our total assets as of June 30, 2016 as compared to 62.1% of our total assets as of December 31, 2015, 64.1% of our total assets as of December 31, 2014 and 61.3% as of December 31, 2013.

Total liabilities

The following table presents the distribution of our liabilities at the dates indicated:

	As of December 31,			As of June 30,
	2013	2014	2015	2016
	(Soles in thousands)			
Deposits and obligations	64,747,081	72,749,718	84,182,613	76,398,329
Due to banks, correspondents and other entities, and interbank funds	9,599,885	11,019,475	9,142,676	10,000,661
Bonds and subordinated notes issued.....	11,429,081	12,912,762	14,445,273	13,656,079
Payables from repurchase agreements	2,433,811	6,790,872	12,696,685	13,324,532
Other liabilities	1,520,862	2,235,456	2,950,640	2,451,314
Total liabilities.....	89,730,720	105,708,283	123,417,887	115,830,915

As of June 30, 2016, we had total liabilities of S/115.8 billion, a decrease of S/7.6 billion, or 6.1%, as compared to December 31, 2015. In 2014 total liabilities increased by 17.8% and in 2015 total liabilities increased by 16.8%. Total deposits increased by S/8.0 billion from December 31, 2013 to December 31, 2014 and increased by 15.7% to S/84.2 billion from December 31, 2014 to December 31, 2015. In the first six months of 2016, total deposits decreased by S/7.8 billion to S/76.4 billion, due primarily to the sale of our 100% stake in Banco de Crédito Bolivia.

Due to banks, correspondents and other entities, and interbank funds increased by 9.4% to S/10.0 billion in the first six months of 2016 after decreasing by 17.0% to S/9.1 billion in 2015, as compared to 2014 and increasing by 14.8% to S/11.0 billion in 2014 compared to 2013. The increase in the first six months of 2016 was due mainly to an increase in loans to finance foreign trade and working capital. The increase in 2015 was due to the increase of our funding base and our ability to get funding at more attractive rates. The increase in 2014 was mainly due to an increase in loans to finance foreign trade and working capital with 63 foreign entities.

Bonds and subordinated notes issued increased from S/11.4 billion as of December 31, 2013 to S/12.9 billion as of December 31, 2014, and to S/14.4 billion as of December 31, 2015. In the first six months of 2016, bonds and subordinated notes issued decreased by S/0.7 billion or 5.5%. The decrease as of June 30, 2016 is attributable to the fact that no long term debt issuances was executed and thus, this source has decreased their share in our funding structure.

Our funding strategy has been structured around maintaining a diversified deposit base. In 2014, demand deposits increased 14.5% to S/23.8 billion, savings deposits increased 19.4% to S/21.2 billion and time deposits, including Severance Indemnity Deposits (“CTS” by its Spanish acronym) and negotiable certificates, increased 5.8% to S/27.5 billion. In 2015, demand deposits increased 13.0% to S/26.9 billion, savings deposits increased 17.4% to S/24.9 billion and time deposits, including CTS deposits and negotiable certificates, increased 16.9% to S/32.1 billion. In the first six months of 2016, demand deposits decreased 6.8% to S/25.1 billion, savings deposits decreased by 6.3% to S/23.3 billion and time deposits, including CTS deposits and negotiable certificates, decreased 13.3% to S/27.9 billion. Based on information published by the SBS, unconsolidated figures and figures for Mibanco, we estimate that as of June 30, 2016, we had 42.4% of total savings deposits in the Peruvian banking system and 36.4% of total deposits, both representing the highest share among Peruvian banks. An important characteristic of our deposit base is that, as of June 30, 2016, it included 48.1% of the entire Peruvian banking system’s CTS deposits (severance indemnity deposits), compared to 49.2% as of December 31, 2015. We believe that we traditionally have attracted a high percentage of the savings and CTS deposit market because of our reputation as a sound institution, our extensive branch network and the quality of our service. Our core deposits (savings, CTS and demand deposits) accounted for 72.5% of our total deposits as of June 30, 2016 (70.0% as of December 31, 2015). Based on figures published by the SBS, our market share in these types of deposits amounted to 40.9% of the Peruvian banking system as of June 30, 2016, compared to 40.1% as of December 31, 2015.

Dividend Policy and History

It is our policy to pay cash dividends each year in an amount not less than 20% of our net income. The annual general shareholders’ meeting determines the amount of dividends to be paid considering, among others, the economic and finance condition of the Bank and the existence of net income or accumulated income from previous years.

The following table summarizes our dividend payout ratios:

	As of and for the years ended December 31,			As of and for the six months ended June 30,
	2013	2014	2015	2016
Dividend payout ratio(1)	20.5%	20.3%	41.7%	—
Dividends declared (Soles in thousands)(2)	337,736	387,265	1,170,810	—

(1) Dividend payout ratio is dividends presented in each year divided by net income for the respective year.

(2) Dividends presented each year that were declared and paid in the subsequent year.

Liquidity and Capital Resources

Regulatory Capital and Capital Adequacy Ratios

The following table summarizes our regulatory capital and capital adequacy ratios:

	As of December 31,			As of June 30,
	2013	2014	2015	2016
	(Soles in thousands, except percentages)			
	(unaudited)			
Regulatory capital and capital adequacy ratio(1)				
Capital stock, net	3,752,617	4,722,752	5,854,051	7,066,346
Legal and other capital reserves.....	2,422,230	2,761,777	3,157,900	3,582,218
Accumulated earnings with capitalization agreements	504,000	1,000,000	600,000	—

	As of December 31,			As of June 30,
	2013	2014	2015	2016
	(Soles in thousands, except percentages)			
	(unaudited)			
Computable subordinated debt	698,750	746,500	852,750	822,250
Unrealized gains in subsidiaries	631,575	627,029	334,132	119,095
Less: goodwill	(122,083)	(122,083)	(122,083)	(122,083)
Less: investment in subsidiaries and financial institutions and other	(693,298)	(1,093,033)	(961,030)	(673,553)
Total basic regulatory capital	7,193,791	8,642,942	9,715,725	10,794,274
Loan loss reserves(2)	834,388	1,007,150	1,146,571	1,140,215
Computable subordinated debt	3,417,962	4,146,707	4,588,342	4,442,054
Less: investment in subsidiaries and financial institutions	(692,170)	(1,093,033)	(961,030)	(673,553)
Total supplementary regulatory capital	3,560,179	4,060,825	4,773,883	4,908,716
Total regulatory capital	10,753,970	12,703,767	14,489,603	15,702,990
Risk-weighted assets	74,379,368	87,938,922	101,068,773	99,612,081
Regulatory capital requirements				
Risk capital requirements	7,437.9	8,794	10,107	9,961
Additional capital requirements(3)	1,171.2	1,753	2,105	2,099
Total regulatory capital requirements	8,609.1	10,547	12,212	12,060
Capital ratios				
Regulatory capital as a percentage of risk-weighted assets(1)(4)	14.5%	14.5%	14.3%	15.8%
Ratio of risk-weighted assets to regulatory capital(5)	6.9x	6.9x	7.0x	6.3x

- (1) Regulatory capital as calculated in accordance with guidelines by the BIS II Accord as adopted by the SBS. This ratio is calculated on an unconsolidated basis.
- (2) Since July 1, 2009, amended SBS rules allow banks using the standardized method for capital adequacy purposes to include loan loss reserves up to 1.25% of risk-weighted assets in the calculation of regulatory capital.
- (3) On July 20, 2011, the SBS issued SBS Resolution No. 8425-2011, establishing the methodologies and the implementation schedule of the additional capital requirements. The new capital requirements, which are aimed at covering risks not contemplated in Pillar I of Basel II, include requirements to cover concentration, interest rate and systemic risk. Additionally, pro-cyclical capital requirements were also established.
- (4) As part of the implementation of Basel II, the SBS minimum regulatory capital requirement, expressed as a percentage of risk-weighted assets has been progressively increased from 9.8% effective July 1, 2010 to 10% effective July 1, 2011, onwards. For further details see “Regulatory Environment—Implementation of Basel Principles—Capital adequacy.”
- (5) As part of the implementation of Basel II, this ratio has been lowered from 10.2x effective July 1, 2010, to 10.0x effective July 1, 2011, onwards. For further details see “Regulatory Environment—Implementation of Basel Principles—Capital adequacy.”

Liquidity Risk

We manage our assets and liabilities to ensure that we have sufficient liquidity to meet our present and future financial obligations and to be able to take advantage of appropriate business opportunities as they arise. Liquidity risk represents the potential for loss as a result of limitations on our ability to adjust future cash flows to meet the needs of depositors and borrowers and to fund operations on a timely and cost-effective basis. Financial obligations arise from withdrawals of deposits, repayment on maturity of purchased funds, extensions of loans or other forms of credit, and working capital needs.

The growth of our deposit base over the years has enabled us to significantly increase our lending activity. We are subject to SBS Resolution No. 9075-2012, enacted in December 2012, which sets responsibilities for liquidity management within the different committees and risk units, and by which minimum liquidity ratios were

established. The ratio of liquid assets as a percentage of short-term liabilities, as strictly defined by the SBS, must exceed 8% for Soles-based transactions, and 20% for foreign exchange-based transactions. The aggregate average daily ratios during the month of December 2015 were 26.7% and 37.0% for Soles and foreign exchange-based transactions, respectively, and during the month of June 2016 were 28.2% and 40.5% for Soles and foreign exchange-based transactions, respectively, demonstrating our excess liquidity. We have not defaulted on any of our debt or been forced to reschedule any of our obligations. Even during the early 1980s, when the government of Peru and many Peruvian companies and banks were forced to restructure their debt as a result of the Latin American debt crisis and government restrictions, we complied with all of their payment obligations.

The capability of replacing interest-bearing deposits at their maturity is a key factor in determining liquidity requirements, as well as the exposure to interest and exchange rate risks. Our principal source of funding is customer deposits with our retail banking group. We believe that funds from our deposit-taking operations generally will continue to meet our liquidity needs for the foreseeable future.

Our retail banking group has developed a diversified and stable deposit base and our private banking group has developed a stable deposit base, which in each case, provides us with a low-cost source of funding. This deposit base has traditionally been one of our greatest strengths. The deposit gathering strategy has focused on products considered as core deposits: demand deposits, savings, time deposits and CTS deposits. Other sources of funds and liquidity, which are mostly short- and long-term borrowings from correspondent banks and other financial institutions, issued bonds, and subordinated debt, are of a considerably lower significance compared than our core deposits.

We have implemented corporate policies for liquidity risk management. These policies are consistent with the particular characteristics of each operating segment. Heads of risk management establish limits and autonomy models to determine the adequate liquidity indicators to be managed. We monitor liquidity risk exposure based on indicators such as (i) the Internal Liquidity Coverage Ratio (“ILCR”), which measures the amount of liquid assets available to meet needs that would result from cash outflows within a given stress scenario for a period of 30 days, and (ii) the Internal Ratio of Stable Net Funding, which is intended to ensure that long-term assets are financed with a minimum number of stable liabilities within a prolonged liquidity crisis scenario; The latter indicator functions as a minimum compliance mechanism that supplements the ILCR. The core limits of these indicators are 100% and any excess is presented to our Treasury Risk Committee and Assets and Liabilities Management (“ALM”).

The following table presents our core deposits, other deposits and other sources of funds:

	As of December 31,			As of June 30,
	2013	2014	2015	2016
	(Soles in thousands)			
Core deposits				
Demand deposits.....	20,771,926	23,792,476	26,871,690	25,050,184
Savings deposits	17,764,196	21,214,172	24,905,754	23,338,183
CTS deposits.....	6,719,031	6,848,396	7,183,421	6,997,706
Total core deposits	45,255,153	51,855,044	58,960,865	55,386,073
Other deposits(1)	19,292,203	20,662,753	24,963,396	20,859,376
Total deposits	64,547,356	72,517,797	83,924,261	76,245,449
Interest payable.....	199,725	231,921	258,352	152,880
Total deposits (including interest payable).....	64,747,081	72,749,718	84,182,613	76,398,329
Due to banks, correspondents and other entities, and interbank funds.....	12,033,696	17,810,347	21,839,361	23,325,193
Issued bonds	11,429,081	12,912,762	14,445,273	13,656,079
Total sources of liquid funds(2)	88,209,858	103,472,827	120,467,247	113,379,601
Core deposits as a percent of total deposits	70.1%	71.5%	70.3%	72.6%
Core deposits as a percent of total sources of liquid funds	51.3%	50.1%	48.9%	48.9%

(1) Mostly time deposits and certificates of deposits.

(2) Includes total deposits, due to banks and correspondents, payables from repurchase agreements and issued bonds.

The increase of S/1.4 billion in other deposits in 2014 was driven by the higher interest rates offered for time deposits and certificates of deposit. The increase of S/4.3 billion in other deposits in 2015 was driven by the increase in time-deposit balances in foreign currency. The decrease of S/4.1 billion as of June 30, 2016, was driven by a contraction in time-deposit balances in domestic currency.

We are required to maintain deposits with the Central Bank, as legal reserves, determined as a percentage of the deposits and other liabilities owed to our clients. The Central Bank has set the minimum level of reserves for banks at 6.5% for local currency and 9.0% for foreign currency. However, the Central Bank also establishes a marginal reserve requirement of 70.0% in foreign currency for funds that exceed a certain level set by the Central Bank. Foreign currency cannot be used to comply with reserve requirements for liabilities in domestic currency, and vice versa. The Central Bank oversees compliance with the reserve requirements.

The following table presents our deposits at the Central Bank, and our short-term investments in Central Bank certificates:

	As of December 31,			As of June 30,
	2013	2014	2015	2016
(Soles in thousands)				
Funds at Central Bank				
Deposits.....	15,634,276	14,003,756	13,953,844	12,376,694
Certificates of deposit	5,324,385	3,064,609	6,006,109	5,707,276
BCRP Repurchase transactions	949,629	4,625,291	10,612,840	11,113,813
Total funds at Central Bank	21,908,290	21,693,656	30,572,793	29,197,783
Total funds at Central Bank as a percent of total deposits	33.8%	29.8%	36.3%	38.2%

At times we have accessed Peru's short-term interbank deposit market, although generally we are lenders in this market. The Peruvian Central Bank's discount window, which makes short-term loans to banks at premium rates, is also available as a short-term funding source, but has been used infrequently by us.

On June 30, 2015, we had uncommitted credit lines with various banks, including long-term facilities that are mainly used for project financing, of which no significant amount was drawn down. We have also received long term funding from Cofide, Corporación Andina de Fomento, and other international lenders. The transactions relating to these credit lines include import and export transactions and average annual rates (including LIBOR) vary from 0.4% to 7.8%. As of June 30, 2016, borrowed funds due to banks, correspondents and other entities, and interbank funds amounted to S/10,000.7 million as compared to S/9,142.7 million as of December 31, 2015, S/11,019.5 as of December 31, 2014 million and S/9,599.9 million as of December 31, 2013.

The following table presents, for the six months ended June 30, 2016 and for the years ended December 31, 2013, 2014 and 2015, our bond issuances:

	For the years ended December 31,			For the six months ended June 30,
	2013	2014	2015	2016
(Soles in thousands)				
Bonds issued				
Corporate bonds	1,129,077	737,240	100,000	272,870
Leasing bonds.....	—	—	—	—
Subordinated bonds	503,100	685,209	0	100,000
Other	—	—	—	—
Total	1,632,177	1,422,449	100,000	372,870

Among the policies that we follow to ensure sufficient liquidity are the active management of interest rates and the active monitoring of market trends, in order to identify and provide for changes in the supply of deposits or the demand for loans.

Off-Balance Sheet Arrangements

We have various contractual arrangements, such as indirect loan contracts, that are not recognized as liabilities in our consolidated financial statements but are required to be registered in off-balance sheet accounts. We enter into these off-balance sheet arrangements to generate fees from guarantees, letters of credit and derivative transactions offered to customers (including foreign currency forwards, interest rate swaps, cross currency swaps, and options). We also enter into derivative transactions (including foreign currency forwards, interest rate swaps and cross currency swaps) to hedge our exposure when entering into such transactions with our clients and to hedge our consolidated statement of financial position against interest rate and currency movements.

The following table reflects our off-balance sheet arrangements (notional amounts) as of June 30, 2016 and December 31, 2013, 2014 and 2015:

	As of December 31,			As of June 30,
	2013	2014	2015	2016
	(Soles in thousands)			
Contingent Operations				
Guarantees and stand-by letters of credit	11,230,734	15,870,966	17,439,434	13,905,099
Import and export letters of credit.....	1,645,162	1,648,405	1,589,688	1,730,831
Due from bank acceptances.....	189,187	167,653	222,496	264,235
Total indirect loans	13,065,083	17,687,024	19,251,618	15,900,165
Responsibilities under credit agreements.....	11,771,285	17,039,176	22,914,670	16,695,340
Other contingent operations.....	12,891	189,063	38,745	15,438
Total contingent risks and commitments.....	24,849,259	34,915,262	42,205,033	32,610,943
Derivatives				
<i>Held for trading</i>				
Forward exchange contracts	13,475,895	14,384,380	8,829,707	7,075,083
Interest rate swaps	3,913,659	4,444,288	4,072,117	5,830,146
Cross currency swaps	3,550,232	7,701,186	16,586,465	11,083,318
Options	1,333,669	1,980,405	2,135,684	1,452,604
<i>Held as hedges</i>				
Interest rate swaps	2,619,473	9,293,924	10,467,053	10,714,658
Cross currency swaps	689,623	473,313	644,398	675,473
Cross currency and interest rate swaps.....	91,423	—	272,880	312,455
Total derivatives	25,673,974	38,277,496	43,008,303	37,143,737
Total off-balance sheet arrangements	50,523,233	73,192,758	85,213,336	69,754,680

In the normal course of our business, we engage in transactions with off-balance sheet risk exposure. These transactions expose us to credit risk in addition to the amounts recognized in the consolidated financial statements. Credit risk for off-balance sheet financial instruments is defined as the possibility of sustaining a loss because any other party to a financial instrument fails to perform in accordance with the terms of the contract. Our exposure to losses under commitments to extend credit, and export and import letters of credit and guarantees is represented by the contractual amount specified in these instruments. We apply the same credit policies in making commitments and assuming conditional obligations as we do for on-balance sheet instruments, including the requirement to obtain collateral to support off-balance sheet financial instruments, when it is deemed necessary. Collateral held varies, but may include deposits held in financial institutions, securities or other assets.

Due to the fact that many of the indirect loans are expected to expire without any payment being required from us, the total committed amounts do not necessarily represent future cash requirements.

Export and import letters of credit and guarantees and stand-by letters of credit are conditional commitments issued by us to guarantee the performance by a customer of an obligation to a third party. Export and import letters of credit are mainly issued as credit enhancements for overseas commercial transactions. Risks associated with these credits are reduced by the participation of third parties.

The risks associated with derivative contracts arise from the possibility that the counterparty fails to comply with the agreed terms and conditions and that the reference rates at which the transactions took place change.

We have currency-forwards derivatives, which are commitments to buy or sell currency at a future date at a contracted price. Risk arises from the possibility that the counterparty to the transaction will not perform as agreed and from the changes in the prices of the underlying currencies. These agreements are entered into to satisfy client requirements and are recognized in the financial statements at their fair value.

Our swap contracts include interest rate and cross-currency swap contracts. Interest rate swaps are derivatives contracts, where counterparties exchange variable interest rates for fixed interest rates, respectively, in the terms and conditions established at the contract's inception. The risk arises each time the projected level of the variable rate during the term of the contract is higher than the swap rate, as well as from non-compliance with contractual terms by one of the parties. Cross-currency swap derivative contracts involve the exchange of interest payments based on two different currency principal balances and referenced interest rates. They generally also include the exchange of principal amounts at the start and end of the contract.

We provide custody, trust, corporate administration, investment management and consulting services to third parties. Assets held in trust are not recorded in the consolidated financial statements.

Commitments and Contractual Obligations

We enter into various commitments and contractual obligations which we recognize on our statement of financial position that may require future cash payments. The following table summarizes our commitments and contractual obligations by remaining maturity as of June 30, 2016:

		Payments due by period		
	Total as of June 30, 2016	Less than 1 year	1–5 years	More than 5 years
		(Soles in thousands)		
Bonds.....	13,479,779	360,204	1,501,447	11,618,128
Time deposits(1)	20,859,376	19,051,614	1,799,922	7,840
Interbank funds	1,167,003	1,167,003	—	—
Due to banks and correspondents(2)	20,106,130	6,354,529	10,752,258	2,999,343
Total	55,612,288	26,933,350	14,053,627	14,625,311

(1) Includes time deposits and negotiable certificates.

(2) Includes mainly loans to fund foreign trade operations and working capital, and promotional credit lines granted by COFIDE to promote affordable housing in Peru. Some of the loan agreements include standard clauses requiring us to comply with financial ratios, use of funds covenants and other administrative matters. In our management's opinion, such standard clauses do not limit our normal operation, and are substantially fulfilled in the application of standard international banking practices. Financings recorded under due to banks and correspondents bear interest at prevailing domestic and international market rates and do not have specific guarantees.

As of June 30, 2016, due to banks, correspondents, and other entities included loans maintained with CCR Inc. (a Credicorp subsidiary) for U.S.\$398.8 million, equivalent to S/1,311.7 million, (U.S.\$485.8 million, equivalent to S/1,657.0 million as of December 31, 2015) as part of the notes issued under our diversified payment rights program, whereby CCR Inc. incurred debt that is secured by the collection of future inflows. For further details, see note 12(c) to our interim consolidated financial statements and 12(c) to our audited consolidated financial statements as of December 31, 2015.

Trend Information

According to figures published by the SBS, in the six months ended June 30, 2016, Peru's financial system deposits fell by 2.1% and direct loans grew by 1.2%. Commercial banks' deposits in turn fell by 2.6% and direct loans grew by 0.9%, while official GDP figures reported by the INEI show an accumulated GDP growth of 4.0% over the same period.

For the remainder of 2016 we expect an economic environment similar to 2015, which was marked by challenges resulting from slow growth in the Peruvian economy, high volatility in the international financial markets, and lower commodities prices. We estimate that Peruvian economy will continue growing and the financial system will expand due to the increase in the level of banking service utilization and insurance penetration in a scenario of lower real GDP growth compared growth rates from prior years.

Within our banking business, we expect to continue to implement our strategy to strengthen risk management in retail banking segments by using approval models and engaging collections that are aligned with price models, enabling us to achieve projected profitability levels. We intend to focus on improving our clients' experience through different points of access and by improving and innovating our on-line banking platform. As such, we intend to continue to seek an adequate balance between market share, profitability and operating efficiency.

In our micro lending business, we intend to continue to consolidate and improve the profitability of Mibanco. We intend to review segmentation to fine tune our value proposals and align them with the needs of each segment, optimizing commercial models, risk models and collections. In addition, we intend to strengthen the institutionalization of our organizational culture, which is the main pillar of our management model.

SELECTED STATISTICAL AND OTHER INFORMATION

The following tables present certain selected statistical information and ratios for the periods indicated. The selected statistical information should be read in conjunction with the information in the annual consolidated financial statements and the notes thereto and the interim consolidated financial statements and the notes thereto. The statistical information and discussion and analysis presented below reflect our consolidated financial position, as of December 31, 2013, 2014 and 2015, and as of June 30, 2016, and the results of operations for 2013, 2014 and 2015, and for the first six months of 2016.

Average Balance Sheets and Income from Interest-Earning Assets

The tables below set forth selected statistical information based upon our average balance sheets prepared on a consolidated basis. Except as otherwise indicated, average balances, when used, have been classified by currency (Soles or foreign currency (primarily U.S. dollars)), rather than by the domestic or international nature of the balance. In addition, except where noted, average balances are calculated as the average of each month ending balance, for each year or for each six-month period, as the case may be, with any such annual or six month balance denominated in Soles having been converted into U.S. dollars using the applicable exchange rate published by the SBS as of the date of such balance.

The following tables show average balances for all of our assets and liabilities, interest earned and paid amounts, and nominal rates for our interest-earning assets and interest-bearing liabilities, all for the years ended December 31, 2013, 2014 and 2015, and for the six months ended June 30, 2016.

Average Balance Sheets
Assets, Interest Earned and Average Interest Rates

	Year ended December 31, 2013			Year ended December 31, 2014			Year ended December 31, 2015		
	Average Balance	Interest Earned	Nominal Avg. Rate	Average Balance	Interest Earned	Nominal Avg. Rate	Average Balance	Interest Earned	Nominal Avg. Rate
(Soles in thousands, except percentages)									
ASSETS:									
Interest-earning assets									
<i>Deposits in Central Bank</i>									
Soles	5,147,358	69,245	1.35%	1,746,473	16,639	0.95%	411,509	7,094	1.72%
Foreign currency	11,069,712	5,229	0.05%	13,270,802	5,103	0.04%	11,979,686	7,992	0.07%
Total	16,217,070	74,474	0.46%	15,017,275	21,742	0.14%	12,391,195	15,086	0.12%
<i>Deposits in other banks</i>									
Soles	106,085	6,906	6.51%	287,484	17,911	6.23%	79,139	3,815	4.82%
Foreign currency	2,201,745	6,964	0.32%	2,387,132	6,885	0.29%	2,582,333	7,908	0.31%
Total	2,307,830	13,870	0.60%	2,674,616	24,796	0.93%	2,661,472	11,723	0.44%
<i>Investment securities</i>									
Soles	8,553,445	328,571	3.84%	7,555,209	272,298	3.60%	8,971,516	336,020	3.75%
Foreign currency	3,831,436	100,070	2.61%	4,186,038	126,209	3.01%	3,753,244	119,684	3.19%
Total	12,384,881	428,641	3.46%	11,741,247	398,507	3.39%	12,724,760	455,704	3.58%
<i>Total loans(1)</i>									
Soles	25,305,856	3,970,335	15.69%	35,486,034	5,391,075	15.19%	46,638,199	6,818,671	14.62%
Foreign currency	30,550,987	2,070,081	6.78%	32,644,724	2,149,089	6.58%	32,960,680	1,763,676	5.35%
Total	55,856,843	6,040,416	10.81%	68,130,758	7,540,164	11.07%	79,598,879	8,582,347	10.78%
<i>Total dividend- earning assets(2)</i>									
Soles	15,708	—	0.00%	13,330	0	0.00%	8,616	0	0.00%
Foreign currency	743,600	19,508	2.62%	746,629	25,370	3.40%	354,249	159	0.04%
Total	759,308	19,508	2.57%	759,959	25,370	3.34%	362,865	159	0.04%
<i>Total interest- earning assets</i>									
Soles	39,128,452	4,375,057	11.18%	45,088,530	5,697,923	12.64%	56,108,979	7,165,600	12.77%
Foreign currency	48,397,480	2,201,852	4.55%	53,235,325	2,312,656	4.34%	51,630,192	1,899,419	3.68%
Total	87,525,932	6,576,909	7.51%	98,323,855	8,010,579	8.15%	107,739,171	9,065,019	8.41%
Non-interest- earning assets									
<i>Cash and due from banks</i>									
Soles	1,716,929	—	—	2,357,877	—	—	2,326,933	—	—
Foreign currency	1,059,670	—	—	2,886,354	—	—	10,507,293	—	—
Total	2,776,599	—	—	5,244,231	—	—	12,834,226	—	—

	Year ended December 31, 2013			Year ended December 31, 2014			Year ended December 31, 2015		
	Average Balance	Interest Earned	Nominal Avg. Rate	Average Balance	Interest Earned	Nominal Avg. Rate	Average Balance	Interest Earned	Nominal Avg. Rate
<i>Premises and equipment</i>									
Soles	1,166,330	—	—	1,466,044	—	—	1,225,087	—	—
Foreign currency	35,748	—	—	37,338	—	—	512,561	—	—
Total.....	1,202,078	—	—	1,503,382	—	—	1,737,648	—	—
<i>Other non-interest-earning assets and gains from derivatives instruments</i>									
Soles	2,556,252	72,207	—	1,020,937	1,880	—	(933,771)	111,309	—
Foreign currency	1,344,229	(65,520)	—	3,011,988	60,317	—	5,371,207	162,517	—
Total.....	3,900,481	6,687	—	4,032,925	62,197	—	4,437,436	273,826	—
<i>Total non-interest-earning assets</i>									
Soles	5,439,511	72,207	—	4,844,858	1,880	—	2,618,249	111,309	—
Foreign currency	2,439,647	(65,520)	—	5,935,680	60,317	—	16,391,061	162,517	—
Total.....	7,879,158	6,687	—	10,780,538	62,197	—	19,009,310	273,826	—
<i>Total average assets</i>									
Soles	44,567,963	4,447,264	9.98%	49,933,388	5,699,803	11.41%	58,727,228	7,276,909	12.39%
Foreign currency	50,837,127	2,136,332	4.20%	59,171,005	2,372,973	4.01%	68,021,253	2,061,936	3.03%
Total.....	95,405,090	6,583,596	6.90%	109,104,393	8,072,776	7.40%	126,748,481	9,338,845	7.37%

- (1) Figures for total loans include past due loans, but do not include accrued but unpaid interest on such past due loans in the year in which such loans became past due. Accrued interest for years prior to the year in which a loan became past due is included.
- (2) As per Peruvian GAAP, dividends are considered financial income.
- (3) Total interest earned does not match financial income amounts shown in our income statement because fluctuations resulting from our position in derivative financial instruments expense. As presented here, only income generated from interest earned is considered, without netting.
- (4) Annualized figures.

Average Balance Sheets
Liabilities, Interest Paid and Average Interest Rates

	Year ended December 31, 2013			Year ended December 31, 2014			Year ended December 31, 2015		
	Average Balance	Interest Paid	Nominal Avg. Rate	Average Balance	Interest Earned	Nominal Avg. Rate	Average Balance	Interest Paid	Nominal Avg. Rate
(Soles in thousands, except percentages)									
LIABILITIES:									
Interest-bearing liabilities									
<i>Demand deposits</i>									
Soles	9,095,697	41,939	0.46%	9,082,125	47,230	0.52%	9,373,366	36,841	0.39%
Foreign currency	10,611,533	21,303	0.20%	13,215,965	25,940	0.20%	15,955,928	25,661	0.16%
Total	19,707,230	63,242	0.32 %	22,298,090	73,170	0.33 %	25,329,294	62,502	0.25 %
<i>Savings deposits</i>									
Soles(1)	9,468,229	46,408	0.49%	10,740,094	59,693	0.56%	11,396,741	65,994	0.58%
Foreign currency	7,132,835	16,986	0.24%	8,647,938	23,338	0.27%	11,167,167	35,291	0.32%
Total	16,601,064	63,394	0.38 %	19,388,032	83,031	0.43 %	22,563,908	101,285	0.45 %
<i>Time deposits</i>									
Soles	15,238,628	543,587	3.57%	15,142,187	586,871	3.88%	14,864,434	587,497	3.95%
Foreign currency	11,350,448	145,462	1.28%	13,458,557	116,912	0.87%	15,902,076	142,631	0.90%
Total	26,589,076	689,049	2.59 %	28,600,744	703,783	2.46 %	30,766,510	730,128	2.37 %
<i>Due to banks and correspondents and issued bonds</i>									
Soles	4,483,002	268,272	5.98%	7,476,158	148,088	1.98%	14,591,505	684,430	4.69%
Foreign currency	18,009,934	809,538	4.49%	19,666,177	988,360	5.03%	19,439,451	782,778	4.03%
Total	22,492,936	1,077,810	4.79 %	27,142,335	1,136,448	4.19 %	34,030,956	1,467,208	4.31 %
<i>Total interest-bearing liabilities</i>									
Soles	38,285,556	900,206	2.35%	42,440,564	841,882	1.98%	50,226,046	1,374,762	2.74%
Foreign currency	47,104,750	993,289	2.11%	54,988,637	1,154,550	2.10%	62,464,622	986,361	1.58%
Total	85,390,306	1,893,495	2.22 %	97,429,201	1,996,432	2.05 %	112,690,668	2,361,123	2.10 %
Non-interest-bearing liabilities and shareholders' equity									
<i>Other liabilities and losses from derivatives instruments</i>									
Soles	1,204,898	104,415	—	1,799,943	126,029	—	2,254,758	3,156	—
Foreign currency	1,309,297	33,597	—	914,658	29,592	—	1,024,803	29,344	—
Total	2,514,195	138,012	—	2,714,601	155,621	—	3,279,561	32,500	—
<i>Shareholders' equity</i>									
Soles	7,500,589	—	—	8,960,591	—	—	10,778,252	—	—
Foreign currency	—	—	—	—	—	—	—	—	—
Total	7,500,589	—	—	8,960,591	—	—	10,778,252	—	—

	Year ended December 31, 2013			Year ended December 31, 2014			Year ended December 31, 2015		
	Average Balance	Interest Paid	Nominal Avg. Rate	Average Balance	Interest Earned	Nominal Avg. Rate	Average Balance	Interest Paid	Nominal Avg. Rate
(Soles in thousands, except percentages)									
<i>Total non-interest-bearing liabilities and shareholders' equity</i>									
Soles	8,705,487	104,415	—	10,760,534	126,029	—	13,033,010	3,156	—
Foreign currency	1,309,297	33,597	—	914,658	29,592	—	1,024,803	29,344	—
Total	10,014,784	138,012	—	11,675,192	155,621	—	14,057,813	32,500	—
<i>Total average liabilities and shareholders' equity</i>									
Soles	46,991,043	1,004,621	2.14%	53,201,098	967,911	1.82%	63,259,056	1,377,918	2.18%
Foreign currency	48,414,047	1,026,886	2.12%	55,903,295	1,184,142	2.12%	63,489,425	1,015,705	1.60%
Total	95,405,090	2,031,507	2.13%	109,104,393	2,152,053	1.97%	126,748,481	2,393,623	1.89%

(1) The interest paid includes the amount paid to Central Bank for deposit insurance fund.

(2) Total interest paid does not match financial expense amounts shown in our income statement because fluctuations resulting from our position in derivative financial instrument expense. As presented here, only expense generated from interest paid is considered, without netting.

(3) Annualized figures.

Net Financial Income and Expense: Volume and Rate Analysis

	Years ended December 31, 2013/2014			Years ended December 31, 2014 / 2015		
	Increase/(Decrease) due to changes in:			Increase/(Decrease) due to changes in:		
	Volume	Rate	Net Change	Volume	Rate	Net Change
(Soles in thousands)						
Financial Income						
<i>Interest-earning deposits in</i>						
<i>Central Bank</i>						
Soles	(45,751)	(6,855)	(52,606)	(12,718)	3,173	(9,545)
Foreign currency.....	1,040	(1,166)	(126)	(496)	3,385	2,889
Total	(44,711)	(8,021)	(52,732)	(13,214)	6,558	(6,656)
<i>Deposits in other banks</i>						
Soles	11,809	(804)	11005	(12,980)	(1,116)	(14,096)
Foreign currency.....	586	(665)	(79)	563	460	1,023
Total	12,395	(1,469)	10,926	(12,417)	(656)	(13,073)
<i>Investment securities</i>						
Soles	(38,346)	(17,927)	(56,273)	51,045	12,677	63,722
Foreign currency.....	9,262	16,877	26,139	(13,049)	6,524	(6,525)
Total	(29,084)	(1,050)	(30,134)	37,996	19,201	57,197
<i>Total loans(1)</i>						
Soles	1,597,208	(176,468)	1,420,740	1,694,248	(266,652)	1,427,596
Foreign currency.....	141,868	(62,860)	79,008	20,800	(406,213)	(385,413)
Total	1,739,076	(239,328)	1,499,748	1,715,048	(672,865)	1,042,183
<i>Total dividend-earning assets</i>						
Soles	—	—	—	—	—	—
Foreign currency.....	79	5783	5,862	(13,333)	(11,878)	(25,211)
Total	79	5783	5,862	(13,333)	(11,878)	(25,211)
<i>Total interest-earning assets</i>						
Soles	666,412	656,454	1,322,866	1,392,675	75,002	1,467,677
Foreign currency.....	220,099	(109,295)	110,804	(69,730)	(343,507)	(413,237)
Total	886,511	547,159	1,433,670	1,322,945	(268,505)	1,054,440
Financial expense						
<i>Demand deposits</i>						
Soles	(63)	5,354	5,291	1,515	(11,904)	(10,389)
Foreign currency	5,228	(591)	4,637	5,378	(5,657)	(279)
Total	5,165	4,763	9,928	6,893	(17,561)	(10,668)
<i>Savings deposits</i>						
Soles	6,234	7,051	13,285	3,650	2,651	6,301
Foreign currency.....	3608	2,744	6,352	6799	5,154	11,953
Total	9,842	9,795	19,637	10,449	7,805	18,254
<i>Time deposits</i>						
Soles	(3,440)	46,724	43,284	(10,765)	11,391	626
Foreign currency.....	27,017	(55,567)	(28,550)	21,226	4,493	25,719
Total	23,577	(8,843)	14,734	10,461	15,884	26,345
<i>Due to banks and correspondents and issued bonds</i>						
Soles	179,117	(299,301)	(120,184)	140,941	395,401	536,342
Foreign currency.....	74,447	104,375	178,822	(11,395)	(194,187)	(205,582)
Total	253,564	(194,926)	58,638	129,546	201,214	330,760
<i>Total interest-bearing liabilities</i>						
Soles	122,568	(186,183)	(63,615)	168,136	364,744	532,880
Foreign currency.....	140,617	16,007	156,624	127,678	(295,867)	(168,189)
Total	263,185	(170,176)	93,009	295,814	68,877	364,691

- (1) Figures for total loans include past due loans, but do not include accrued but unpaid interest on such past due loans in the year in which such loans became past due. Accrued but unpaid interest for years prior to the year in which a loan became past due is included.

Interest-Earning Assets, Net Interest Margin and Yield Spread

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

	As of December 31,			As of
	2013	2014	2015	June 30, 2016
(Soles in thousands, except percentages)				
Average interest-earning assets				
Soles.....	39,128,452	45,088,530	56,108,979	63,520,999
Foreign currency	48,397,480	53,235,325	51,630,192	51,697,770
Total	87,525,932	98,323,855	107,739,171	115,218,769
Net financial income				
Soles.....	3,474,851	4,856,041	5,790,838	3,133,096
Foreign currency	1,208,563	1,158,106	913,058	249,078
Total	4,683,414	6,014,147	6,703,896	3,382,174
Gross yield(1)				
Soles.....	11.18%	12.64%	12.77%	12.40%
Foreign currency	4.55%	4.34%	3.68%	2.78%
Weighted-average rate.....	7.51%	8.15%	8.41%	8.08%
Net interest margin(2)				
Soles.....	8.88%	10.77%	10.32%	9.86%
Foreign currency	2.50%	2.18%	1.77%	0.96%
Weighted-average rate.....	5.35%	6.12%	6.22%	5.87%
Yield spread(3)				
Soles.....	8.83%	10.65%	10.03%	9.40%
Foreign currency	2.44%	2.24%	2.10%	1.37%
Weighted-average rate.....	5.30%	6.10%	6.32%	5.96%

- (1) Gross yield equals financial income divided by average interest-earning assets.
- (2) Net interest margin represents net financial income from interest-earning assets and bearing-interest liabilities divided by average interest-earning assets.
- (3) Yield spread, on a nominal basis, represents the difference between gross yield on average interest-earning assets and average cost of interest-bearing liabilities.

Deposits with Other Banks

The following table shows short-term funds deposited with other banks broken down by currency as of the dates indicated. Deposits held in countries other than Peru are denominated in several currencies; however, the substantial majority of such deposits are denominated in U.S. dollars. These currencies were converted to Soles using the applicable exchange rate published by the SBS as of the date of the relevant statement of financial position.

	As of December 31,			As of
	2013	2014	2015	June 30, 2016
(Soles in thousands)				
Sol-denominated				
Peruvian Central Bank	2,578,678	712,921	88,665	36,126
Commercial banks	241,573	42,529	3,771	3,527
Other	1,622	1,765	2,528	3,212
Total Sol-denominated	2,821,873	757,215	94,964	42,865

	As of December 31,			As of June 30, 2016
	2013	2014	2015	
	(Soles in thousands)			
Foreign currency-denominated				
Peruvian Central Bank	13,055,598	13,290,835	13,865,179	12,340,568
Commercial banks	1,404,717	2,594,961	2,491,492	2,680,517
Other	645,304	4,069,864	11,280,267	11,160,381
Total foreign currency-denominated	15,105,619	19,955,660	27,636,938	26,181,466
Total	17,927,492	20,454,830	27,731,902	26,224,331

Investment Portfolio

The following table shows the fair value of our trading, available-for-sale and held to maturity investment securities without interest designated by type of security at the dates indicated:

	As of December 31,			As of June 30, 2016
	2013	2014	2015	
	(Soles in thousands)			
Peruvian sovereign bonds	1,500,857	3,050,141	3,374,687	4,177,228
Peruvian treasury bonds.....	347,773	7,738	248,668	274,915
Asset Backed Securities.....	264,018	230,474	25,677	—
Listed equity securities – BCI Chile	625,750	625,513	—	—
Listed equity securities – Other	178,653	90,002	10,214	99,346
Corporate and leasing bonds.....	1,546,412	1,478,118	1,734,809	1,607,800
International financial entities bonds	121,398	46,349	—	—
Peruvian Central Bank certificates of deposit	6,297,208	4,618,444	6,006,110	5,707,277
Foreign government bonds	599,313	355,137	877,378	542,039
Treasury notes from the Central Bank of Bolivia	—	448,902	157,075	—
Participation in Bolivia's RAL fund	351,546	542,921	694,915	—
Other investment.....	483,560	132,491	480,187	203,400
Total securities holdings	12,316,488	11,626,230	13,609,720	12,612,005

In 2015, our holdings of BCRP certificates increased by S/1.4 billion to S/6.0 billion and as of June 30, 2016, had decreased by S/0.3 billion to S/5.7 billion. As of June 30, 2016, there was a decrease in the issuances of Certificates of Deposits by the Central Reserve Bank aimed at increasing the liquidity in local currency.

The weighted-average yield on our Sol-denominated interest and dividend-earning investment portfolio was 3.8% in 2013, 3.6% in 2014, 3.8% in 2015 and 4.3% in the first six months of 2016. The weighted-average yield on our foreign currency-denominated portfolio was 2.6% in 2013, 3.0% in 2014, 3.2% in 2015 and 2.3% in the first six months of 2016. The total weighted-average yield of our portfolio was 3.5% in 2013, 3.4% in 2014, 3.6% in 2015 and 3.6% in the first six months of 2016.

Unrealized gains and losses arising from changes in the fair value of securities classified as investments available-for-sale are recognized in equity, net of the related deferred income taxes. Unrealized gains and losses are recognized as income or loss when the related investment available-for-sale is sold or impaired.

We determine that an available-for-sale equity investment, such as common shares, is impaired when there has been a significant or prolonged decline in its fair value below its cost. The determination of what is significant or prolonged requires management's judgment. In making this judgment, we evaluate, among other factors, the normal volatility in share prices, evidence of deterioration in the financial health of the investment, industry and sector performance, changes in technology, and operational and financing cash flows. In the case of available-for-sale debt investments, impairment analysis takes into consideration a number of factors, including the nature of the investment, the underlying collateral, the degree of subordination or credit enhancement and published credit ratings. If recovery of all amounts due is judged to be unlikely, impairment is deemed to exist.

The following table shows the maturities of our investment securities by type as of June 30, 2016:

	No maturity	Within 1 year	After 1 year but within 5 years	Maturing After 5 years but within 10 years	After 10 Years	Total
(Soles in thousands, except percentages)						
Peruvian sovereign bonds	—	7,730	2,754,111	620,237	795,151	4,177,229
Peruvian treasury bonds.....	—	—	274,915	—	—	274,915
Listed equity securities – Other(1).....	99,345	—	—	—	—	99,345
Corporate and leasing bonds.....	—	6,676	598,696	973,957	28,471	1,607,800
Peruvian Central Bank certificates of deposit.....	—	1,581,914	4,125,362	—	—	5,707,276
Foreign government bonds	—	1	495,853	46,186	—	542,040
Other investments	—	38,414	95,443	67,046	2,497	203,400
Total(2)	99,345	1,634,735	8,344,380	1,707,426	826,119	12,612,005

(1) Equity securities are categorized as not maturing.

(2) As of June 30, 2016, the Bank maintained repurchase agreements for approximately S/13,324.5 million guaranteed with cash for approximately S/11,016.4 million, and securities classified as investments available for sale and held to maturity investments for an estimated fair value of S/2,697.4.

We maintain a conservative portfolio with the majority of our investments having maturities of less than five years. As of June 30, 2016, 79.9% of our investment portfolio consisted of investments with maturities of less than five years. Instruments issued by the Central Bank, which historically have been highly liquid investments, represented 45.3% of our total investments.

The following table shows the average yield rate of our investment securities by type:

	For the year ended December 31,			For the six months ended June 30,
	2013	2014	2015	2016
Peruvian government bonds and investments in Peruvian debt	4.00%	4.42%	5.89%	4.75%
Bonds.....	3.80%	3.95%	4.28%	3.75%
Central Bank certificates of deposit.....	3.70%	3.59%	3.40%	4.17%
Foreign government bonds	3.00%	3.19%	4.39%	2.50%

Loan Portfolio

Loans by Type

The following table shows our direct loans by type:

	As of December 31,			As of June 30, 2016
	2013	2014	2015	
(Soles in thousands)				
Loans	42,666,640	55,394,532	64,788,881	60,933,286
Leasing transactions	8,615,329	9,318,870	9,574,960	8,824,036
Credit cards.....	6,218,150	6,368,740	6,954,298	7,001,304
Discounted notes.....	1,499,543	1,661,592	1,794,928	1,615,801
Factoring.....	833,456	1,002,891	1,261,517	1,187,097
Advances and overdrafts.....	371,834	555,624	71,828	688,499
Refinanced and restructured loans	359,573	647,803	769,308	734,935
Past due loans	1,435,742	2,007,795	2,309,413	2,515,004
Total gross loans(1).....	62,000,267	76,957,847	87,525,133	83,499,962
Past due loans amounts	(1,435,742)	(2,007,795)	(2,309,413)	(2,515,004)
Total performing loans.....	60,564,525	74,950,052	85,215,720	80,984,958

	As of December 31,			As of June 30,
	2013	2014	2015	2016
	(Soles in thousands)			
Performing loans as a percentage of total gross loans	97.7%	97.4%	97.4%	97.0%

(1) Total gross loans exclude accrued interest on performing loans.

The classification of the loan portfolio as set forth in the table above is based upon the regulations of the SBS. These categories do not correspond to the classifications used in preparing the breakdown of the loan portfolio by business unit set forth under “Business.” Pursuant to the guidelines of the SBS, loans are categorized as follows:

Loans: Basic term loans documented by promissory notes and other extensions of credit, such as mortgage loans, credit cards and other consumer loans in various forms, including trade finance loans to importers and exporters on specialized terms adapted to the needs of the international trade transaction.

Discounted notes: Loans discounted at the outset (the client signs a promissory note or other evidence of indebtedness for the principal amount payable at a future date). Discounted loans also include discounting of drafts, where we make a loan supported by a draft signed by one party and discounted by another party, with recourse to both parties.

Advances and overdrafts: Extensions of credit to clients by way of an overdraft facility in the client’s checking account. This category also includes secured short-term advances.

Leasing transactions: Involves our acquisition of an asset and the financial leasing of that asset to our client.

Factoring: The sale of title of a company’s accounts receivables to a bank (or financial company). The receivables are sold without recourse, and the bank cannot recover from the seller in the event that the accounts are uncollectible. Under factoring loans, the seller receives funds from the bank prior to the average maturity date based on the invoice amount of the receivable, less cash discounts and allowances for estimated claims and returns, among other items.

Refinanced loans: Include loans with changes in their payment schedules due to payment difficulties. Under SBS regulations, refinanced loans constitute loans for which the debtor is experiencing payment problems. Restructured loans are refinanced loans that are extended under the bankruptcy protection procedures of Law No. 27809 – General Law of the Insolvency System.

Past-due loans: Includes overdue loans categorized according to the SBS guidelines. This amount excludes amounts included in “Refinanced and restructured loans.”

We record direct loans when a disbursement of funds is made to a client.

Direct Loans by Economic Activity

The following table shows our total loan portfolio composition, net of unearned interest, based upon the borrower’s principal economic activity as of December 31, 2013, 2014 and 2015.

Economic Activity	As of December 31,					
	2013		2014		2015	
	Amount	% Total	Amount	% Total	Amount	% Total
Manufacturing	10,741,781	17.3	13,138,416	17.1	14,522,710	16.6
Mortgage loans	10,326,264	16.7	11,733,793	15.2	10,960,515	12.5
Commerce.....	9,453,553	15.2	12,085,956	15.7	4,964,022	5.7
Consumer loans	8,940,239	14.4	10,183,248	13.2	11,316,678	12.9
Leaseholds and real estate activities	4,229,052	6.8	4,926,471	6.4	1,763,465	2.0
Electricity, gas and water	3,285,005	5.3	3,931,867	5.1	5,187,878	5.9
Local services	2,893,438	4.7	3,315,747	4.3	4,762,404	5.4
Mining	2,860,039	4.6	2,480,813	3.2	5,315,098	6.1

Economic Activity	As of December 31,					
	2013		2014		2015	
	Amount	% Total	Amount	% Total	Amount	% Total
Communication, storage and transportation	2,559,390	4.1	3,503,835	4.6	3,383,990	3.9
Construction.....	1,338,532	2.2	1,578,207	2.1	6,119,067	7.0
Agriculture.....	1,320,586	2.1	1,471,871	1.9	1,585,934	1.8
Financial services.....	1,281,111	2.1	1,487,413	1.9	5,528,475	6.3
Hotels and restaurants.....	1,046,846	1.7	1,258,902	1.6	1,019,450	1.2
Education, health and other services.....	913,302	1.5	1,013,642	1.3	1,198,452	1.4
Fishing	487,698	0.8	297,336	0.4	314,400	0.4
Others	323,431	0.5	4,550,330	5.9	9,582,595	10.9
Total gross loans	62,000,267	100	76,957,847	100	87,525,133	100

The following table shows our total loan portfolio composition, net of unearned interest, based upon the borrower's principal economic activity as of June 30, 2016.

Economic Activity	As of June 30, 2016	
	Amount	% Total
(Soles in thousands, except percentages)		
Manufacturing	13,480,327	16.1
Mortgage loans	12,859,712	15.4
Commerce.....	13,885,509	16.6
Consumer loans	11,041,470	13.2
Leaseholds and real estate activities	6,626,871	7.9
Electricity, gas and water.....	4,413,393	5.3
Local services	4,866,156	5.8
Mining	2,261,172	2.7
Communication, storage and transportation.....	4,481,932	5.4
Construction.....	1,623,273	1.9
Agriculture.....	1,734,223	2.1
Financial services.....	2,944,029	3.5
Hotels and restaurants.....	1,609,903	1.9
Education, health and other services	1,316,704	1.6
Fishing	323,992	0.4
Others	31,296	0.0
Total gross loans	83,499,962	100

Concentrations of Loan Portfolio and Lending Limits

Direct and indirect loans to our most important 20 customers, excluding related party transactions, by exposure (considered as economic groups) as of June, 2016 were S/11.8 billion (U.S.\$3.6 billion), all of which were outstanding loans, representing 14.1% of the total loan portfolio. Total direct and indirect loans outstanding and available by customer ranged from S/344.6 million (U.S.\$104.8 million) to S/1,341.6 million (U.S.\$407.9 million), including 10 customers with over S/493.0 million (U.S.\$150.0 million).

Our loans to a single borrower are subject to lending limits imposed by the Peruvian Banking Law. The applicable legal lending limits depend on the nature of the borrower involved, the economic group limit and the type of collateral received. The sum of loans to and deposits from another Peruvian financial institution, plus any guarantees of third-party performance received by us from such institution, may not exceed 30% of our regulatory capital, as defined by the SBS. The sum of loans to and deposits from non-Peruvian financial institutions, plus any guarantees of third-party performance received by us from such institutions, are limited to either 5%, 10% or 30% of our regulatory capital, depending upon the governmental supervision to which the institution is subject and upon whether it is recognized by the Central Bank as an international bank of prime credit quality. The limits on lending to non-Peruvian financial institutions increase up to 50% of our regulatory capital if the amount by which such loans

exceed the 5%, 10% or 30% limits is backed by certain letters of credit. Our loans to directors and employees and their relatives have a global limit of 7% of regulatory capital and an individual limit of 5% of such global limit.

Loans to Peruvian non-residents or companies that are not financial institutions have a limit of 5% of our regulatory capital; however, this limit increases to 10% if the additional 5% is guaranteed by a mortgage or with a pledge over certain publicly-traded securities. The limit increases up to 30% if the additional amount is guaranteed by certain banks or by cash deposits in us.

Lending on an unsecured basis to individuals or companies residing in Peru that are not financial institutions is limited to 10% of our regulatory capital. This limit rises to 15% if the additional 5% is guaranteed by a mortgage, pledge over certain securities and equipment or other collateral, and to 20% if the additional amount is backed by certain debt instruments guaranteed by another local bank, or by a foreign bank determined by the Central Bank to be of prime credit quality, or by other highly liquid securities at market value.

The single borrower lending limit for loans backed by a cash deposit at BCP or by debt obligations of the Central Bank is 30% of our regulatory capital. Therefore, with an unconsolidated regulatory capital of S/15.8 billion (U.S.\$4.8 billion) as of June 30, 2016, our legal lending limit is a maximum of S/4.7billion (U.S.\$1.4 billion). As of June 30, 2016, we continue to be in compliance with the Peruvian Banking Law lending limits.

As of June 30, 2016 and at all reported dates, we were in compliance with applicable legal lending limits in each of the jurisdictions where we operate. Such limits are calculated quarterly based upon our consolidated equity plus reserves at quarter-end. A limited number of exceptions to our internal limits have been authorized by our Board of Directors from time to time, based upon the credit quality of the borrower, the term of the loan and the amount and quality of collateral received. We may, in appropriate and limited circumstances, increase or choose to exceed this internal limit in the future within the limits established by the SBS.

In the event that customers to which we have significant credit exposure are not able to meet their obligations to us, and any related collateral is not sufficient to cover such obligations, or if a reclassification of one or more of such direct or indirect loans results in an increase in provisions for loan losses, there may be an adverse effect on our financial condition and results of operations.

Loan Portfolio Denomination

The following table presents our Sol and foreign currency-denominated loan portfolio at the dates indicated. At the end of June 30, 2016, the loan portfolio denominated in local currency represented 67.4% of total gross loans. This level exceeds the level reported as of December 31, 2015 (62.5%), demonstrating the effectiveness of the Central Reserve Bank's de-dollarization policy, which seems to have had a favorable impact on incentivizing loans in Soles by reducing local currency reserve requirements and increasing foreign currency requirements, thereby reducing the gap between rates in Soles and U.S. dollars.

	As of December 31,						As of June 30, 2016	
	2013		2014		2015			
	(Soles in thousands, except percentages)							
Sol-denominated	30,275,284	48.8%	42,245,200	54.9%	54,715,649	62.5%	56,254,291	67.4%
Foreign currency-denominated	31,724,983	51.2%	34,712,647	45.1%	32,809,484	37.5%	27,245,671	32.6%
Total gross loans	62,000,267	100.0%	76,957,847	100.0%	87,525,133	100.0%	83,499,962	100.0%

Maturity Composition of the Performing Loan Portfolio

The following table sets forth an analysis of our performing loan portfolio as of June 30, 2016, by type and by the time remaining to maturity. Loans are stated before deduction of reserves for loan losses.

	Maturing					
	As of June 30, 2016	Within 3 months	After 3 months but within 12 months	After 1 year but within 3 years	After 3 years but within 5 years	After 5 years
	(Soles in thousands, except percentages)					
Loans.....	67,934,590	9,255,567	12,927,795	16,489,745	8,385,360	20,876,123
Discounted notes	1,615,801	1,359,713	255,825	263	0	0
Advances and overdrafts	688,499	0	0	0	0	688,499
Leasing transactions	8,824,036	618,820	1,687,227	2,973,793	1,667,899	1,876,297
Factoring	1,187,097	1,074,410	112,687	0	0	0
Refinanced loans	734,935	79,203	133,753	217,993	169,694	134,292
Total performing loans	80,984,958	12,387,713	15,117,287	19,681,794	10,222,953	23,575,211
Past-due loans	2,515,004	645,468	1,869,516	0	0	0
Total gross loans	83,499,962	13,033,181	16,986,803	19,681,794	10,222,953	23,575,211
Percentage of total performing loan portfolio	97.0%	95.0%	89.0%	100.0%	100.0%	100.0%

Classification of the Loan Portfolio

We classify our loan portfolio in accordance with SBS regulations. In accordance with SBS Resolution No. 11356-2008, as amended, as of July 1, 2010, a bank's loan portfolio is to be classified in eight different categories: corporate, big-business, medium-business, small-business, micro-business, revolving consumer, non-revolving consumer, and residential mortgage loans.

Corporate loans are, among others, those granted to companies with annual sales of more than S/200 million during the last two years, pursuant to their latest audited financial statements. Big-business loans are those granted to companies: (a) with annual sales of more than S/20 million but less than S/200 million during the last two years, pursuant to their latest financial statements; or (b) having outstanding debt instruments in the capital market during the last year. Medium-business loans are those extended to companies that have outstanding loans due to local financial institutions, during the last six months, in an amount exceeding S/300,000, but that do not meet the requirements to be classified as "corporate" or "big-businesses." Small-business loans are those extended to finance the production and sale of goods and services of companies or individuals which, during the last six months, had outstanding loans due to local financial institutions (other than residential mortgage loans) of more than S/20,000 but less than S/300,000. Micro-business loans are those extended to finance the production and sale of goods and services of companies or individuals which, during the last six months, had outstanding loans due to local financial institutions (other than residential mortgage loans) of less than S/20,000. Revolving consumer loans are revolving credits extended to individuals to pay for goods, services or expenses, not related to business activities. Non-revolving consumer loans are non-revolving credits extended to individuals to pay for goods, services or expenses, not related to business activities. Residential mortgage loans are loans extended to individuals for the purchase, construction, remodeling, subdivision or improvement of the individual's own home, in each case secured by a mortgage. The classification of a loan determines the amount of allowance that should be recorded in the event that the borrower defaults in its payments.

Regulations promulgated by the SBS also require Peruvian banks to classify such debtors in any of the following five categories depending upon the degree of risk of payment default: Normal (*Normal*), Potential Problem (*Problema Potencial*), Substandard (*Deficiente*), Doubtful (*Dudoso*) and Loss (*Pérdida*). We review our loan portfolio on a continuing basis, and the SBS reviews the portfolio as it deems necessary or prudent. In classifying our loans based upon risk of nonpayment, we, in compliance with SBS guidelines, assess the following factors: the payment history on the particular loans, the history of our dealings with the borrower, management, operating history, repayment capability and availability of funds of the borrower, status of any collateral or guarantee, the borrower's financial statements, general risk of the sector in which the borrower operates, the borrower's risk classification made by other financial institutions, and other relevant factors. The classification of the loan determines the amount of the required loan loss provision.

Under current regulations, collateral is not subtracted from the amount of the loan or credit outstanding to determine the amount of the related reserve. Instead, a lower loan provision is allowed to be made on the portion of the loan or credit that is secured. For the purpose of determining the amount of the required reserve, collateral is valued in accordance with SBS regulations, which require an appraisal of its expected market value. Only assets classified as (i) “preferred,” (ii) “highly liquid preferred,” or (iii) “self-liquidating preferred” are acceptable as collateral. Such collateral must, according to SBS regulations, (1) be relatively liquid, (2) have legally documented ownership, (3) have no liens outstanding and (4) have constantly updated appraisals. Examples of “preferred” or “highly liquid preferred” assets include, among others, cash deposits, real estate mortgages and pledges on securities or on other goods. “Self-liquidating preferred” assets include solely cash deposits in local banks or stand-by letters of credit from premier foreign institutions. Similarly, for Credits Affected by Counterparty Substitution; the allowance requirement, for the secured amount, depends on the risk classification of the counterparty guaranteeing the payment of the loan or credit regardless of the risk classification of the actual client/debtor.

SBS regulations require Peruvian banks to maintain two types of loan loss reserves: (a) “generic” reserves (*provisiones genéricas*) on their total direct and indirect loan portfolio classified as Normal (*Normal*), at an allowance rate of (i) 0.7% for corporate loans, big-business loans and residential mortgage loans, and (ii) 1.0% for medium-business loans, small-business loans, micro-business loans, revolving consumer loans and non-revolving consumer loans; and (b) specific reserves (*provisiones específicas*) on their total direct and indirect loan portfolio classified under the Potential Problem (*Problema Potencial*), Substandard (*Deficiente*), Doubtful (*Dudoso*) and Loss (*Pérdida*) categories, at an allowance rate of 5%, 25%, 60% and 100%, respectively. These percentages may be reduced if the loans are secured by certain types of collateral provided that certain requirements set forth under SBS Resolution No. 11356-2008, as amended, are satisfied. Additionally, under certain macroeconomic conditions, pro-cyclical reserve requirements ranging from 0.3% to 1.5% could be required. For further details, see “Regulatory Environment” and notes 3(e) and 7(e) to the annual consolidated financial statements.

Loan Risk Categories

Normal (*Normal*). Debtors of commercial loans or credits that fall into this category have complied in a timely manner with their obligations and at the time the credit is evaluated there is no reason to doubt that interest and principal on the loan will be paid in a timely fashion or that the status will change before the next evaluation. To place a loan or credit in the Normal (*Normal*) category, a clear understanding of the use of proceeds and the origin of the cash flows to be used by the debtor to repay the loan or credit is required. Included in this category are: (i) small-business loans, micro-business loans, revolving consumer loans and non-revolving consumer loans with payment delays of up to eight days; and (ii) residential mortgage loans with payment delays of up to 30 days. Corporate loans, big-business loans and residential mortgage loans in this category require a reserve of 0.7%, while medium-business loans, small-business loans, micro-business loans, revolving consumer loans and non-revolving consumer loans in this category require a reserve of 1.0%.

Potential Problem (*Problema Potencial*): Loans or credits in this category are known as credits with “potential problems.” Commercial loans or credits included in this category are those that at the time of evaluation demonstrate certain deficiencies, which, if not corrected in a timely manner, imply risks with respect to the recovery of the loan. Certain common characteristics of loans or credits in this category include: frequent delays in loan payments that are promptly cured, lack of information required to analyze the debtor, outdated financial information, temporary economic or financial imbalances on the part of the debtor that could affect its ability to repay the loan, market conditions that could affect the economic sector in which the debtor operates, material overdue debts or pending judicial collection actions initiated by other financial institutions, noncompliance with the original contractual terms and conditions, conflicts of interest within the debtor company, labor problems, unfavorable credit history, the debtor’s noncompliance with its internal policies, excessive reliance on one source of raw materials or one buyer of the debtor’s products and low inventory turnover ratios or large inventories that are subject to competitive challenges or technological obsolescence. Included in this category are: (i) corporate loans, big-business loans and medium business loans with payment delays of up to 60 days, (ii) small-business loans, micro-business loans, revolving consumer loans and non-revolving consumer loans with payment delays of 9 to 30 days; and (iii) residential mortgage loans with payment delays of 31 to 60 days. A 5.0% reserve on total loans outstanding under this category is required to cover risks of loss that have not been specifically identified. Except for consumer loans (revolving and non-revolving), when the loan, or a portion thereof, is secured with “preferred” collateral, the required reserve is 2.5%, and when secured with “highly liquid preferred” collateral, the required reserve is 1.25%.

Substandard (*Deficiente*): Loans or credits in this category are known as “substandard” credits. Debtors of commercial loans or credits placed in this category demonstrate serious financial weakness, often with operating profits or available income insufficient to cover financial obligations on agreed upon terms, with no reasonable short-term prospects for a strengthening of the debtor’s financial capacity. Loans or credits demonstrating the same deficiencies as a Potential Problem (*Problema Potencial*) are considered Substandard (*Deficiente*) if such deficiencies are not corrected in the near term, or if they could impede the recovery of principal and interest on the loan on the originally agreed terms. Included in this category are: (i) corporate debtors, big-business loan debtors and medium business loan debtors with payment delays of 61 to 120 days; (ii) small-business loan debtors, micro-business loan debtors, revolving consumer loan debtors and non-revolving consumer loan debtors with payment delays of 31 to 60 days; and (iii) residential mortgage loan debtors with payment delays of 61 to 120 days. Loans or credits included in this category require a reserve equal to 25.0% of the outstanding principal amount of the loan that is not secured by collateral. A 25.0% reserve on total loans outstanding in this category is required to cover risks of loss that have not been specifically identified. Except for consumer loans (revolving and non-revolving), when the loan, or a portion thereof, is secured with “preferred” collateral, the required reserve is 12.5%, and when secured with “highly liquid preferred” collateral, the required reserve is 6.25%.

Doubtful (*Dudoso*): Loans or credits included in this category are known as “doubtful” credits. Debtors of commercial loans or credits included in this category present characteristics of actual credit risk that make the recovery of the loan doubtful. Although the loan recovery is doubtful, if there is a reasonable likelihood that in the near future the creditworthiness of the debtor might improve, a Doubtful (*Dudoso*) categorization is appropriate. These credits are distinguished from Loss (*Pérdida*) credits by the requirement that the debtor continue to operate its business, generate cash flow, and make payments on the loan, albeit at a rate less than that specified in its contractual obligations. Included in this category are: (i) corporate debtors, big-business loan debtors and medium business loan debtors with delays of 121 to 365 days; (ii) small-business loan debtors, micro-business loan debtors, revolving consumer loan debtors and non-revolving consumer loan debtors with payment delays of 61 to 120 days; and (iii) residential mortgage loan debtors with payment delays of 121 to 365 days. A 60.0% reserve on total loans outstanding in this category is required to cover risks of loss that have not been specifically identified. Except for consumer loans (revolving and non-revolving), when the loan, or a portion thereof, is secured with “preferred” collateral, the required reserve is 30.0%, and when secured with “highly liquid preferred” collateral, the required reserve is 15.0%.

Loss (*Pérdida*): Loans or credits in this category are known as “loss” credits. Commercial loans or credits that are considered unrecoverable or that for any other reason should not appear on our books as an asset based on the originally contractual terms fall into this category. Included in this category are: (i) corporate debtors, big-business loan debtors and medium business loan debtors with occasional and reduced payment delays of more than 365 days; (ii) small-business loan debtors, micro-business loan debtors, revolving consumer loan debtors and non-revolving consumer loan debtors with payment delays of more than 120 days; and (iii) residential mortgage loan debtors with payment delays of more than 365 days. A 100% reserve on total loans outstanding in this category is required to cover risks of loss that have not been specifically identified. Except for consumer loans (revolving and non-revolving), when the loan, or a portion thereof, is secured with “preferred” collateral, the required reserve is 60.0%, and when secured with “highly liquid preferred” collateral, the required reserve is 30.0%.

The following table shows our direct loan portfolio risk classification at the dates indicated:

	As of December 31,			As of
	2013	2014	2015	June 30, 2016
	(Soles in thousands)			
Level of Risk Classification				
I: Normal (<i>Normal</i>)	58,299,318	72,247,964	81,613,536	77,353,156
II: Potential Problem (<i>Problema Potencial</i>)	1,492,805	1,701,044	2,268,231	2,982,858
III: Substandard (<i>Deficiente</i>)	673,077	734,713	864,936	988,639
IV: Doubtful (<i>Dudoso</i>)	779,019	1,054,540	1,252,319	1,277,708
V: Loss (<i>Pérdida</i>)	756,048	1,219,586	1,526,111	897,601
Total gross loans	62,000,267	76,957,847	87,525,133	83,499,962
III+IV+V (Impaired loans)	2,208,144	3,008,839	3,643,366	3,163,948

All of the Loss (*Pérdida*) loans and substantially all of the Doubtful (*Dudoso*) loans are past due. Substandard (*Deficiente*) loans, although generally not past due, have demonstrated credit deterioration such that management has serious doubts as to the ability of the borrower to comply with the present loan repayment terms. We consider the collateral securing these loans only for purposes of establishing loan loss reserves and not for purposes of classification.

Classification of the Loan Portfolio Based upon the Borrower's Payment Performance

We classify a loan as internal overdue mainly based on three aspects: (i) number of days as past-due, based on the due date contractually agreed; (ii) the banking subsidiary; and (iii) the type of loan. Based on these aspects, BCP and Mibanco consider loans as internally overdue: (i) after 15 days for corporate, large business and medium business loans; (ii) after 30 days for small and micro business loans; (iii) after 30 days for overdrafts; and (iv) after 90 days for consumer, mortgage and leasing loans. In the case of consumer, mortgage and leasing loans, the past-due installments are considered overdue after 30 to 90 days. After 90 days, the outstanding balance of the loan is considered internal overdue. Furthermore, with regards to refinanced loans, our policy categorizes a loan as "refinanced" when a debtor is experiencing payment problems and asks for a new payment schedule that will allow the debtor to comply with the installments. Finally, non-performing loans are composed of internal overdue and refinanced loans.

The following table sets forth the repayment status of our loan portfolio as of the dates indicated:

	As of December 31,			As of
	2013	2014	2015	June 30, 2016
(Soles in thousands, except as otherwise indicated)				
Current(1)	60,483,242	74,824,434	85,013,108	80,883,117
Past due				
Overdue 16-119 days.....	600,307	643,977	808,247	1,038,600
Overdue 120 days or more.....	835,435	1,363,818	1,501,166	1,476,404
Total past-due loans.....	1,435,742	2,007,795	2,309,413	2,515,004
Total loans	61,918,984	76,832,229	87,322,521	83,398,121
Unearned interest.....	81,283	125,618	202,612	101,841
Total gross loans	62,000,267	76,957,847	87,525,133	83,499,962
Past due loan amounts as a percentage of total loans.....	2.32%	2.61%	2.64%	3.02%

(1) Figures are net of unearned interest.

In accordance with SBS regulations, we classify as past due only the amount of the past-due installments on any consumer, mortgage and leasing credit, provided that no amount of such credit is past due for over 90 days. The entire amount of these loans will be considered past due if any amount is past due more than 90 days. In terms of portfolio quality, the past due ratio increased to 3.0% as of June 30, 2016, compared to 2.6% as of December 31, 2015. The relative stabilization from 2014 to 2015 in the evolution of our internal overdue ratio reflects better control over and improvement in segments such as SME and Mibanco, which had deteriorated in 2014. The deterioration in the past due ratio in 2016 was due to an increase in the past due portfolio while loans fell to S/83.4 billion from S/87.3 billion in December, 2015. These ratios continue to be distorted by the existence of real estate collateral (composed primarily of commercial properties) because a large percentage of these loans with real estate collateral that are more than 150 days overdue cannot be charged off even if adequate provisions are in place because a judicial process must be carried out to liquidate the guarantee, which takes four years on average. Also, movements in the loan portfolio are generally more dynamic, particularly in the SME-Pyme and Mibanco segments during the second half of the year, when we launch our Christmas financing campaigns.

Past Due Loan Portfolio

The following table analyzes our past due loan portfolio by type of loan:

	As of December 31,			As of June 30, 2016
	2013	2014	2015	
	(Soles in thousands)			
Past due loan amounts				
Loans	730,546	1,238,668	1,470,354	1,586,720
Leasing transactions	23,820	44,374	80,219	77,714
Credit cards.....	523,526	476,624	470,776	551,383
Discounted notes.....	14,134	16,421	16,966	16,225
Advances and overdrafts in demand deposits	10,254	13,085	32,213	24,887
Refinanced loans.....	133,462	218,624	238,886	258,076
Total past due portfolio	1,435,742	2,007,796	2,309,413	2,515,004
Specific reserves(1)	(1,247,223)	(1,770,597)	(2,132,712)	(2,200,654)
Not specifically identified reserves(1)	(1,147,023)	(1,680,378)	(1,713,355)	(1,625,263)
Total reserves for loan losses(2).....	(2,394,246)	(3,450,975)	(3,846,067)	(3,825,917)
Total past due portfolio net of total reserves for direct loans.....	(958,504)	(1,443,179)	(1,536,654)	(1,310,913)

- (1) These reserves for loan losses have been established in accordance with SBS regulations. See “—Classification of the Loan Portfolio.”
- (2) Does not include reserves for indirect loans (which include guarantees and stand-by letters of credit, import and export letters of credit, and due from bank acceptances) of S/122.3 million, S/129.7 million, S/263.3 million and S/218.8 million as of December 31, 2013, 2014 and 2015 and June 30, 2016, respectively.

Allowance for Loan Losses

The following table shows the changes in our allowance for loan losses, including reserves for indirect loans and movements at the dates indicated:

	As of December 31,			As of June 30, 2016
	2013	2014	2015	
	(Soles in thousands)			
Allowance for loan losses at the beginning of the year	1,915,117	2,397,784	3,465,419	4,109,388
Provisions of the year, net of recoveries	1,239,943	1,754,963	1,931,842	892,121
Recoveries of written-off loans	134,725	196,688	217,868	114,403
Provision arising on acquisition of Mibanco	—	564,276	—	—
Write-offs	(991,175)	(1,450,773)	(1,551,458)	(820,910)
Transference of BCP Bolivia	—	—	—	(184,022)
Foreign exchange translation	99,174	2,481	45,717	(66,228)
Allowance for loan losses at the end of the year/period.....	2,397,784	3,465,419	4,109,388	4,044,752

For a discussion of the risk elements in the loan portfolio and the factors considered in determining the amount of specific reserves, see “—Classification of the Loan Portfolio.”

Allowance for loan losses as of June 30, 2016 includes S/3.8 billion of reserves for losses on direct loans and S/218.8 million of reserves for losses in indirect loans (S/3.8 billion and S/263.3 million as of December 31, 2015, respectively). The reserves for losses on indirect loans are reported within Other Liabilities in our consolidated statement of financial position.

For the years ended December 31, 2013, 2014 and 2015 and the six months ended June 30, 2016, we had recoveries of previously written-off loans of approximately S/134.7 million, S/196.7 million, S/217.9million and S/114.4 million, respectively, which are included as Other Income in our annual consolidated financial statements.

Allocation of the Allowance for Loan Losses

The following table sets forth the amounts of the allowance for loan losses attributable to commercial, consumer and residential mortgage loans, and leasing transactions at the dates indicated:

	As of December 31,			As of June 30,
	2013	2014	2015	2016
(Soles in thousands)				
Commercial loans.....	1,527,310	2,032,927	2,337,686	2,286,483
Consumer loans	578,052	857,050	1,077,656	1,070,939
Residential mortgage loans	292,422	575,442	694,046	687,330
Total allowance(1).....	2,397,784	3,465,419	4,109,388	4,044,752

(1) Includes reserves for indirect loans, which include guarantees and stand-by letters of credit, import and export letters of credit, and due from bank acceptances.

Deposits

The following table presents the components of our deposit base at the dates indicated:

	As of December 31,						As of June 30,	
	2013		2014		2015		2016	
	(Soles in thousands, except percentages)							
Demand deposits								
Sol-denominated	9,013,664	43.39%	9,568,379	40.25%	9,547,372	35.53%	9,352,476	37.33%
Dollar-denominated.....	11,758,262	56.61%	14,224,097	59.75%	17,324,318	64.47%	15,697,708	62.67%
Total.....	20,771,926	100.00%	23,792,476	100.00%	26,871,690	100.00%	25,050,184	100.00%
Savings deposits								
Sol-denominated	10,035,136	56.49%	11,705,536	55.18%	12,150,220	48.78%	11,928,853	51.11%
Dollar-denominated.....	7,729,060	43.51%	9,508,635	44.82%	12,755,534	51.22%	11,409,330	48.89%
Total.....	17,764,196	100.00%	21,214,171	100.00%	24,905,754	100.00%	23,338,183	100.00%
Severance Indemnity								
Deposits (CTS)								
Sol-denominated	3,661,094	54.49%	4,059,146	59.12%	4,311,904	60.03%	4,313,634	61.64%
Dollar-denominated.....	3,057,937	45.51%	2,789,250	40.88%	2,871,517	39.97%	2,684,072	38.36%
Total.....	6,719,031	100.00%	6,848,396	100.00%	7,183,421	100.00%	6,997,706	100.00%
Time deposits								
Foreign Currency Bank								
Certificates								
Dollar-denominated.....	479,692	100.00%	581,145	100.00%	1,297,997	100.00%	872,596	100.00%
Other time deposits								
Sol-denominated	9,165,641	48.72%	11,208,602	55.82%	10,136,406	42.83%	10,662,996	53.35%
Dollar-denominated.....	9,646,870	51.28%	8,873,005	44.18%	13,528,992	57.17%	9,323,784	46.65%
Total other time								
deposits.....	18,812,511	100.00%	20,081,607	100.00%	23,665,398	100.00%	19,986,780	100.00%
Total deposits								
Sol-denominated	31,875,535	49.38%	36,541,663	50.39%	36,145,902	43.07%	36,257,959	47.55%
Dollar-denominated.....	32,671,821	50.62%	35,976,133	49.61%	47,778,359	56.93%	39,987,490	52.45%
Total.....	64,547,356	100.00%	72,517,796	100.00%	83,924,261	100.00%	76,245,449	100.00%
Interest payable	199,725	—	231,922	—	258,352	—	152,880	—
Total deposits (including								
interest payable).....	64,747,081	—	72,749,718	—	84,182,613	—	76,398,329	—
Total deposits								
Interest bearing								
(including interest								
payable).....	47,540,566	73.43%	49,008,776	67.37%	57,552,614	68.37%	51,831,236	67.84%
Non-interest bearing.....	17,206,515	26.57%	23,740,942	32.63%	26,629,999	31.63%	24,567,093	32.16%
Total.....	64,747,081	100.00%	72,749,718	100.00%	84,182,613	100.00%	76,398,329	100.00%

Return on Equity and Assets

The following table provides the components for our return on equity and assets.

	As of December 31,			As of June 30, 2016
	2013	2014	2015	
Return on assets(1)	1.7%	1.8%	2.2%	2.1%
Return on equity(2).....	22.0%	21.3%	26.1%	24.1%
Dividend payout ratio(3)	20.5%	20.3%	41.7%	—
Equity to assets ratio(4)	7.9%	8.2%	8.5%	8.8%

(1) Net income (annualized figures) as a percentage of average total assets, computed as the average of month-end balances.

(2) Net income (annualized figures) as a percentage of average shareholders' equity, computed as the average of month-end balances.

(3) Declared dividends per share divided by net income per share.

(4) Average shareholder's equity divided by average total assets, computed as the average of month-end balances.

Short-Term Borrowings

Our short-term borrowings, defined as interbank funds and due to banks and correspondents with a maturity of less than one year, amounted to S/4.4 billion, S/4.6 billion, S/5.3 billion and S/6.8 billion as of December 31, 2013, 2014 and 2015 and June 30, 2016, respectively.

Derivative Instruments

The tables below set forth, for the years ended December 31, 2013, 2014, 2015 and for the six months ended June 30, 2016, the fair value of the derivative financial instruments recorded as an asset or a liability, together with their notional amounts. The gross notional amount is the amount of a derivative's underlying asset and is the basis upon which changes in the value of derivatives are measured.

As of December 31, 2013 with the approval of the SBS, certain derivative financial instruments maintained by us and our subsidiaries have been designated as hedging operations because the functional currency of Credicorp was the U.S. dollar. As of December 31, 2014, 2015 and June 30, 2016, the functional currency of Credicorp is the Sol.

	As of December 31, 2013			
	Assets	Liabilities	Notional Amount	Related instrument
(Soles in thousands)				
Derivatives held for trading				
Forward exchange contracts	165,305	117,607	13,475,895	—
Interest rate swaps	57,067	42,288	3,913,659	—
Currency swaps	85,267	130,658	3,550,232	—
Options	7,304	24,321	1,333,669	—
Derivatives held as hedges				
Cash flow hedge				
Interest rate swaps	—	6,628	297,533	Due to related parties
Interest rate swaps	1,155	2,115	838,500	Due to banks
Interest rate swaps	25,496	—	559,000	Repurchase agreements
Cross currency swaps	32,602	—	335,852	Due to related parties
Cross currency swaps	30,775	5,716	353,771	Available-for-sale investments
Cross currency swaps	—	—	—	Loan portfolio
Cross currency and interest rate swaps	3,470	2,202	91,423	Bonds issued
Fair value hedge				
Interest rate swaps	29,408	8,820	924,440	Available-for-sale investments
Total	437,849	340,355	25,673,974	

As of December 31, 2014				
	Assets	Liabilities	Notional Amount	Related instrument
	(Soles in thousands)			
Derivatives held for trading				
Forward exchange contracts	110,840	206,196	14,384,380	—
Interest rate swaps	49,886	48,207	4,444,288	—
Currency swaps	284,369	274,648	7,701,186	—
Options	15,320	19,277	1,980,405	—
Derivatives held as hedges				
Cash flow hedge				
Interest rate swaps	—	2,154	171,502	Due to related parties
Interest rate swaps	167	187	537,480	Due to banks
Interest rate swaps	6,513	27	447,900	Repurchase agreements
Cross currency swaps	4,385	—	25,413	Available-for-sale investments
Cross currency swaps	35,206	—	447,900	Loan portfolio
Fair value hedge				
Interest rate swaps	4,177	5,457	843,973	Available-for-sale investments
Interest rate swaps	247,631	—	7,293,069	Bonds issued
Total	758,494	556,153	38,277,496	
As of December 31, 2015				
	Assets	Liabilities	Notional Amount	Related instrument
	(Soles in thousands)			
Derivatives held for trading				
Forward exchange contracts	62,413	148,794	8,829,706	—
Interest rate swaps	37,085	41,866	4,072,117	—
Currency swaps	839,086	625,687	16,586,465	—
Options	10,072	24,371	2,135,684	—
Derivatives held as hedges				
Cash flow hedge				
Interest rate swaps	—	71	20,098	Due to related parties
Interest rate swaps	882	—	784,530	Due to banks
Interest rate swaps	3,256	594	511,650	Repurchase agreements
Cross currency swaps	16,531	31,467	405,628	Available-for-sale investments
Cross currency swaps	116,864	—	511,650	Repurchase agreements
Fair value hedge				
Interest rate swaps	833	5,155	819,677	Available-for-sale investments
Interest rate swaps	339,435	—	8,331,098	Bonds issued
Total	1,426,457	878,005	43,008,303	
As of June 30, 2016				
	Assets	Liabilities	Notional Amount	Related instrument
	(Soles in thousands)			
Derivatives held for trading				
Forward exchange contracts	85,502	46,751	7,075,083	—
Interest rate swaps	52,294	85,143	5,830,146	—
Currency swaps	450,581	476,679	11,083,318	—
Options	17,922	7,571	1,452,604	—

	As of June 30, 2016			
	Assets	Liabilities	Notional Amount	Related instrument
	(Soles in thousands)			
Derivatives held as hedges				
Cash flow hedge				
Interest rate swaps	48	4,021	1,397,825	Due to banks
Interest rate swaps	—	7,292	493,350	Repurchase agreements
Cross currency swaps	26,790	13,719	435,243	Available-for-sale investments
Cross currency swaps	85,662	5,953	542,685	Repurchase agreements
Fair value hedge				
Interest rate swaps	129	28,742	790,360	Available-for-sale investments
Interest rate swaps	636,442	—	8,033,123	Bonds issued
Total.....	1,355,370	675,871	37,133,737	

BUSINESS

Overview

History and development

BCP is a *sociedad anónima* authorized to operate as a multiple banking institution under the Peruvian Banking Law. Our activities include retail, commercial and asset management. Our charter (*estatuto social*) is registered with the Peruvian Public Registry of Juridical Persons (*Registro Público de Personas Jurídicas*) under electronic file number 11009127.

We began operations on April 9, 1889 as Banco Italiano; in 1941 we changed our name to Banco de Crédito del Perú. We are the oldest and, since the 1920s, we have been the largest commercial bank in Peru. BCP is listed on the BVL. As of June 30, 2016, 97.7% of our capital stock was held directly and indirectly by Credicorp (NYSE: BAP) and 2.3% was publicly held. Members of the Romero family have been our shareholders since 1918 and became the controlling shareholders of BCP in 1979 and subsequently of Credicorp in 1995. The Romero family holds 13.9% of the common shares of Credicorp as stated in Credicorp's annual report on form 20-F filed with the SEC on April 29, 2016. Dionisio Romero Paoletti is Chairman of the Board of Directors of Credicorp and Chairman of the Board of Directors of BCP.

In 1993, we acquired Banco Popular de Bolivia from the Bolivian government and renamed it Banco de Crédito de Bolivia, or "BCB." BCB's results have been consolidated in our financial statements since the date of its acquisition in November 1993 until May 12, 2016, when we sold our 100% stake to Inversiones Credicorp Bolivia (ICBSA), an indirect subsidiary of Credicorp Ltd, as part of an internal reorganization.

In 2002 we opened a branch in Panama and an agency in Miami, and acquired Banco Santander Central Hispano-Perú, or "BSCH-Perú," which is included in our consolidated financial statements since such date. BSCH-Perú was merged into BCP on February 28, 2003.

In October 2009, BCP acquired from the Cooperative for Assistance and Relief Everywhere Inc. (CARE) – Perú, all the shares that this entity owned in Edyficar, representing 77.1% of Edyficar's capital stock. In accordance with Peruvian legal requirements in effect at the time, BCP made a public tender to Edyficar's minority shareholders to acquire the remaining balance of the company's stock. As a result of the tender offer, we acquired an additional 22.7% of Edyficar's capital stock bringing our ownership to 99.8% as of December 2011. By means of Resolution SBS No. 7612-2015, the SBS has approved Edyficar's request so it no longer qualifies as a financial entity. On February 23, 2015, a merger transaction between Edyficar and SEAH was agreed upon. Such transaction will enter into force upon the completion of additional corporate and regulatory actions. As a result of such merger, Edyficar will be absorbed by SEAH.

During the years 2011 and 2012, Credicorp followed a strategy aimed at establishing a subsidiary that would operate independently from BCP and engage in financial advisory activities, asset management and investment banking at a regional scale and primarily focused on the Latin American Integrated Market (Mercado Integrado Latinoamericano, or "MILA"). MILA comprises the main stock exchanges of Peru, Chile, Mexico and Colombia.

On November 30, 2011, we reached an agreement with Correval's shareholders to acquire a 51% stake in Correval, subject to the approval from the authorities in Peru, among other conditions precedent. The acquisition, which values Correval at \$150 million, closed on April 27, 2012. Correval, with almost 25 years of experience, is one of the market leaders in the Colombian brokerage services industry. In April 2012, we reached an agreement to acquire 60.6% of IM Trust, a Chilean brokerage and financial services company. This acquisition, which values IM Trust at \$131.5 million, closed on July 31, 2012.

In November 2012 and June 2013, IM Trust and Correval, respectively, were sold at acquisition cost to Credicorp Capital, a wholly-owned subsidiary of Credicorp. Additionally, certain of our former local subsidiaries including Credifondo, Credibolsa, Creditítulos and BCP's investment banking division were spun off and acquired by Credicorp Capital Perú, a subsidiary of our parent company Credicorp through Grupo Crédito S.A. and Credicorp Capital Ltd. We expect that at the end of this reorganization, Credicorp Capital Peru, IM Trust and Correval will all be subsidiaries of Credicorp Capital. Currently, IM Trust and Correval are already indirect subsidiaries of Credicorp Capital.

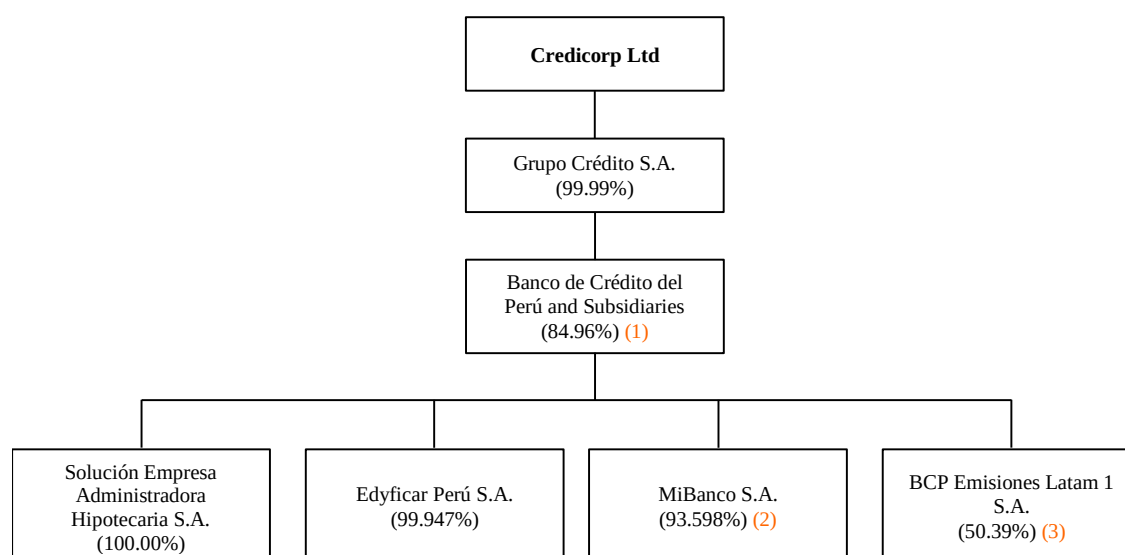
On March 20, 2014, Credicorp, through its subsidiary Edyficar, acquired a 60.7% stake of Mibanco, a local bank that specializes in the micro and small entities sector, for approximately S/ 504.8 million or U.S.\$179.5 million, in cash. On April 8, 2014, Grupo Crédito S.A. and Edyficar, subsidiaries of Credicorp Ltd., acquired from the International Finance Corporation (IFC) an additional 6.5% stake in Mibanco (5% Grupo Crédito S.A. and 1.5% Edyficar). During July 2014, through two transactions, Edyficar acquired 18.6% of the capital stock of Mibanco. In September 2014, Edyficar acquired from La Positiva Seguros y Reaseguros S.A. 1.2% of the capital stock of Mibanco. As of June 30, 2016, Credicorp owns, indirectly through Edyficar and Grupo Crédito S.A., 86.9% of Mibanco's capital stock. In November 2014, the shareholders' meetings of Edyficar and Mibanco approved the spin-off of a group of assets and liabilities of Edyficar to be merged with Mibanco. On March 2, 2015 a business combination between Mibanco and Edyficar's assets and liabilities was made effective. These transactions were entered into at the carrying amount of all assets and liabilities of Edyficar except for operating licenses, mortgages loans of MiVivienda and cash, which continued to be owned by Edyficar. In connection with the aforementioned spin-off, by means of Resolution SBS No. 7612-2015, the SBS has approved Edyficar's request so it no longer qualifies as a financial entity. On February 23, 2015, a merger transaction between Edyficar and SEAH was agreed upon. Such transaction will enter into force upon the completion of additional corporate and regulatory actions. As a result of such merger, Edyficar will be absorbed by SEAH. As of June 30, 2016, BCP holds a direct interest of 93.598 percent in the merged entity and holds 99.947 percent in the portion of the entity that was not merged of Edyficar,

On January 19, 2015 we sold to Credicorp Ltd. 100% of our capital stock in BCI, which generated a profit of S/338.0 million.

On May 12, 2016 we sold to ICBSA, subsidiary of Grupo Crédito S.A., 100% of the shares held in BCB, after the approval of the Financial Supervisory Authority of Bolivia. Thus, we sold 95.84% of our stake for U.S.\$ 162.7 million, obtaining a net gain of S/ 113.8 million.

General

The following chart illustrates the current ownership structure of BCP and BCP's subsidiaries.



(1) Credicorp participates in 12.73%.

(2) Grupo Crédito participates in 1.757%.

(3) Grupo Crédito participates in 49.56%.

In addition to our direct and indirect local subsidiaries (Mibanco and SEAH), we have an agency in Miami, a branch in Panama and an affiliate bank, Atlantic Security Bank, in the Cayman Islands.

In 2015, we represented 79.7% of Credicorp's total revenues, 87.6% of its total assets, 90.2% of its net income and 73.4% of its shareholders' equity. In the first six months of 2016, we represented 74.6% of Credicorp's total revenues, 82.3% of its total assets, 82.6% of its net income and 67.9% of its shareholders' equity. As of June 30, 2016, our issued capital consisted of 7,066.3 million fully subscribed and paid common shares and we had an unconsolidated capital adequacy ratio of 15.8 %, compared to 14.3% as of December 31, 2015. Our operations are supervised and regulated by the SBS and the Central Bank.

Our Panamanian branch is subject to the supervision of the SBS and the PSB. It operates under an international banking license issued by the PSB, which permits us to engage in international banking operations from Panama, such as taking deposits from, and making loans to, persons outside of Panama, but does not allow us to undertake domestic banking operations in Panama. The offices of our Panamanian branch are located at Calle 50 con Elvira Méndez, Edificio Tower Financial Center Piso 13, Panama City, Panama.

Our Miami agency is licensed by the State of Florida and is supervised by the Florida state government and the United States federal government. The agency offers a diverse range of financial services to our customers, including checking and money market accounts, time deposits, fund transfers and collection services. The Miami agency is located at 121 Alhambra Plaza, Suite 1200, Coral Gables, Florida.

BCP's Subsidiaries

Our subsidiaries are as follows:

- Edyficar Perú (Edyficar) was acquired by BCP in October 2009 and is 99.947% owned by BCP. Edyficar was engaged in microfinance in Peru. In March and July 2014, Edyficar acquired equity interest in Mibanco, Banco de la Microempresa S.A. (Mibanco) and, at the end of 2014 Edyficar owned 81.93% of Mibanco. A spin-off transaction was completed on March 2, 2015 between Edyficar and Mibanco, which involved a spin-off of the majority of the assets and liabilities of Edyficar. Given that Mibanco was created in order to promote the microfinance sector, a Law was enacted for its incorporation giving Mibanco a special status and allowing any other financial institutions to own a controlling interest in Mibanco. Such special status remains currently in effect. By means of Resolution SBS No. 7612-2015, the SBS has approved Edyficar's request so it no longer qualifies as a financial entity. On February 23, 2015, a merger transaction between Edyficar and SEAH was agreed upon. Such transaction will enter into force upon the completion of additional corporate and regulatory actions. As a result of such merger, Edyficar will be absorbed by SEAH.
- Mibanco, Banco de la Microempresa S.A., is owned by BCP, which holds a 93.598% interest, and by Grupo Crédito, which holds a 1.757% interest. Mibanco operates as a multiple banking company, oriented to the micro and small business sector.
- Inversiones BCP was incorporated in Chile in 1997, with the special purpose of investing in the stocks of Banco de Crédito e Inversiones (BCI) Chile. In January 2015, we sold our 100% stake in BCI to Credicorp Ltd. and Inversiones BCP was merged into a new subsidiary special purpose vehicle called BCP Emisiones Latam 1 that is 50.39% owned by BCP.
- SEAH is a subsidiary dedicated exclusively to granting mortgage loans. Prior to May 25, 2010 SEAH operated as a financial company (*empresa financiera*) under the name Solución Financiera de Crédito del Perú and its business included mortgage lending, consumer lending and SME financing. On May 25, 2010 SEAH (formerly Solución Financiera de Crédito del Perú) changed its name and social purpose to comply with regulatory requirements arising from the acquisition by BCP of Edyficar. On February 23, 2015, a merger transaction between Edyficar and SEAH was agreed upon. Such transaction will enter into force upon the completion of additional corporate and regulatory actions. As a result of such merger, Edyficar will be absorbed by SEAH.

The following table shows the contributions of our operating entities as of and for the six months ended June 30, 2016, after eliminations for consolidation.

Operating entity	Total Assets	Total Revenue	Net Income	Shareholders' Equity
(In percentages)				
BCP	93.5	83.8	90.1	89.0
Mibanco	6.5	15.9	9.8	10.0
Edyficar	0.0	0.0	-0.1	0.1
SEAH	0.0	0.2	0.2	0.8
BCP Emisiones Latam 1	0.0	0.0	0.0	0.0
Total	100.0	100.0	100.0	100.0

Distribution Network

We have the largest branch network of any commercial bank in Peru and the second most extensive ATM network in Peru.

	As of December 31,			As of June 30,
	2013	2014	2015	2016
BCP				
Branches	389	422	445	442
<i>Lima and Callao</i>	257	274	284	281
<i>Provinces of Peru</i>	130	146	159	159
<i>Offshore</i>	2	2	2	2
ATM's	2,091	2,226	2,295	2,322
BCP Agents	5,730	5,157	5,732	5,570
Total BCP	8,210	7,822	8,472	8,326
Electronic Transactions (% of total transactions)	89%	90%	91%	91%
Mibanco Branches	119	114	321	314

Source: SBS, BCP

BCP's Network has expanded from 330 branches, 1,159 ATMs and 3,513 agents in 2010 to 389 branches, 2,091 ATMs and 5,730 agents in 2013 to 442 branches, 2,322 ATMs and 5,570 agents as of June 30, 2016. BCP's electronic transactions have also grown from 3% electronic transactions and 97% teller transactions in 1993 to 80% electronic transactions and 20% teller transactions in 2010 and to 91% electronic transactions and 9% teller transactions as of June 30, 2016. BCP's number of transactions has accordingly increased from 80 million in 2012 to 98 million as of July 30, 2016.

Competition

As of June 30, 2016, the Peruvian financial system was composed of 61 financial institutions, including 17 commercial banks, 11 financial companies, 12 municipal and 7 rural savings and loan associations (*cajas*), 10 small-business development non-bank institutions (Edpymes), 2 leasing companies and 3 state-owned institutions (not including the Central Bank): Banco de la Nación, COFIDE, and Banco Agropecuario. As of June 30, 2016, the Peruvian financial sector also included 21 insurance companies and 4 private pension fund administrators.

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

As a result of Peru's strong economic growth, which has outpaced growth by nearby countries, in recent years, several foreign companies have shown interest in entering the Peruvian market while financial companies already in Peru have taken steps to expand operations and develop new businesses.

In 2006, the Canadian bank with the largest international presence formed Scotiabank Peru pursuant to a merger between Banco Wiese Sudameris and Banco Sudamericano. In addition, in 2006, one of the largest financial organizations worldwide entered the Peruvian market for the first time by forming HSBC Bank Peru.

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

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

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

In December 2014, Citibank del Peru decided to spin-off their retail banking unit and reached an agreement with Scotiabank Peru to acquire their retail banking unit. This acquisition was approved by the SBS through Resolution No.2403-2015, and was completed on May 1, 2015.

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

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

In October 2015, Deutsche Bank announced that due to a deep reorganization they will completely cease operations in 10 countries, among which is Peru.

The table below shows, according to figures published by the SBS, the distribution by type of institution, of assets, direct loans and deposits of the Peruvian financial system, excluding insurance companies and private pension fund managers, as of June 30, 2016:

As of June 30, 2016	Assets	Direct Loans	Deposits
	(in percentages)		
Commercial Banks	84.6	87.2	82.8
Municipal Savings and Loans Associations	4.8	5.9	6.1
Financial Companies	2.8	3.6	2.1
Rural Savings and Loans Associations	0.3	0.4	0.2
Small Business Non-bank Institutions	0.4	0.5	--
Leasing Companies	0.1	0.2	--
State-owned Banks(1)	7.0	2.2	8.8
Total	100	100	100

(1) Banco de la Nación and Banco Agropecuario.

As of June 30, 2016, according to unconsolidated figures published by the SBS, we were the largest financial institution operating in Peru in terms of assets, deposits and loans.

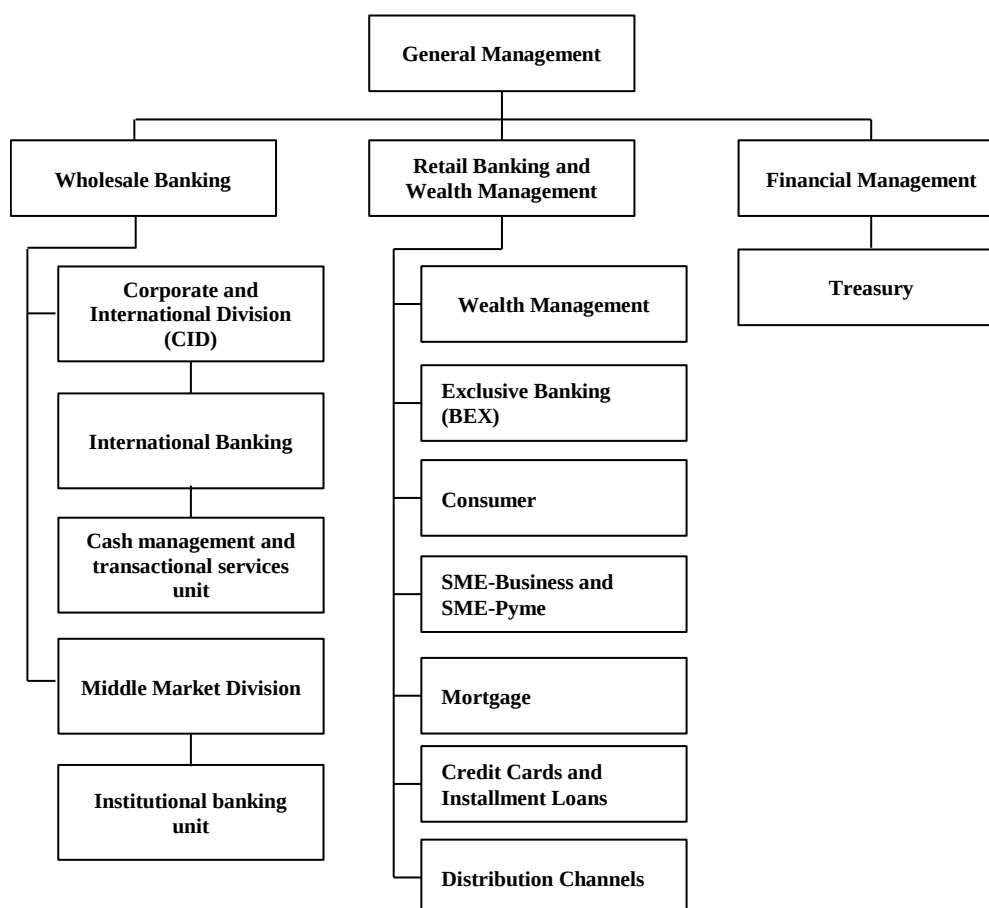
As of June 30, 2016	Assets	Deposits	Loans
	(in percentages)		
BCP(1).....	29.2	28.4	28.1
BBVA Continental	18.7	18.7	18.0
Scotiabank Perú(1)	13.0	13.1	13.4
Interbank(1)	9.7	9.4	9.3
Others	26.8	28.0	28.2
Total Peruvian financial system	100	100	100

(1) Includes offshore branches

Source: SBS.

Business Units

The following chart summarizes BCP's current business organizational structure.



During the years 2011 and 2012, Credicorp followed a strategy aimed at establishing a subsidiary (that will operate independently from the BCP) engaged in financial advisory activities, asset management and investment banking at a regional scale and primarily focused on the Latin American Integrated Market (Mercado Integrado Latinoamericano, or “MILA”). MILA comprises the main stock exchanges of Peru, Chile, Mexico and Colombia.

On November 30, 2011, we reached an agreement with Correval's shareholders to acquire a 51% stake in Correval, subject to the approval from the authorities in Peru, among other conditions precedent. The acquisition, which values Correval at \$150 million, closed on April 27, 2012. Correval, with almost 25 years of experience, is one of the market leaders in the Colombian brokerage services industry. In April 2012, we reached an agreement to

acquire 60.6% of IM Trust, a Chilean brokerage and financial services company. This acquisition, which values IM Trust at \$184 million, closed on July 31, 2012. In November 2012 and June 2013, respectively, IM Trust and Correval were sold at acquisition cost to Credicorp Capital, a wholly-owned subsidiary of Credicorp. Correval and IM Trust purchase agreements include put options in favor of the non-controlling interests and call options in favor of Credicorp, over all non-controlling interests. BCP and Credicorp Ltd. signed an agreement to transfer the contractual position on December 2012, under which BCP transferred its joint liability on the obligations related to the put and call options over the non-controlling interests (the “written non-controlling interests puts and calls”) to Credicorp Ltd., instead of to Credicorp Capital Ltd. Additionally, certain of our former local subsidiaries including Credifondo, Credibolsa, Creditítulos and BCP’s investment banking division were spun off and acquired by Credicorp Capital Perú, a subsidiary of our parent company Credicorp through Grupo Crédito S.A. and Credicorp Capital. At the end of this reorganization, Credicorp Capital Peru, IM Trust and Correval will all be indirect subsidiaries of Credicorp Capital.

The table below shows our average loan balances on an unconsolidated basis by business unit.

	Average Loans and Dollarization for							
	December 2013		December 2014		December 2015		June 2016	
	Average Loans (\$/ Bn)	Dollarization (1)	Average Loans (\$/ Bn)	Dollarization (1)	Average Loans (\$/ Bn)	Dollarization (1)	Average Loans (\$/ Bn)	Dollarization (1)
Wholesale Banking								
Corporate Banking	18.5	70.9%	22.3	60.3%	27.9	50.2%	28.2	46.6%
Middle-market Banking	10.9	74.0%	13.2	67.9%	14.4	48.9%	13.5	47.0%
Total Wholesale Banking	29.4	72.0%	35.5	63.1%	42.3	49.8%	41.7	46.7%
Retail Banking								
Mortgage Banking	9.8	39.5%	11.0	36.0%	12.1	28.9%	12.2	26.3%
Small Business Banking	9.2	28.9%	9.7	30.3%	10.9	25.3%	10.8	23.4%
Credit Cards	2.7	11.9%	3.2	11.6%	4.0	11.1%	4.1	10.9%
Consumer Banking	5.3	21.2%	5.8	21.7%	6.3	15.9%	6.2	13.7%
Other	1.2	20.0%	1.4	22.3%	1.8	26.0%	2.0	23.0%
Total Retail Banking	28.3	29.1%	31.0	28.4%	35.1	23.2%	35.3	21.2%
Total BCP Stand-alone	60.6	53.3%	70.0	49.6%	82.6	41.7%	82.4	39.3%

(1) Calculated as the percentage of loans in U.S. Dollars.

The table below shows our average deposit balances on an unconsolidated basis by business unit:

	Average Deposits and Dollarization for							
	December 2013		December 2014		December 2015		June 2016	
	Average Deposits (\$/ Bn)	Dollarization (1)	Average Deposits (\$/ Bn)	Dollarization (1)	Average Deposits (\$/ Bn)	Dollarization (1)	Average Deposits (\$/ Bn)	Dollarization (1)
Wholesale Banking								
Corporate Banking	15.1	67.9%	13.6	63.4%	13.0	68.3%	13.4	66.2%
Middle-market Banking	12.9	38.2%	14.8	49.1%	16.5	54.3%	16.7	56.2%
Total Wholesale Banking	28.0	54.2%	28.4	55.9%	29.5	60.5%	30.1	60.6%
Total Retail Banking	31.9	43.2%	35.6	44.7%	42.6	53.1%	41.3	51.9%
Other Business Units	0.1	100.0%	0.0	100.0%	0.0	100.0%	0.0	100.0%
Total BCP Stand-alone	59.9	48.4%	64.0	49.7%	72.1	56.1%	71.4	55.6%

(1) Calculated as the percentage of loans in U.S. Dollars.

Wholesale Banking

Wholesale banking has traditionally been our largest business unit in which the majority of our loans are concentrated. In June 2016, wholesale banking represented 50.6% and 42.1% of BCP’s total average loans and total average deposits, respectively. For the first six months of 2016, fee income from wholesale banking represented

27.3% of total fee income. Since Peruvian companies were not able to access international funding sources until the mid-1990s, we were an important source of funding, which in turn allowed us to establish long-standing client relationships with virtually all of the major industrial and commercial groups in Peru. These client relationships provide the wholesale banking division with a competitive advantage that has helped us maintain our market share despite an increasingly competitive environment.

The wholesale banking business unit provides our customers with short-, medium- and long-term loans, local and foreign currency loans, foreign trade-related financing and lease financing.

Our wholesale banking unit is divided into the Corporate and International Division (CID) and the Middle-Market Division (MMD):

Corporate and International Division (CID)

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

BCP has a leading position in the Peruvian banking system with 42.7% market share for loans in the corporate segment.

International Banking Unit

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

BCP maintains business relationships with correspondent banks, development banks, multilateral and export credit agencies in different countries around the world. At present, BCP manages credit lines for foreign trade transactions, working capital and medium and long-term investment projects. Leasing is one of our most important and profitable products. In connection with our leasing activities, BCP specializes in providing financing to our clients in order to allow them to acquire assets and also supports their investment projects. In 2016, according to the SBS, our leasing stock portfolio reached the considerable figure of S/8.8 billion (-6.9% year-over-year decrease), which has consolidated our leadership in the leasing business with a 2016 market share of 38.5 %.

Cash management and transactional services unit

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

Middle-market division (MMD)

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

- Revolving credit lines to finance working capital needs and international trade financing;
- Stand-by letters of credit and bond guarantees;
- Structured long-term and medium-term financing, through loans or financial leasing; and
- Cash Management, Transactional products and electronic banking

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

Institutional banking unit

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

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

Retail banking and wealth management (RB&WM)

As of June 30, 2016, RB&WM related loans represented 42.8% of BCP's total average loans, while deposits accounted for 57.9% of BCP's total average deposits. Net income from RB&WM constituted 45.3% of BCP's net income, while income from related fees constituted 71.7% of BCP's total fee income.

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

As of June 30, 2016, based on figures published by the SBS and excluding Mibanco, our branch network consisted of the highest number of branches with the most extensive country coverage of any privately held bank in Peru. We believe that our branch network has been largely responsible for our success in attracting stable, relatively low-cost deposits. As of June 30, 2016, we had one of the most extensive ATM network in Peru, consisting of 2,322 ATMs and 5,570 BCP Agents. In addition, we have other channels, including the internet and telephone banking, which provide clients with a wider array of services and reduce congestion in the branches. As of June 30, 2016, Mibanco's distribution networks consisted of 314 branches.

Wealth management

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

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

Customers in Enalta have access to ten exclusive branches in Lima, where they can perform financial transactions and obtain personalized advice from investment, insurance and loan experts based on their risk profiles

and financial needs. Enalta also offers customers: (i) access to exclusive products, (ii) specialized account managers and/or expert phone banking, (iii) preferential service by tellers at branches, and (iv) preferential interest rates on loans. Enalta has approximately 26,696 customers. As of June 30, 2016, the Wealth Management Group generated 14.3% of the RB&WM Group's net income, 15.0% of the RB&WM Group's loan volume and 25.7% of its deposit volume.

Exclusive Banking (BEX)

Customers in BCP's "mass affluent" segment receive a differentiated value proposition that includes: dedicated customer services channels, such as specialized account managers, preferential service by tellers at branches and call center phone banking, and preferential interest rates on loans. Approximately 50% of the mass affluent clients are serviced through specialized account managers responsible for improving per-client profitability and achieving long-term relationships through personalized service, cross-selling and share of wallet strategies. BCP has approximately 213,000 mass affluent customers. As of June 30, 2016, the mass affluent banking segment generated 19.7% of the RB&WM Group's net profit, 29.7% of its loan volume and 20.9% of its deposit volume.

Consumer banking

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

SME-Business and SME-Pyme

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

Mortgage lending

We were the largest mortgage lender in Peru with a market share of 31.2% of total mortgage loans in the Peruvian financial system as of June 30, 2016, according to the SBS excluding Mibanco. This was largely the result of BCP's extensive marketing campaigns and its improvements to procedures for extending credit and establishing guarantees.

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

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

Credit card and installment loans

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

In the credit card business, BCP continued to apply segmented strategies. BCP continues to offer value to its high-end customers through partnerships with the airline LATAM for example. These programs, coupled with

BCP's own travel program, enabled BCP to reach record levels, both in points that clients gained for using their credit cards and in points that clients spent to obtain products or services available under loyalty plans. To attract customers in the lower income segment, BCP is streamlining its risk assessment and card delivery processes.

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

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

Distribution Channels

In order to address customer needs, we offer two main channels through which customers can do their day-to-day transactions. All of our 442 branches in Peru have a transactional area and a commercial area. The transactional area allows customers to do their day-to-day operations. The commercial area has employees who serve regular customers and relationship managers for affluent customers and small businesses. Branch employees help customers navigate the wide range of our product offerings. We are constantly looking for ways to improve the customer experience, and one of them is to evaluate branches by their customer contribution, allowing the most profitable branches to continue operating and the least profitable to be relocated, resized or consolidated. Some of our branches are located inside the facilities of other companies to provide customers with payroll services.

We also have alternative channels such as ATMs, correspondent agents (which allow us to serve populations that are far from branches by helping them make deposits, withdraw money and pay bills), online banking, mobile banking, contact centers and kiosks. Kiosks are channel that allows customers to check balances of their accounts and credit cards and several other features. The main advantage of alternative channels is that they are cost efficient for us.

Treasury, Foreign Exchange and Proprietary Trading

Our treasury function is managed through three different units in order to have strong governance, the ALM group, the trading unit (comprised of the Foreign Exchange, Derivatives and Proprietary Trading units) and the Foreign Exchange and Derivatives Distribution Unit.

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

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

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

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

BCP's Foreign exchange (FX) and Derivatives Distribution Unit helps both individuals and companies with their foreign exchange needs (spot and hedging) through all BCP's channels (distribution desk, branch network,

agents and electronic channels). The broad portfolio of foreign exchange products provided to its ample client base has allowed the Unit to position itself as the most important in the FX business in the Peruvian market.

Additionally, as of June 30, 2016, trading securities, investments available-for-sale and investments held-to-maturity totaled S/12,752 million, which represented 10.0% of BCP's total assets. As of June 30, 2016, the balance includes mainly BCRP certificates of deposit (securities issued at discount through public auctions, negotiated in the Peruvian secondary market and settled in Soles) amounting to S/5,707.3 million, Peruvian treasury bonds amounting to S/274.9 million, equity securities for S/99.3 million and foreign governments bonds that corresponds to U.S.\$164.8 million, equivalent to S/542.0 million, issued entirely by the Colombian Government

Lending Policies and Procedures

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

BCP's uniform credit policies and approval and review procedures are based upon conservative criteria and are uniformly applied to all of its subsidiaries. These policies are administered in accordance with guidelines established by the Peruvian financial sector laws and SBS regulations.

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

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

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

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

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

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

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

BCP operates in substantial part as a secured lender. As of June 30, 2016, approximately S/46.2 billion of our loan portfolio and off-balance-sheet exposure were secured by collateral, which represents 60.1% of the total loan portfolio based upon our unconsolidated figures, as compared to 62.6% in 2015 and 62.1% in 2014.

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

Pursuant to a Peruvian regulation (Article 222° under Law No. 26702) that became effective in December 1998, the existence of collateral does not affect the loan classification process. For Peruvian accounting purposes, secured loans (or the portion of any loans covered by collateral) that are classified in Class “B,” “C,” or “D” risk categories or that is otherwise classified as substandard loans have a lower loan loss provision requirement than similar unsecured loans. If a borrower is classified as substandard or below, then BCP’s entire credit exposure to that borrower is so classified.

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

Deposits

Deposits are managed principally by our retail banking group. The main objective of our retail banking operations has historically been to develop a diversified and stable deposit base in order to provide a low-cost source of funding. This deposit base has traditionally been one of our greatest strengths. We have historically relied on more traditional, stable, low-cost deposits, which we consider to be our core deposits: demand deposits, savings and CTS deposits. CTS deposits are funded by companies on behalf of their employees, totaling to one month’s salary per year, and may be withdrawn by the employee only upon termination of employment or upon transfer to another bank, subject to certain exceptions.

The table below shows the breakdown of our average deposit balances on an unconsolidated basis by business unit and products for the periods presented:

	Breakdown of Average Deposits			
	December 2013	December 2014	December 2015	June 2016
Total deposits				
Wholesale Banking	46.7%	44.4%	40.9%	42.1%
Retail Banking.....	53.2%	55.6%	59.1%	57.8%
Other	0.1%	0.0%	0.0%	0.0%
Total	100.0%	100.0%	100.0%	100.0%
Core deposits / total deposits				
Wholesale Banking	48.7%	56.5%	56.1%	54.2%
Retail Banking.....	92.1%	92.6%	87.5%	90.6%
Total	71.8%	76.6%	74.7%	75.3%
Dollarization				
Wholesale Banking	54.2%	55.9%	60.5%	60.6%
Retail Banking.....	43.2%	44.7%	53.1%	51.9%
Total	48.4%	49.7%	56.1%	55.6%

	Breakdown of Average Deposits			
	December 2013	December 2014	December 2015	June 2016
Wholesale deposits				
Savings	1.4%	1.2%	2.2%	2.9%
Demand	47.3%	55.4%	53.9%	51.3%
Time	51.3%	43.5%	43.9%	45.8%
Total wholesale deposits.....	100.0%	100.0%	100.0%	100.0%
Retail deposits				
Savings	48.9%	50.3%	48.6%	51.2%
Demand	22.1%	23.4%	22.4%	22.8%
CTS	21.1%	18.9%	16.5%	16.6%
Time	7.9%	7.4%	12.5%	9.4%
Total retail deposits.....	100.0%	100.0%	100.0%	100.0%

Information Technology

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

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

Risk Management

We have specific risk management policies and procedures that structure and delineate exposures to market risk, liquidity risk, interest rate risk and derivatives trading risk. Market risk is the risk of loss to future earnings, to fair values, or to future cash flows, related to financial instruments, arising from adverse changes in market factors that affect their value, such as interest rates, foreign currency exchange rates, commodity prices, and other relevant market or price changes. Market risk is attributed to all financial instruments sensitive to market risk, including securities, loans, deposits and borrowings, as well as derivative instruments. Special emphasis is placed on managing exposure due to mismatched positions in maturities, currencies and interest rates. The objective of market risk management is to avoid excessive exposure of earnings and equity to loss and to reduce the volatility inherent in financial instruments. Our primary market risk exposure is to interest rates, as net financial income is affected primarily by interest rate volatility, and, to a lesser extent, to foreign currency exchange risk. The management of interest rate risk must incorporate the differences between Sol- and foreign currency-based interest-sensitive assets and liabilities. Our derivative business is concentrated in foreign currency forward contracts. In March 2006, we started entering into cross currency swaps contracts and in 2009 we started entering into foreign exchange options. We also hold a limited number of interest rate hedging instruments.

Credit risk

Credit risk is the risk that a counterparty causes a financial loss by failing to discharge an obligation. Credit risk is the most important risk for our business; therefore, our management carefully manages its exposure to credit risk. Credit exposures arise principally in lending activities that lead to loans and receivables from security borrowings, and investment activities that bring debt securities and other obligations into our asset portfolio. There is also credit risk in off-balance sheet financial instruments, such as contingent credits (indirect loans), which expose BCP to similar risks to loans (direct loans); they are both mitigated by the same control processes and policies. Likewise,

credit risk arising from derivative financial instruments is, at any time, limited to those with positive market values, as recorded in the consolidated statements of financial position.

Our credit approval process is based primarily on an evaluation of each borrower's repayment capacity and commercial and banking references. We determine a corporate borrower's repayment capacity by analyzing the historical and projected financial condition of the company and of the industry in which the borrower operates.

Other important factors that we analyze include the corporate borrower's current management, banking references, past experiences in similar transactions and the quality of any collateral to be provided.

For the evaluation of our corporate borrowers, credit officers analyze the client's ability to repay obligations, determine the probability of default of the client using an internal risk rating model and define the maximum credit exposure that we want to hold with the client.

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

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

Market risk

Our decisions regarding management of liquidity, interest rate policy, foreign exchange position and other significant asset and liability management, or "ALM," matters are made by the Treasury Risk Committee, which meets monthly. Additionally, we have an Asset and Liability Committee that meets monthly to review the overall balance sheet risk and to decide on strategies to improve our financial structure. Also, our capital markets group has an Investment Committee that makes decisions on positions held on all possible types of securities. Day-to-day ALM decisions are made by the treasury department and reviewed in weekly meetings of our senior management. The market risk unit is in charge of the assessment, control and follow-up of all positions that involve market risk exposure.

Operational risk

Operational risks are defined as those dealing with the possibility of suffering financial losses due to deficiencies in internal procedures, information technology or personnel, or the occurrence of adverse external events. Banks are required to adequately manage risks involved in the performance and continuity of their operations and services in order to minimize possible financial losses and reputation damage due to inadequate or non-existent policies or procedures.

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

We intend to follow the risk control standards of international financial institutions that are known for their leadership in this field. Our overall objective is to implement an efficient and permanent monitoring system to control operational risks, while the actual management of risk control procedures is conducted by the areas that carry out critical activities.

Liquidity risk and asset and liability management

Our exposure to market risk is in part a function of the structure and composition of our assets and liabilities. Our ALM policy seeks to ensure sufficient liquidity to meet operational funding requirements, as well as to monitor, measure and control interest rate risks, exchange risks, and market risks on securities trading positions. We have established limits on liquidity coverage ratio (LCR), for the 15, 30 and 60 day horizons, as well as for local currency (PEN) and foreign currency (USD). We use a variety of tools to measure market risks arising from changes in the price of financial instruments and securities prices. Non-statistical methods to measure market risks include: position limits for each trading activity and their allowable risk, marking of all positions to market, profit and loss statements, position reports, and independent verification of the pricing of positions. The statistical estimation of potential losses under adverse market conditions is considered an important tool in the market risk measurement, and for that purpose we use a historical Value at Risk, or “VaR,” methodology, which estimates market risk at a 99% confidence level. Testing exercises are performed periodically by which VaR estimates are compared with actual results.

The historical simulation version of the VaR is applied to products that are affected by price risk. This methodology is applied to: (i) foreign currency positions (“spot” and “forward” foreign currency contracts, cross currency swaps, interest rate swaps and foreign exchange options), (ii) securities portfolio (fixed income, equities and government bonds) and (iii) money market instruments (certificates and overnight deposits).

Additionally, the risk analysis of the investment portfolio is complemented by various indicators including the degree of portfolio diversification, which measures the concentration of investments taking into account their risk factors, and the VaR as a percentage of the investment, which measures the risk level assumed in a specific segment of the portfolio. We have established VaR limits as a function of the maximum potential losses in unfavorable market scenarios that we are willing to assume in the portfolio of each type of security.

Our market risk unit issues on a daily basis to our treasurer, trading managers and Chief Financial Officer reports on positions, profits and losses and VaR results, as well as a series of alerts that have been incorporated using VaR estimates. The Treasury Risk Committee is provided reports on a monthly basis. We believe that these procedures, which stress timely communication between the market risk unit and senior management, are important elements of the risk management process.

Interest rate risk management

A key component of our ALM policy is the management of adverse changes in earnings as a result of changes in interest rates. The management of interest rate risk relates to the timing and magnitude of the re-pricing of assets compared to liabilities and attempts to control of risks associated with interest rate fluctuations. We hedge some of our interest rate risk through the use of interest rate derivatives contracts. As part of the management of interest rate risks, both our Treasury Risk Committee and Asset and Liability Committee may direct changes in the composition of our balance sheet.

One method of measuring interest rate risk is quantifying the effect of interest rate changes over the interest margin, or the interest rate sensitivity gap. Interest rate sensitivity is the relationship between market interest rates and net financial income due to the maturity or re-pricing characteristics of interest-earning assets and interest-bearing liabilities. For any given period, the pricing structure is matched when an equal amount of such assets and liabilities mature or re-price in that period. Any mismatch of interest-earning assets and interest-bearing liabilities is known as a gap position. A negative gap denotes liability sensitivity and normally means that a decrease in interest rates would have a positive effect on net financial income, while an increase in interest rates would have a negative effect on net financial income. The interest margin exposure is usually analyzed for a period limited to a twelve-month horizon.

In addition to the static gap position, we employ a simulation analysis to measure the degree of interest rate risk. Sensitivity analysis is performed to express the potential gains or losses in future earnings resulting from selected hypothetical changes in interest rates. Sensitivity models are calculated on a monthly basis using both actual balance sheet figures detailed by maturity re-pricing interval and interest yields or costs. Simulations are run using various interest rate scenarios to determine potential changes to future earnings.

Gap simulation analysis has several shortcomings, one of which is its “static” nature that is, it does not consider ongoing loan and deposit activity and another of which is the inadequate treatment of individually negotiated loan and deposit rates, as in prime client cases, or the finer breakdown of rates applicable to different business segments.

Furthermore, more than 50% of our interest bearing deposits can be unilaterally modified, causing difficulties in establishing the expected re-pricing period of these products in the simulations. Additionally, we consider within the Foreign Currency category not only U.S. dollar-denominated transactions, but also the currency of BCB, our former subsidiary in Bolivia, which may present different trends in certain periods but, due to its relatively small value, does not significantly affect the results of the analysis.

Derivatives trading activities

We provide our customers with access to a wide range of products from the securities, foreign exchange, and, to a lesser extent, derivatives markets. We enter into trading activities primarily as a financial intermediary for customers, and, to a lesser extent, for our own account. In acting for our own account, we may take positions in some of these instruments with the objective of generating trading profits.

The only derivatives transactions in which we engage on behalf of clients are foreign currency forward contracts, interest rate swaps, options and cross-currency swaps. To hedge our own risks, we also enter into interest rate swaps, cross-currency swaps, and forwards. Our position in derivative instruments is closely monitored and is also subject to nominal and VaR limits.

As of June 30, 2016, the notional amount of outstanding forward contracts was approximately S/7.1 billion or U.S.\$2.2 billion. All of those contracts were entered into solely to serve customer needs. Interest rate swap and currency swap operations as of June 30, 2016 amounted to approximately S/16.5 billion or U.S.\$5.0 million and S/12.1 billion or U.S.\$3.7 billion, respectively. These contracts are recorded at fair value, with both realized and unrealized gains and losses recorded in the consolidated income statements.

Anti-Money Laundering Policies

Peru has long-standing laws criminalizing money laundering activities, and such laws were further strengthened in 1996 with the adoption of the Peruvian Banking Law, which incorporated the guidelines of the Organization of American States directly into Peruvian law. Pursuant to Law No. 28306, a designated government agency, the Financial Intelligence Unit (*Unidad de Inteligencia Financiera*, or “UIF”), currently under the authority of the SBS, is responsible for directing anti-money laundering actions and monitoring information that public and private companies are required to provide. The SBS has the authority to request detailed reports with respect to the movement of funds and the identity of depositors. In accordance with recently enacted regulations, mainly Law No. 28306 and SBS Resolution No. 2660-2015, financial institutions must adopt internal mechanisms, appoint a full-time compliance officer reporting directly to the Board of Directors and conduct special personnel training programs and procedures to detect and report unusual or suspicious transactions as defined therein.

We have programs in place to comply with the “know your customer” regulations in the countries in which we operate, including our agency in Miami and our branch in Panama, which has an international banking license. In addition to complying with the provisions of Peruvian law described in “Regulatory Environment—Anti-Money Laundering Rules,” we have had internal “know your customer” policies since 1995.

Properties

Our principal property is our headquarters building located in Lima, Peru, which we own and which has a total area of approximately 44,000 square meters. In addition, we own or lease land and buildings in various locations through the country for our branches.

Employees

As of June 30, 2016, we had 28,931 total employees, compared to 28,941 as of December 31, 2015, 27,750 as of December 2014 and 22,657 as of December 31, 2013. The number for June 30, 2016 includes 10,490 employees of Mibanco.

All employees of banks in Peru are given the option of belonging to an employees union, and such employees’ unions are collectively represented by the Federation of Banking Employees (*Federación de Empleados Bancarios*, or “FEB”). In order to negotiate a collective agreement on behalf of its members, FEB must have as members over 50% of all Peruvian banking employees. Because the representation of banking employee members of FEB declined below 50%, primarily due to the substantial reduction in the size of the government-owned banking business during

the 1990s, the most recent collective bargaining agreement negotiated with the FEB, which expired on June 30, 1995, was not renewed. In July 2013, we were informed of the establishment of an employees' union of BCP employees. We consider our relations with our employees to be good. The last strike by union employees occurred in 1991 and did not interfere with our operations.

Legal Proceedings

We are party to a number of legal actions and proceedings brought against us in the ordinary course of our operations. We establish provisions for actions that we believe in our judgment are likely to be resolved adversely to us. We believe that none of the claims brought against us, either individually or in the aggregate, is likely to have a material adverse effect on our business, financial condition or results of operations.

REGULATORY ENVIRONMENT

Peruvian Regulation

Peruvian banking regulation follows the standards set by the Basel Committee on Banking Supervision. Peruvian banks and other Peruvian financial institutions are primarily governed by two banking regulatory authorities: the SBS and the Central Bank. The Peruvian Constitution establishes that the SBS's main function and responsibility is to protect depositors of the Peruvian banking and financial sector, while the main function of the Central Bank is to preserve monetary stability.

The regulatory framework for the operations of the Peruvian financial sector is set forth in the Peruvian Banking Law. In accordance with the Peruvian Banking Law, the SBS is responsible for issuing banking regulations and for monitoring the Peruvian banking and financial sector. The SBS supervises and regulates financial institutions such as commercial banks, financial companies, financial leasing companies, small business financial companies, savings and loan corporations, financial services companies, such as trust companies and investment banks, insurance companies and private pension fund managers (other financial institutions such as stock brokerage houses and mutual fund managers are subject to different legal frameworks and to the supervision of the SMV). The SBS became operational in 1931.

Financial institutions must seek the authorization of the SBS before initiating operations. The SBS has administrative and financial autonomy, and its head office is located in Lima. The current chairman of the SBS is María del Socorro Heysen Zegarra.

The SBS enforces the Peruvian Banking Law on an ongoing basis through periodic resolutions. The Peruvian Banking Law provides for more stringent loan loss reserve standards, brings asset risk –weighting in line with the Basel Committee on Banking Supervision guidelines and broadens the supervision of financial institutions by the SBS to include holding companies.

On a periodic basis, banks are required to provide the SBS with all relevant information that is necessary to allow for off-site evaluation of its financial performance, including audited and unaudited financial statements on a consolidated basis, Board of Directors' reports, auditor's reports, and other reports which reflect the operation of a bank's business. Under current practice, such reporting is required on a daily, weekly, monthly, quarterly and semi-annual basis, depending on the nature of the information to be reported.

The SBS is also responsible for conducting on-site examinations of banks on an annual basis, implementing the provisions of the Peruvian Banking Law and other related legislation, examining all banking operations, and analyzing the relationship between assets, liabilities, net worth, profit and loss accounts and all other factors affecting a bank's financial structure.

The SBS has the power to impose administrative sanctions on financial institutions and their directors and employees upon any violation of the rules that govern the activities of the Peruvian banking and financial sector. Sanctions may vary from monetary fines to license cancellation. The SBS may also sanction directors and other officers of financial institutions for breaching SBS regulations.

The Central Bank was founded in 1922 and performs the functions common to a central or reserve bank, such as issuing bank notes, implementing governmental monetary policies, regulating the money supply, managing official gold and foreign exchange reserves and managing the interbank cash clearance system. The Central Bank exercises its power and authority independently and is responsible for its affairs in accordance with the government's policies. The Central Bank is empowered to determine the inflation target and to adopt a monetary policy in accordance thereof, and is also responsible for establishing mandatory minimum liquidity reserves.

The SMV is the Peruvian capital markets regulatory entity attached to the Ministry of Economy and Finance (*Ministerio de Economía y Finanzas*). The main purpose of the SMV is to promote, regulate and supervise the Peruvian capital markets. The SMV, controls compliance and sanctions any violation of the Peruvian Securities Market Law, the ordered text of which (*Texto Único Ordenado*) was approved by Supreme Decree No. 093-2002-EF (*Ley del Mercado de Valores* or "Peruvian Securities Market Law") and its regulations.

Pursuant to article 29 of the Peruvian Banking Law, the issued and outstanding shares of Peruvian banks must be registered before the SMV and listed with the BVL. Therefore, according to the Peruvian Securities Market Law and its regulations, banks are required to file before the SMV and the BVL, in Spanish and on a going forward basis, quarterly and annual reports and notices of material events (*hechos de importancia*).

Implementation of Basel Principles

In order to implement the Basel II Framework, the SBS has approved a two-phase schedule based on a mandatory phase and a voluntary phase. During the first phase, which started in 2008 and ended in June 2009, the SBS performed quantitative impact studies and drafted the most relevant regulations. On June 22, 2008, President Garcia issued Legislative Decree No. 1028, which contains certain amendments to the Peruvian Banking Law, most of which are aimed at adapting it to Basel II Framework standards.

To conform to Basel II Framework standards, the methodology for measuring credit, market and operational risks has been amended to permit standardized and internal model-based methods for measuring market and credit risks. Peruvian financial institutions will also be able to request validation and approval to implement the internal ratings-based (“IRB”) methodology. Only those financial institutions which apply to use the IRB methodology will follow the second implementation phase of the Basel II standards.

The second phase consists of a validation process and an approval by the SBS of the IRB methodology. Once the SBS has validated and approved the IRB methodology, the financial institution in question will use regulatory capital floors to calculate its capital requirements. The amount of required capital (*patrimonio efectivo*) shall not be less than the percentage of capital requirements obtained under the alternative methodology.

	First Year	Second Year	Third Year
Basic IRB and Internal Models of Credit Risk	95%	90%	80%
Advanced Models of Credit Risk and/or Operational Risk	90%	90% ⁽¹⁾	—

⁽¹⁾ 80% for operational risk.

Capital adequacy

Under the provisions of article 199 of the Peruvian Banking Law, and on an unconsolidated basis, the regulatory capital (*patrimonio efectivo*) shall not be lower than 10% of its total weighted assets, which is equivalent to the sum of: (i) ten times the regulatory capital allocated to cover market risks, (ii) ten times the regulatory capital allocated to cover operational risks and (iii) the total amount of credit risk-weighted assets.

According to articles 184 and 185 of the Peruvian Banking Law, the regulatory capital (*patrimonio efectivo*) will be constituted by the sum of: (i) basic capital and (ii) supplementary capital.

Basic capital or tier I capital is comprised of paid-in capital (which includes common stock and non-cumulative perpetual preferred shares), legal reserves, supplementary capital premiums, voluntary reserves which may be reduced only with prior SBS approval and retained earnings with capitalization agreements (earnings that the general shareholders’ meeting or the Board of Directors, as the case may be, have committed to capitalize as common stock). It also includes other instruments, which have the characteristics of permanence and loss absorption, issued in compliance with regulations recently enacted by the SBS. Basic capital excludes, losses of past years and of the current year, any deficit due to provisions and goodwill resulting from corporate reorganizations and acquisitions. Basic capital is also subject to certain additional deductions (e.g., 50% of the investments in shares and subordinated debt issued by other local or foreign financial institutions or financial insurance companies, etc.).

Supplementary capital is constituted by the sum of tier II and tier III capital. Tier II capital consists of voluntary reserves (which could be reduced without any prior consent from the SBS), the eligible portion of redeemable subordinated debt instruments that have mixed debt and equity features and the generic loan loss provision (up to certain limits). Tier II capital is subject to certain deductions foreseen by the Peruvian Banking law (e.g., 50% of the investments in shares and subordinated debt issued by other local or foreign financial institutions or financial insurance companies, etc.). Tier III capital consists of redeemable subordinated debt that is incurred for the exclusive purpose of covering market risk.

On February 24, 2016, the SBS issued Resolution No. 975 -2016 – the “Subordinated Debt Regulation”, which aims to improve the quality of the total regulatory capital (*patrimonio efectivo*), increase solvency requirements and align Peruvian regulation towards Basel III, by modifying (i) the characteristics that subordinated debt must meet to be considered in the calculation of total regulatory capital and (ii) the calculation of risk-weighted assets.

Additional regulatory capital requirements

On July 20, 2011, the SBS issued SBS Resolution No. 8425-2011, establishing the methodologies and the implementation schedule of additional capital requirements consistent with certain aspects of Basel III. The new capital requirements include requirements to cover concentration, interest rate and systemic risk. Additionally, pro-cyclical capital requirements were also established. These additional requirements were fully implemented in July 2016.

Credit risks

According to article 186 of the Peruvian Banking Law, and SBS Resolution No. 14354-2009, enacted in November 2009, as amended, financial institutions are allowed to use the standardized methodology and, with the prior approval of the SBS, the IRB methodology for calculating their regulatory capital requirement for credit risk. BCP will eventually adopt the IRB methodology once it is fully implemented and after having received prior approval from the SBS.

According to the Peruvian Banking Law, as of July 1, 2009, financial institutions would have been allowed to use the IRB methodology instead of the standardized methodology after receiving prior approval from the SBS. However, full implementation of both standardized and IRB methodologies by Peruvian financial institutions are still subject to the issuance of further regulations.

Market risks

Regulations for the supervision of market risks enacted in May 1998 require financial institutions to establish internal policies and procedures to monitor these risks, as well as market risk exposure limits. Regulations define market risks as the probable loss derived from exposure to various classes of commodities, securities, foreign exchange, derivative operations or commercial assets that banks may hold in their portfolios, which may not be reflected in their balance sheets. On June 2009, the SBS enacted SBS Resolution No. 6328-2009, as amended, which defines the methodology to be applied, and the requirements to be satisfied, to calculate the regulatory capital requirement for market risks under the standard methodology and the IRB methodology.

Since July 1, 2009, financial institutions have been allowed to use the IRB methodology, rather than the standardized methodology, subject to prior approval from the SBS.

Operational risk

SBS Resolution No. 2115-2009, enacted in April 2009, as amended, defines the methodology to be applied, and the requirements to be satisfied by financial institutions in calculating their regulatory capital requirement for operational risk under the IRB methodology, the alternative standardized methodology and the advanced methodologies. The IRB methodology uses a bank’s gross operational margin as “exposure indicator” and its application does not require the prior approval by the SBS. Application of the alternative standardized methodology or the advanced methodologies requires compliance with certain provisions included in SBS Resolution No. 2115-2009 and prior approval from the SBS.

SBS Resolution No. 2116-2009, enacted in April 2009, as amended, which approves the guidelines for managing operational risk, defines “operational risk” as the possibility of suffering losses due to inadequate procedures, failures of personnel, information technology or external events, including, without limitation, legal risks (but excluding strategic and reputational risk). It also establishes that a bank’s board of directors is responsible for designing the general policies to manage operational risk and that a bank’s management is in charge of implementing such policies. Finally, it provides that each bank is obligated to create a database of all of such bank’s losses due to operational risk, classifying such losses by event.

Loan Loss Reserves

Procedures relating to loan loss reserves and loan portfolio classification are set out in regulations issued by the SBS. Pursuant to SBS Resolution No. 11356-2008, enacted in November 2008 and in force since July 2010, as amended, banks must consider certain criteria with respect to the borrower, including the securities; the credit category; the borrower's liquidity, including whether the borrower has adequate equity and a low amount of outstanding debt relative to their ability to generate profits; whether the borrower or its industry is susceptible to significant variation in cash flow; whether the borrower has a history of prompt payments on its debt; and whether the borrower is part of an economic sector that demonstrates a trend towards growth.

Risk Categories according to days of delay:

Classification	Corporate, Large Business, Medium Business	Small Business, Micro Business, Revolving Consumer, Non revolving Consumer	Residential Mortgage
Class "A" Normal	0 to 30	0 to 8	0 to 30
Class "B" Potential Problem	31 to 60	9 to 30	31 to 60
Class "C" Substandard	61 to 120	31 to 60	61 to 120
Class "D" Doubtful	121 to 365	61 to 120	121 to 365
Class "E" Loss	366+	121+	366+

SBS regulations require the following minimum reserves to be recorded for statutory purposes for all types of credit: a 1% reserve on loans and credits classified as Standard with respect to which no credit issues have been identified, and a 5%, 25%, 60% and 100% specific reserve on loans for the unsecured portion and credits in risk categories Potential Problem, Substandard, Doubtful and Loss, respectively. Whenever such loans or credits, or any portion thereof, are secured with "preferred" collateral, required reserves for risk categories Potential Problem, Substandard, Doubtful and Loss are 2.5%, 12.5%, 30% and 60%, respectively. The amount of the reserve for any such loans or credits, or portions thereof, secured with "self-liquidity" collateral may be reduced by 50%. Loans or credits, or the portions thereof, secured with "preferred readily realizable collateral" collateral, require at least a 1% reserve. When the collateral is insufficient to secure the outstanding balances, the higher percentage requirements are applicable to the unsecured portion of the loans or credits. In the case of consumer loans, the required reserves are as follows: a 1% reserve on loans classified as Standard with respect to which no credit issues have been identified, and a 5%, 25%, 60% and 100% specific reserve on loans in risk categories Potential Problem, Substandard, Doubtful and Loss, respectively.

SBS regulations require Peruvian banks to maintain two types of loan loss reserves: (a) "generic" loan loss reserves (*provisiones genéricas*) on their total direct and indirect loan portfolio that is classified as category "A" (standard) at an allowance rate of (i) 0.7% for corporate loans, big business loans and residential mortgage loans, and (ii) 1.0% for medium business loans, small business loans, micro business loans, revolving consumer loans and non-revolving consumer loans, and (b) specific reserves (*provisiones específicas*) on their total direct and indirect loan portfolio classified under categories "B" (Potential Problems) through "E" (Loss) described above at an allowance rate of 5%, 25%, 60%, and 100%. These percentages may be reduced if the loans are secured with certain types of collateral and for certain special types of loans, provided that certain requirements set forth under SBS Resolution No. 11356-2008, as amended, are satisfied.

As of December 31, 2008, banks were required to make dynamic loan loss reserves (*provisiones procíclicas*) based on the behavior of Peru's annualized average GDP over the last 30 months as determined and published by the Central Bank. On September 10, 2009, the SBS, through Circular No. B-2181-2009, announced the suspension of the pro-cyclical requirements. This suspension was lifted on September 28, 2010, through Circular No. B-2193-2010.

On November 27, 2014, the SBS, through Circular No. B-2224-2014, announced the suspension of the pro-cyclical requirements. As a result, pro-cyclical provisions may be reassigned to cover specific reserves (*provisiones específicas*). Pro-cyclical provisions, however, may not be used to increase the banks' net income.

Banks must report loan classifications on a monthly basis to the SBS. The worst classification assigned to a single person by any bank affects classification and allowance requirements for all other banks, which means that all banks are bound by the worst classification that is assigned to any given debtor by any bank in the Peruvian banking and financial sector.

Risk of Over-indebtedness by Consumer Banking Customers

According to SBS Resolution No. 6941-2008, as amended, banks and other financial entities must adopt a system to manage the risk of over-indebtedness that (a) allows the mitigation of such risk before and after making the loan, (b) permits the performance of a permanent monitoring of the portfolio to identify over indebted borrowers and (c) includes the periodic evaluation of the control mechanisms being used and of the corrective actions or required improvements, as the case may be. The board of directors of such banks and other financial entities are responsible for (i) establishing and reviewing the policies and proceedings for the identification, measuring, treatment, control, reporting and monitoring of the risk from the level of indebtedness of its consumer banking customers and (ii) causing the management to adopt the necessary measures to monitor and control such risks. In addition, the board of directors must cause the bank and/or financial entity to have an organizational structure that guarantees total independence between the risk and the commercial divisions and that the incentive schemes for employees' performance does not cause a conflict of interest with risk management policies.

Banks and financial entities that are in the process of implementing a system to manage the risk of over-indebtedness or are not able to monitor, control and identify the risk of over-indebtedness are obliged to maintain a special loan loss reserve.

Lending Limits

Under article 206 of the Peruvian Banking Law, the total amount of direct and indirect credits and financings granted in favor of a person shall not exceed 10% of a bank's regulatory capital. A person is defined for the purposes therein as a person or group of persons or entities representing a common or single risk.

The 10% limit indicated above may be raised to 15%, 20% and 30%, depending on the type of collateral securing the excess over each limit. Accordingly, the limit can be extended to 15% when the excess is secured by a mortgage, pledge, warrant or trust, it may be extended to 20% when the excess is collateralized with securities listed on the ISBVL, and it may be extended to 30% when the excess is secured with deposits that are maintained and pledged with the bank.

Other special lending limits have been considered, such as lending to related parties or affiliates (30% of regulatory capital), to local banks (30%), and to foreign banks (from 5% for non-regulated banks to 30% for first category international banks (as defined by the Central Bank from time to time), which may also be raised to 50% when backed by letters of credit). There are other limits that require banks to diversify their portfolio in different types of assets, benefiting liquid and low risk assets.

Lending to Related Parties

The Peruvian Banking Law regulates and limits transactions with related parties and affiliates of financial institutions on an unconsolidated basis. In 1997, the SBS and the SMV enacted regulations defining indirect ownership, related parties and economic groups, which were superseded by regulations enacted by the SBS in 2000 and by the SMV in 2010. These regulations serve as the basis for determining limits on transactions with related parties and affiliates and also provide the basis for the development of specific standards for the supervision of financial and mixed conglomerates formed by financial institutions.

Under article 202 of the Peruvian Banking Law, the aggregate amount of loans to related party borrowers cannot exceed 30% of a bank's regulatory capital. For purposes of this test, a related party borrower includes any corporation holding, directly or indirectly, 4% or more of a bank's shares, directors, certain principal executive officers or persons affiliated with the administrators of the bank. All loans to related parties must be made on an arm's length basis with terms no more favorable than the best terms that the bank offers to the public.

Also, under article 201 of the Peruvian Banking Law the total amount of loans to directors, employees or close relatives of any such persons may not exceed 7% of a bank's regulatory capital per person. All loans made to any single related party borrower may not exceed 0.35% of the regulatory capital (i.e., 5% of the overall 7% limit), for purposes of this restriction, a single related party includes that party's spouse and relatives.

Country Risk Reserve Requirements

SBS Resolution No. 7932-2015, enacted in December 2015, and in effect since July 1, 2016, requires the establishment of reserves to cover exposure to country risk, which includes sovereign risk, transfer risk and expropriation or nationalization risk, all of which may affect operations with companies or individuals in foreign countries. The SBS has also established guidelines indicating the procedures and responsibilities that are necessary for coping with country risk.

Integral Risk Management

SBS Resolution No. 37-2008, enacted in January 2008, as amended, contains guidelines for integral risk management of financial institutions. Integral risk management is a process intended to identify potential events that can affect banks and to manage those events according to its nature and risk level. This new regulation covers all kinds of risks that could affect a banking operation, such as operational, market, credit, strategic, liquidity, legal and reputational risks.

Investments in Financial Instruments

Investment in financial instruments by Peruvian banks is restricted to those financial instruments listed in the Peruvian Banking Law, such as equity instruments traded on a stock exchange, debt instruments (to the extent that certain requirements are satisfied), sovereign debt instruments and quotas in mutual and investment funds, among others.

Pursuant to SBS Resolution No. 7033-2012, effective as of January 1, 2013, investments in financial instruments by Peruvian banks shall be classified into any of the following categories: (a) investments at fair value with changes in results (short term), (b) investments available for sale, (c) investments held to maturity (long term) and (d) investments in subsidiaries and affiliates.

Reserve Requirements Required by the Central Bank

Under the Peruvian Banking Law, all financial institutions regulated by the SBS (except for small-business development non-bank institutions) are required to maintain a legal reserve (*encaje*) for certain obligations. The Central Bank may require additional and marginal reserves. The exact level and method of calculation of the reserve requirement is set by the Central Bank, which has issued different sets of regulations for foreign and local currency-denominated obligations of banks. Among others, the following liabilities are subject to the reserve requirement: demand and time deposits, savings accounts, certain bonds and funds administered by the bank and amounts due to foreign banks and other foreign financial companies (in certain circumstances).

Currently, the minimum legal reserve requirement for local and foreign currency deposits is 6.5% and 9.0%, respectively. Foreign currency deposits collected from the general public are subject to a marginal rate of 70% for funds that exceed a certain level set by the Central Bank. Local and foreign currency borrowings from certain foreign sources with an original maturity of two years or less are subject to a 50% special rate. Financial institutions may satisfy the minimum reserve requirements with funds that they hold in vaults or that they have deposited in their accounts at the Central Bank.

Subject to certain requirements, the regulation excludes from the reserve requirement mid-term and long-term funding (i.e. liabilities with a minimum average maturity of more than two years, subject to other conditions) through the issuance of securities such as the notes.

They must also keep at least 1.0% and 3.0% of their local and foreign currency deposited in the Central Bank, respectively. The Central Bank oversees compliance with the reserve requirements.

The Central Bank also establishes the interest rate payable on reserves that exceed the minimum legal reserve requirement applicable to both local and foreign currency deposits. The current applicable interest rate: (a) for local currency reserves, different from those described below, is the overnight deposits interest rate, minus 195 basis points; and, (b) for foreign currency deposits is a 25% of the one-month LIBOR interest rate. Currently, no interest rate is payable in respect of local currency deposits to certain foreign sources, such as financial institutions, hedge funds, brokerage firms, pension funds and others with a foreign parent company, except for those authorized by the

SBS to collect deposits from the general public in Peru. The applicable interest rate is expected to be periodically revised by the Central Bank in accordance with monetary policy objectives.

In the past months, the Central Bank has on numerous occasions changed the deposit reserve requirements applicable to Peruvian commercial banks and both the rate of interest paid on deposit reserves and the amount of deposit reserves on which no interest is payable by the Central Bank.

Deposit Insurance Fund

Bank deposits are protected by the Deposit Insurance Fund (*Fondo de Seguro de Depósitos* or “FSD”) against bank failure. Specifically, savings deposit accounts maintained by individuals, savings deposit accounts maintained by non-profit entities and checking accounts are covered in full up to an amount that is revised quarterly by SBS. For the period between September 1, 2016 and November 30, 2016 the maximum coverage amount is S/96,227 per person per bank.

The FSD was established in 1991 and was organized as a private corporation in 1996. Its governing body is led by a representative of the SBS. The additional members are appointed by the Central Bank (1), the Ministry of Economy and Finance (1) and by financial institutions (3). The SBS provides the necessary administrative and operational resources. The financial resources available to the FSD pursuant to the Peruvian Banking Law include, among others, the original contribution from the Central Bank, insurance premiums paid by banks, unclaimed bank deposits after ten years and fines imposed by the SBS for violations of the Peruvian Banking Law.

In addition, the FSD may, in extraordinary situations, borrow funds with authorization from the Treasury or borrow long-term government securities from the Treasury.

Anti-Money Laundering Rules

Money laundering is considered a criminal act in Peru. A special legal framework was established in April 2002, which follows the 40 recommendations of the Financial Action Task Force on Money Laundering, or “FATF,” established by the G-7. Since then, this legal framework has been amended in order to improve and increase the efficiency of the Peruvian anti-money laundering system.

Money laundering includes a wide range of serious offenses such as tax evasion, financing terrorism, drug trafficking, corruption and other criminal activities. A special set of anti-money laundering rules applies specifically to banks, which includes specific rules for customer and employee due-diligence and record-keeping. In March 2008, the SBS enacted additional anti-money laundering provisions, pursuant to which, among other things, banks must establish a set of policies and procedures specifically aimed to prevent asset laundering and the financing of terrorist activities. In November 2008, the SBS modified the anti-money laundering provisions to include, among other changes, the obligations of Peruvian banks to verify that their branches and foreign subsidiaries comply with the anti-money laundering and terrorism financing provisions enacted by the SBS and with the recommendations of the FATF. In accordance with recently enacted regulations, mainly Law No. 28306 and SBS Resolution No. 2660-2015, financial institutions must adopt internal mechanisms, appoint a full-time compliance officer reporting directly to the Board of Directors and conduct special personnel training programs and procedures to detect and report unusual or suspicious transactions as defined therein.

The government agency responsible for supervising the anti-money laundering system is the UIF, which was absorbed by the SBS in July 2007. The chairman of this agency is appointed by the chairman of the SBS.

Disclosure of Material Information

All banks that are organized as corporations (the only exception being the Peruvian branches of foreign banks) are listed on the BVL and are registered in SMV. As a result, they are subject to the disclosure and reporting rules contained in the Peruvian Securities Market Law and its regulations, as well as in the internal regulations of the BVL.

Under these rules, listed companies such as banks are required to disclose to the market in a timely manner (within the same day that the event occurs) all information that investors are reasonably likely to consider material. Special regulation provides for specific parameters to determine what is considered relevant information in

connection with the company, its securities and its business. Banks are also subject to full disclosure and reporting obligations under the banking regulatory framework.

Intervention by the SBS and Liquidation

Pursuant to the Peruvian Banking Law, the SBS has the power to interrupt the operations of a bank in order to prevent it from, or to control and reduce the effects of, a bank failure. Accordingly, the SBS may intervene in a bank's business by adopting either a temporary surveillance regime or a definitive intervention regime ("Intervention") depending on how critical the situation is deemed to be by the SBS. Either of these actions may be taken upon the occurrence of certain events, including (a) suspension of payments; (b) repeated failure to comply with instructions from the SBS or the Central Bank; (c) repeated violation of the Peruvian Banking Law or the Bank's by-laws; (d) unauthorized or unsound management; or (e) deficit of regulatory capital (to the extent that if it is in excess of 50%, then an Intervention is mandatory). Less drastic measures, such as (i) placing additional requirements, (ii) ordering a capital increase or an asset divestiture, or (iii) imposing a financial restructuring plan, may be adopted by the SBS when the situation allows for them.

An Intervention may halt a bank's operations up to 45 days, which may be extended for a second period of up to 45 additional days, during which time the SBS may institute measures such as (a) canceling losses by reducing reserves, capital and subordinated debt; (b) segregating certain assets and liabilities for transfer to another financial institution; and (c) merging the intervened bank with another acquiring institution. After an Intervention, the SBS will proceed to dissolve and liquidate the bank unless the preceding option (c) was applied.

Beginning on the date on which a resolution of the SBS subjecting a bank to an Intervention regime is issued, and continuing until such Intervention is concluded (which period ends when the liquidation process begins), the Peruvian Banking Law prevents any creditor of the bank from: (a) initiating any judicial or administrative procedure for the collection of any amount owed by the bank, (b) enforcing any judicial decision rendered against the bank to secure payment of any of its obligations, (c) constituting a lien or attachment over any of the assets of the bank to secure payment of any of its obligations, or (d) making any payment, advance or compensation or assuming any obligation on behalf of the bank, with the funds or assets that may belong to it and are held by third parties, except for: (i) set-off compensation payments that are made between regulated entities of the Peruvian banking and financial sector and insurance systems, and (ii) set-off of reciprocal obligations arising from repurchase agreements and operations with financial derivatives entered into with local or foreign financial and insurance institutions.

During liquidation, claims of bank creditors rank as follows:

First order - Labor claims:

1st. Employee remunerations.

2nd. Social benefits, contributions to the private and public pension system and other labor claims against the bank accrued until the date when the dissolution is declared, retirement pensions or the capital required to redeem those pensions or to secure them by purchasing annuities.

Second order - Claims for bank deposits and other types of saving instruments provided under the Peruvian Banking Law, in the portion not covered by the FSD, as well as any claims of the FSD with respect to its contributions.

Third order - Taxes:

1st. Claims by the Peruvian social security administration (EsSalud) related to health care benefits for which the bank is responsible as employer.

2nd. Taxes.

Fourth order - Unsecured and non-privileged credits and subordinated debt:

1st. All unsecured and non-privileged credits against the bank, ranked on the basis of (i) the date they were assumed or incurred by the bank whereby obligations assumed or incurred on an earlier date shall rank senior in right of payment to obligations assumed or incurred by the bank at a later date (except for

those unsecured creditors who have accepted to be treated pari passu with other unsecured creditors), and (ii) obligations assumed or incurred by the bank on a date that cannot be determined shall rank junior in right of payment to all the obligations comprised in (i) above and pari passu among themselves.

2nd. The legal interest on the Bank's obligations that may accrue during the liquidation.

3rd. Subordinated debt.

Except for unsecured and non-privileged claims, all claims within an order will be ranked pari passu among themselves. Each category of creditors will collect in the order indicated above, whereby distributions in one order will be subject to completing full distribution in the prior order.

Any security interest created before the issuance of the resolution declaring the Bank's dissolution and the initiation of the liquidation process shall subsist in order to guarantee the obligations it secures. The secured creditors shall retain the right to collect from the proceeds of the sale of the collateral, on a preferred basis (except with respect to labor claims and savings, which are privileged claims), subject to certain rules established under article 119 of the Peruvian Banking Law.

Peruvian banks are not subject to the regime of insolvency and bankruptcy otherwise applicable to Peruvian corporations in general.

MANAGEMENT

We are managed by our Board of Directors, President (Chief Executive Officer) and Executive Vice-Presidents. Our Board of Directors consists of:

Name	Position	Board Member Since
Mr. Dionisio Romero Paoletti.....	President	2003
Mr. Raimundo Morales Dasso.....	Vice President	2009
Mr. Fernando Fort Marie	Member of the Board of Directors	1990
Mr. Reynaldo Llosa Barber	Member of the Board of Directors	1990
Mr. Juan Carlos Verme Giannoni.....	Member of the Board of Directors	1990
Mr. Luis Enrique Yarur Rey.....	Member of the Board of Directors	1995
Mr. Eduardo Hochschild Beeck.....	Member of the Board of Directors	2003
Mr. Roque Benavides Ganoza	Member of the Board of Directors	2009
Mr. Benedicto Cigüeñas Guevara.....	Member of the Board of Directors	2005
Mr. Luis Enrique Romero Belismelis	Member of the Board of Directors	2009
Mr. José Alejandro Graña Miro Quesada	Member of the Board of Directors	2014
Mr. Martín Pérez Monteverde	Member of the Board of Directors	2014
Mr. Luis Montero Aramburu	Member of the Board of Directors	2015
Mrs. Bárbara Bruce Ventura.....	Member of the Board of Directors	2015

The members of our Board of Directors can be reached at our address at Calle Centenario 156, La Molina, Lima 12, Peru.

Detailed below is a brief biographical description of the members of our Board of Directors.

Mr. Dionisio Romero Paoletti holds a degree in Business Administration from Brown University and a Master's degree in Business Administration from Stanford University. He has been a Director of the Bank since 2003. In addition, he has served as the Chairman of the Board of Credicorp since March 2009 and he serves as a Director on the boards of various other companies.

Mr. Raimundo Morales Dasso is an economist from the Universidad del Pacífico and he holds a Master's degree in Business Administration from the Wharton School of the University of Pennsylvania. From October 1990 until March 2008, he served as the Bank's General Manager. In addition, he serves as Deputy Chairman of the Board of Credicorp and several of its subsidiaries, and serves as a Director on the boards of various other companies.

Mr. Fernando Fort Marie is a lawyer and a partner at the law firm of Fort, Bertorini y Godoy. Mr. Fort has served as a Director of the Bank from 1979 to 1987 and from March 1990 to the present. He has served as a Director of Credicorp since March 1999. Additionally, Mr. Fort serves as a Director on the board of Inversiones Centenario S.A.A. and the boards of various other companies.

Mr. Reynaldo Llosa Barber is a businessman and has served as a Director of the Bank from 1980 to 1987 and from March 1990 to the present. He has been a Director of Credicorp since August 1995. Mr. Llosa is also the main partner and general manager of F.N. Jones S.R. Ltda., and serves as a Director on the boards of various other companies.

Mr. Juan Carlos Verme Giannoni is a private investor and businessman and has served on the Board of Directors of Credicorp since August 1995. He has served on the Board of Directors of BCP since March 1990 and was on the Board of Directors of ASB and BCP Bolivia. Mr. Verme is Chairman of Inversiones Centenario and Director of Paz Centenario and Paz Centenario Global. He also serves as a member of the Board of Directors of other Peruvian companies such as Celima, Corcesa, Piscifactorias de los Andes and Medlab.

Mr. Luis Enrique Yarur Rey is a businessman with a Bachelor's degree in law and graduate degrees in Economics and Management. He became a Director of Credicorp in 2002. Mr. Yarur is the Chairman of the Board of Banco de Crédito e Inversiones in Chile, and a member of the boards of various other Chilean companies.

Mr. Eduardo Hochschild Beeck is a mechanical engineer and holds a degree in Physics. He became a Director of the Bank in 2003. He serves as a Director on the boards of various other companies.

Mr. Roque Benavides Ganoza is an engineer from Pontificia Universidad Católica del Perú and holds a Master's degree in Business Administration from Henley, the Management College of Brunel University. He is a Director and the Executive President of Compañía de Minas Buenaventura S.A., one of the largest mining companies in Peru, since 2004, and is a Director on the boards of several companies affiliated with Buenaventura. He has been a member and served as the President of several industrial organizations such as CONFIEP (Confederación Nacional de Instituciones Empresariales Privadas). He has been a Director on the board of the Bank since March 2009.

Mr. Benedicto Cigüeñas Guevara has a degree in economics from Universidad Católica del Perú and has a Master's degree from the Colegio de México. Mr. Cigüeñas has completed studies in Statistics and Economics at the Centro Interamericano de Enseñanza del Estado, Chile; and the Advanced Management Program from Universidad de Piura, Peru. He has served as a Director of Banco de Crédito del Perú since January 2005. He is also a Director of Atlantic Security Bank and Edyficar. Previously, he served as Chief Financial Officer (1992-2004) of BCP. He held the position of Regional CEO of Extebandes and CEO of Banco Continental del Peru. He served as CEO and CFO of Banco de la Nación, and Vice Minister of Economy and Finance. Also, he was an executive at the Peruvian Central Bank, and Director of Banco Exterior de los Andes (Extebandes), Petróleos del Perú, Banco de la Nación and Instituto Peruano de Administración de Empresas, among other institutions.

Mr. Luis Enrique Romero Belismelis has a Bachelor's degree from Boston University. He is a board member of several industrial, commercial and service sector companies in Peru. He has served as the Vice-President of the board of Alicorp S.A.A., one of the largest industrial companies in Peru, since 1996. He is Mr. Romero Paoletti's first cousin.

Mr. José Graña Miró Quesada has a degree in architecture from Universidad Nacional de Ingeniería. Mr. Graña has studied at Escuela Superior de Administración de Negocios para Graduados (ESAN) and Universidad de Piura. He is a Director and Chairman of the Board of Directors of Graña y Montero S.A.A and Director of Mexichem Amanco Holding (Mexico). He has previously served as director of several companies such as Empresa Editora El Comercio S.A., Telefónica del Perú S.A., Embotelladora Latinoamericana S.A., Edegel S.A.A. and Refinería La Pampilla S.A.

Mr. Martin Perez Monteverde has a degree in business administration from Universidad del Pacifico. Mr. Perez has studied at Programa de Alta Dirección de la Universidad de Piura. Mr. Perez has served five years of his 24-year career in the public sector, as Congressman of the Republic and Minister of State in the portfolio of Foreign Trade and Tourism. He is President of the Peruvian Institute of Economy - IPE - and Senso Consulting S.A.C. He is also Director of Inversiones Centenario SA, Sigma Management Company Investment Funds (SAFI), the Foreign Trade Society of Peru - COMEXPERU - and the National Confederation of Private Business Institutions - CONFIEP.

Mr. Luis Montero Aramburu is Director in BCP since 2015. He has 40 years of experience in the financial sector, having developed his career mainly between Europe and Latin America. In the past 10 years, he founded and directed Indigo Value Analysis, a consulting firm specializing in marketing, risks and recoveries. Previously, he was managing partner of McKinsey & Company in the office of Iberia, where he led the Financial Institutions practice. He was Vice Minister of Hacienda in Peru and Operations and Systems Manager at Banco de Chile. He is Chemical Engineer from Lehigh University and an MBA from Stanford University. Importantly, he has been director of multiple companies in Peru.

Mrs. Bárbara Bruce Ventura has a degree in geological engineering at the Universidad Nacional de Ingeniería del Perú and then she graduated with a master's degree in Reservoir Engineering at the Colorado School of Mines, United States. In April 2010, she obtained an MBA from the Adolfo Ibañez School of Miami. She joined Hunt Oil in December 2004 as Deputy General Manager and in 2006 was named General Manager of PERU LNG leading the construction and startup of PERU LNG, the first LNG plant in Peru and South America. Since January 2011, she holds the position of President and CEO of Hunt Oil Company of Peru.

Executive Committee and Audit Committee

Our Executive Committee meets weekly and is responsible for approving credit operations beyond the authority of our management. In addition, the Executive Committee approves, modifies or dismisses issues on which it has been consulted by our managers and provides guidance on the actions of our management. The Executive

Committee participates in the review of our financial statements, our internal controls and the performance of our external and internal auditors, and engages in our follow-up responses to recommendations of the SBS. In certain urgent circumstances, the Executive Committee has the authority is empowered to make decisions in place of the Board of Directors.

Our Audit Committee is responsible for monitoring our internal controls and reports to our Board of Directors on the execution of our internal controls, policies and procedures. The Audit Committee approves and oversees the execution of the working plan of our Audit Group and is also responsible for evaluating the performance of our external auditors. The Audit Committee meets once every two months.

The members of our Executive Committee and our Audit Committee can be reached at our address at Calle Centenario 156, La Molina, Lima 12, Peru.

The members of our Executive Committee are:

Name	Position
Mr. Dionisio Romero Paoletti.....	Chairman
Mr. Raimundo Morales Dasso.....	Member of the Board of Directors
Mr. Fernando Fort Marie.....	Member of the Board of Directors
Mr. Reynaldo Llosa Barber.....	Member of the Board of Directors
Mr. Benedicto Cigüeñas Guevara.....	Member of the Board of Directors
Mr. Juan Carlos Verme Giannoni.....	Member of the Board of Directors

The members of our Audit Committee are:

Name	Position
Mr. Raimundo Morales Dasso.....	Member of the Board of Directors
Mr. Dionisio Romero Paoletti.....	Chairman
Mr. Benedicto Cigüeñas Guevara.....	Member of the Board of Directors

Senior Management

Our principal executives are as follows:

Name	Position	Year Joined Bank
Mr. Walter Bayly Llona.....	General Manager	1993
Mr. Fernando Dasso Montero.....	Planning and Finance Central Manager	1994
Mr. Pedro Rubio Feijoo.....	Wholesale Banking Central Manager	1985
	Digital Transformation and Retail Banking	
Mr. Gianfranco Ferrari de las Casas.....	Central Manager	1995
Mr. Reynaldo Llosa Benavides.....	Risk Central Manager	1997
Mr. Pablo Miñan Galarza.....	Credit Management Division	1994
Mr. Harold Marcenaro Goldfarb.....	Risk Management Division	2001
Mrs. María del Carmen Torres Mariscal.....	Retail Banking Risk Management Division	1995
Mr. Luis Carrera Sarmiento.....	Middle Market Banking Division	1999
Mr. Mariano Baca.....	Corporate Banking Division	1996
Mr. Eduardo Montero Dasso.....	Wealth Management Division	1994
Mr. Lionel Derteano Ehni.....	Commercial Division	1999
Mr. Cesar Casabonne.....	Personal Banking Division	1994
Mr. André Figuerola Boesch.....	Treasury and FX Division	1995
Mr. José Luis Muñoz Rivera.....	Accounting Division	1997
Mr. Cesar Ríos Briceño.....	Planning and Financial Control Division	1993
Mr. José Esposito Li-Carrillo.....	Audit Division	1996
	Operations, Administration and Efficiency	
Mr. Diego Cavero Belaúnde.....	Division	1994
Mrs. Barbara Falero.....	Compliance Division	2006

Name	Position	Year Joined Bank
Mr. Guillermo Morales Valentin	Legal Division	2007
Mr. Pablo de la Flor Belaunde	Corporate Affairs Division	2012
Mr. Bernardo Samba Graña.....	Human Resources Division	1999
Mr. José Ortiz Fuentes.....	IT Division	2000
Mrs. Francesca Raffo Paine	Satisfied Client Division	1994

The members of our senior management can be reached at our address at Calle Centenario 156, La Molina, Lima 12, Peru.

Set forth below is brief biographical information regarding our current officers who are not also directors.

Mr. Walter Bayly Llona received a Bachelor's degree in Business Administration from Universidad del Pacífico in Lima, Peru, and a Master's degree in Management from the Arthur D. Little Management School in Cambridge, Massachusetts. He has been the General Manager of the Bank since June 30, 2008. He was previously Chief Financial and Accounting Officer of Credicorp and Executive Vice President of Planning and Finance of the Bank, a position he held since April 2004. Previously, Mr. Bayly held various other management positions within the Bank, including the Wholesale Banking, Middle Market Banking, Systems and Organization, and Investment Banking Groups. Mr. Bayly joined the Bank in 1993. Previously, he worked for three years at Casa de Bolsa México where he was Partner and Managing Director in Corporate Finance and for ten years at Citibank in Lima, New York, Mexico and Caracas, where he worked primarily in the Corporate Finance and Loan Syndication groups.

Mr. Fernando Dasso Montero received a Bachelor's degree in Business from Universidad del Pacifico in Lima, Peru and a Master's degree in Business Administration from the Wharton School of the University of Pennsylvania. He started his professional career with McKinsey & Co. in Madrid, Spain in 1992. Mr. Dasso joined Banco de Crédito del Perú in 1994 as a member of the Corporate Finance team within the Corporate Banking Division. During his career he has been engaged in various responsibilities in BCP including Marketing & Retail Product Development and as the General Manager and Board Member of Grupo Crédito. Since 2013 he has held the position of Planning and Finance Central Manager of the Bank.

Mr. Pedro Rubio Feijoo is an industrial engineer with a degree from North Carolina State University. He is the Wholesale Banking Group Manager at the Bank, and previously served as Middle-Market Banking Manager. He has been with the Bank since 1985.

Mr. Gianfranco Ferrari de las Casas has a Master's degree in Business Administration and Marketing from Northwestern University's J.L. Kellogg Graduate School of Management. He joined the Bank's Wholesale Banking Group in 1995, where he served as Corporate Finance Manager and Corporate Finance Group Manager. Between 2005 and 2007, Mr. Gianfranco Ferrari de las Casas served as General Manager of BCB. Currently, he is the Retail Banking Central Manager of the Bank.

Mr. Reynaldo Llosa Benavides is the Risk Central Manager. He holds a degree in Business Management from St. Mary's University and a Master's degree in Business Administration with a specialization in Finance from Northwestern University's J.L. Kellogg Graduate School of Management. He previously served as the Bank's Middle-Market and Corporate Banking Manager. He has been with the Bank since 1997.

Mr. Pablo Miñán Galarza is an industrial engineer, with a Master's degree in Business Administration from ESAN. Previously, he was responsible for the Corporate Finance unit of the Bank, serving as Risk Administration Manager. Currently, he is the Credit Group Manager. Mr. Pablo Miñán Galarza has been with the Bank since 1994.

Mr. Harold Marcenaro Goldfarb has a Bachelor's degree in Economics from Universidad del Pacífico and a Master's degree in Business Administration from the Wharton School of the University of Pennsylvania. He joined the Bank in 2001, having worked in the Systems and Organization Division, Credit Cards and Consumer Banking divisions and later serving as the Bank's Retail Risk Management Manager for 4 years. Mr. Marcenaro became manager of the Retail Banking Strategic Analysis Area in August 2011 and manager of the Marketing Division in April 2012. Prior to joining the Bank, Mr. Marcenaro worked for Interinvest, the Presidency of the Council of Ministers and for the Investigation Center of Universidad del Pacífico. Currently, he is the Manager of the Risk Management Division.

Mrs. María del Carmen Torres Mariscal has a Master's degree in Business Administration from Kellogg Graduate School of Management. She joined the bank in 1995; previously she worked at Corporate Finance, Financial Management Unit, corporate strategy and Grupo Crédito S.A. Currently she is the Manager of Retail Banking Risk Management Division.

Mr. Luis Carrera Sarmiento is an economist from the Universidad del Pacífico, Peru. He has a Master's degree in Business Administration from Purdue University. He joined BCP in 1999 as Corporate Finance Consultant. He then was promoted to Head of Corporate Finance and Country Head of Credicorp Capital and held the position for over the past 3 years. He now serves as Middle-Market Banking Manager.

Mr. Mariano Baca is an economist and has a Master's degree in Banking and Finance from the University of Lima. He joined the bank in 1996, and since 2012, has held the position of Head of Corporate Banking.

Mr. Eduardo Montero Dasso has a Master's degree in Business Administration from the Wharton School of the University of Pennsylvania. He joined the bank in 1994 as an Analyst in the Corporate Finance Group. Between 2004 and 2012, Mr. Montero served in various overseas positions for the group such as General Manager for Atlantic Security Bank in Panama and General Manager of BCP Miami and Creditor Securities in Miami. Currently he is the Manager of BCP's Personal Banking Division.

Mr. Lionel Derteano Ehni has a Bachelor's degree in economics from Universidad de Lima. He also holds a Master's degree in Finance and Operations from Owen School, Vanderbilt University. He has been with the Bank since 1999, having worked in Risk Management, Corporate Banking and Retail Banking. Since 2009, he has acted as Executive Vice Chairman of Edyficar, and was recently appointed Manager of the Commercial Division.

Mr. Cesar Casabonne has been head of Retail Banking Division since July, 2016. He was previously manager in the SME-Pyme SME-Business and Consumer Area. He joined BCP in April, 2000. He holds a degree in Industrial Engineering from Universidad de Lima and a Master's degree in Business Administration from Universidad de Piura-IESE.

Mr. André Figuerola Boesch holds a double major in Finance and Business Economics from The University of South Carolina, and a Master's degree in Business Administration from Universidad del Pacífico. He has been a portfolio manager in the Latam Private Banking Division at UBS in Zürich, Switzerland, and head of the FX sales team at Banco Unión in Caracas, Venezuela. He has been with the Bank since 1995.

Mr. José Luis Muñoz Rivera is an accountant with an Executive Master's degree in Business Administration from Universidad de Piura. Since March 1997, he has been the Manager of the Accounting Division of the Bank. Previously, he was a manager in the Audit and Business Advising divisions of Arthur Andersen in Peru. Mr. Muñoz has also been an Accounting and Audit Professor in Universidad del Pacífico and Universidad de Lima. He has been with the Bank since 1997.

Mr. Cesar Ríos has a Master's degree in Business Administration from the Sloan Fellows program at the Massachusetts Institute of Technology. He joined the bank's Corporate Finance Division in 1993, where he served as a consultant and as Vice President of Corporate Finance. Mr. Ríos was CFO and COO of Banco Capital, a former Credicorp subsidiary in El Salvador. He was also in charge of Credit and Operational Risk Management at BCP prior to holding his current position of head of the Strategic and Planning Division.

Mr. Jose Esposito Li-Carrillo is an economist from the Universidad del Pacífico, Peru. He also has a Master's degree in Economics from the University of Wisconsin – Milwaukee and L-3 Certificate of Insurance from the CII, U.K. Mr. Esposito joined BCP in 1996 in the Corporate Finance Department. He has held the position of General Manager of Credibolsa, the brokerage house of BCP between 2000 and 2005. From 2006 to 2009 he has been the Chief Financial Officer of Pacífico Seguros, Credicorp's insurance company. Since 2010, he has held the position of Chief Audit Executive of the Bank and Credicorp.

Mr. Diego Cavero Belaúnde has a degree in Business Administration from Universidad de Lima, with a Master's degree in Business Administration from Red McCombs School of Business at the University of Texas at Austin. He has been the CEO of Banco de Crédito de Bolivia, as well as Chairman of the Board of Credifondo Bolivia. He has also been Manager of the Corporate Banking and Middle Market Commercial Banking groups and Manager of the Corporate Banking Division. Currently, he is the Manager of the Efficiency Division.

Mrs. Barbara Falero has been the Chief Compliance Officer for the Bank and its affiliates since 2008. Before joining the group in 2006 as Compliance Officer for our Miami Agency she worked for six years as Lead Examiner for the Federal Reserve Bank of Atlanta, supervising international banks and agencies. Mrs. Falero attended Florida International University and has a Master's degree in Finance.

Mr. Guillermo Morales Valentín is the Legal Group Manager. He holds a law degree from Pontificia Universidad Católica del Perú and a Master's degree in Law (LLM) from Texas University. He has been the Bank's Legal Group Manager since January 2010. He was the Legal Manager for Grupo Santander Peru from 2003 to 2007. Mr. Morales has also been a Director in the board of Edelnor S.A.A., Red Electrica del Sur and Universia Peru S.A. He has been with the Bank since 2007.

Mr. Pablo de la Flor Belaúnde is a political scientist with a Master's degree from Yale University and an MPA from Harvard University's Kennedy School of Government. He has served as Vice Minister of International Trade and Lead Trade Negotiator for Peru. He has also been Vice President of Corporate Affairs at the Antamina Mining Company, Program Officer at the Ford Foundation, and consultant to various multilateral development institutions. Currently, Mr. de la Flor is Manager of the Corporate Affairs Division of BCP.

Mr. Bernardo Samba Graña has a degree in Business Administration from Universidad de Lima, with a Master's degree in Finance from Universidad del Pacífico and a Human Resources specialization from Ross School of Business at the University of Michigan. He previously served as Manager of Electronic Cash Management Solutions in the Wholesale Banking Division. Currently, Mr. Samba is the Human Resources Division Manager at BCP.

Mr. José Ortiz Fuentes has a degree in Industrial Engineering from Universidad de Lima and a Master's degree in Business Management from Universidad de Piura. He joined BCP in October 1994.

Mrs. Francesca Raffo Paine joined BCP in 1994. She is head of a new division called Satisfied Client, focused on branding, digital innovation and experience improvement since June, 2016. She has a Master's degree in Business Administration from American University.

OWNERSHIP

BCP's capital stock consists of a single series of common shares, all with equal rights and a par value of S/1.00. As of June 30, 2016, BCP had issued and outstanding 7,066.3 million common shares and total issued capital in the amount of S/7,066.3 million. All outstanding shares are fully paid-in, and there are no outstanding convertible bonds, warrants or any other security convertible to shares of common stock. BCP does not currently hold any of its own shares nor does any subsidiary of BCP hold BCP shares.

BCP is the principal subsidiary of Credicorp, a financial holding company to various financial institutions, which directly and indirectly owns 97.69% of our common stock. The remaining 2.34% is diluted among individual investors. Credicorp's common stock trades on the NYSE under the symbol BAP.

As of December 31, 2015, Credicorp had issued 94,382,317 fully subscribed and paid common shares.

The following table provides the percentages of common shares owned by holders of 5% or more of the common shares of Credicorp as stated in its annual report on form 20-F filed with the SEC on April 29, 2016:

Shareholder	Nominal amount of shares	% Ownership(1)
Atlantic Security Holding Corporation(2)	14,620,846	15.49
Romero family(3)	13,137,638	13.92

(1) As a percentage of issued and outstanding shares (including shares held by ASHC).

(2) As of February 10, 2016, Atlantic Security Bank (a subsidiary of ASHC) held 3,392,606 shares of Credicorp on behalf of clients as part of the Private Banking Services that ASB provides, and which shares are purchased or sold based on client instructions. ASB does not have the power to dispose of these shares. Because the shares are held by ASB on behalf of clients, which have the power to vote the shares, ASHC and ASB each disclaims beneficial ownership of the shares

(3) Includes common shares directly or indirectly owned by Dionisio Romero Paoletti and his family or companies owned or controlled by them. Mr. Romero Paoletti is the Chairman of the Board of Directors.

RELATED-PARTY TRANSACTIONS

We have entered into various transactions with related parties. Under the Peruvian Banking Law, all loans to related parties must be provided on terms no more favorable than the best terms that we offer to the public. We believe that we are in full compliance with this requirement and all other related-party transaction requirements under the Peruvian Banking Law.

Our related-party transactions include:

- acquiring bonds, extending loans, supplying and soliciting banking services, correspondent relationships and other operations with Credicorp subsidiaries; and
- extending direct and indirect loans to non-Credicorp related parties, which consist principally of loans to companies controlled by the controlling shareholders of Credicorp.

The following is a summary of such commitments with Credicorp subsidiaries, categorized by transaction type, as of and for the years ended December 31, 2013, 2014 and 2015, and as of and for the six months ended June 30, 2016:

	As of and for the year ended December 31,			As of and for the six months ended June 30,
	2013	2014	2015	2016
	(Soles in thousands)			
Related-party transactions with Credicorp subsidiaries				
Assets				
Loans, net	197,863	175,836	866,235	523,361
Other assets.....	45,750	84,325	122,062	84,989
Liabilities				
Deposits and obligations.....	403,655	533,962	898,208	1,169,090
Other liabilities	3,073,501	2,146,111	1,798,606	1,502,902
Contingent operations.....	198,169	340,303	405,147	435,610
Other off-balance sheet accounts.....	1,013,682	207,233,989	1,103,839	1,044,062
Income				
Financial income.....	14,349	12,651	48,896	30,357
Financial expenses.....	162,216	120,461	112,713	48,566
Other income, net	178,379	174,382	245,340	121,623

The following is a summary of direct and indirect loans extended to non-Credicorp related parties, which consist principally of companies controlled by the controlling shareholders of Credicorp, as of and for the years ended December 31, 2011, 2012, and 2013, and as of and for the six months ended June 30, 2016:

	As of and for the year ended December 31,			As of and for the six months ended June 30,
	2013	2014	2015	2016
	(Soles in thousands)			
Related-party transactions with non-Credicorp subsidiaries				
Loans, net	1,025,938	1,240,841	1,536,749	1,282,871
Indirect loans	141,631	177,408	234,287	192,333
Derivatives at market value	357	(904)	2,499	5,245
Deposits and obligations.....	273,448	217,934	285,763	853,358

In addition, we also held securities-available-for-sale in related parties in the amount of S/4.7 million, S/91.7 million, S/82.0 million and S/91.7 million as of December 31, 2013, December 31, 2014, December 31, 2015 and June 30, 2016, respectively.

Accordingly, as of June 30, 2016, direct and indirect loans to Credicorp subsidiaries were S/735.4 million, in the aggregate, including S/212.0 million in outstanding indirect loans. These loans comprised approximately 0.9% of our total loan portfolio, of which 100.0% were classified as Normal (Normal), 0.0% as Potential problem (Problema Potencial), 0.0% as Substandard (Deficiente), 0.0% as Doubtful (Dudoso) and 0.0% as Loss (Pérdida).

As of June 30, 2016, loans and other credits to our employees in a consolidated basis amounted to S/749.3 million (U.S.\$227.8 million).

On an unconsolidated basis and in accordance with the Peruvian Banking Law, the SBS regulates and closely monitors loans to related-parties and has established a limit on related-party loans equivalent to 30% of a bank's regulatory capital. Our total related-party loans (including loans to Credicorp subsidiaries and to non-Credicorp subsidiaries) on a consolidated basis were 11.5% of our regulatory capital as of June 30, 2016, 16.6% of our regulatory capital as of December 31, 2015 and 11.2% of our regulatory capital as of December 31, 2014. We intend to continue to enter into transactions with related parties on terms similar to those that would be offered by or to an unaffiliated third party.

DESCRIPTION OF THE NOTES

The Notes will be issued pursuant to an indenture dated as of October 25, 2016, among The Bank of New York Mellon, as trustee, paying agent and security registrar and The Bank of New York Mellon (Luxembourg) S.A., as Luxembourg paying agent and transfer agent, and us.

The indenture provides for the issuance of the Notes but does not limit the aggregate principal amount of Notes that may be issued under the indenture, and provides that, subject to certain conditions, additional Notes may be issued under the indenture from time to time. The indenture does not limit the amount of additional indebtedness or other obligations that we may incur. At our option, this additional indebtedness may consist of additional Notes (“Additional Notes”) issued by us in one or more transactions, which shall have identical terms (other than issue date, issue price and in certain cases, first interest payment date) as the notes issued hereby; provided, however, that if the Additional Notes are not fungible with the Notes for U.S. federal income tax purposes, the Additional Notes will have separate CUSIP and ISIN numbers. Holders of Additional Notes will vote together with holders of the Notes issued hereby as one class.

This summary describes the general terms and provisions of the indenture and the Notes. The description of certain provisions of the Notes does not purport to be complete and is subject to, and is qualified in its entirety by reference to, all of the provisions of the indenture and the Notes, including the definitions therein of certain terms. We urge you to read each of the indenture and the form of the Notes because they, and not this description, define your rights as a holder of Notes. In case of any conflict regarding the rights and obligations of the holders of the Notes under the indenture, the Notes, and this offering memorandum, the terms of the indenture will prevail.

Capitalized terms not otherwise defined in this “Description of the Notes” have the meanings ascribed to them in the indenture. You may obtain a copy of the indenture and the form of the Notes by contacting the trustee at the address indicated in this offering memorandum and, for so long as the Notes are admitted to listing on the Official List of the Luxembourg Stock Exchange (the “LSE”) and to trading on the Euro MTF Market, the alternative market of the LSE, at the office of the paying agent in Luxembourg.

Ranking

The Notes will be our direct, unconditional and unsecured general obligations and will, other than as set forth below, at all times rank *pari passu* in right of payment with all of our other unsecured obligations other than obligations that are, by their terms, expressly subordinated in right of payment to the Notes. The Notes will be effectively subordinated to (i) all of our secured indebtedness with respect to the value of our assets securing that indebtedness, and (ii) certain direct, unconditional and unsecured general obligations that in case of our insolvency are granted preferential treatment pursuant to Peruvian law. The Notes will be structurally subordinated to the existing and future obligations of our subsidiaries, including trade payables. See “Regulatory Environment-Intervention by the SBS and Liquidation.”

As of June 30, 2016, we had approximately S/1,772.5 million (approximately U.S.\$538.9 million) in promotional credit lines that are secured by a loan portfolio, S/13,324.5 million (approximately U.S.\$4,051.2 million) in repurchase agreements that are secured by cash, available-for-sale investments and held-to-maturity investments, S/4.6 million (approximately U.S.\$1.4 million) in locally issued certificates of deposit, S/100 million (approximately U.S.\$30.4 million) in locally issued leasing bonds, S/1,576.5 million (approximately U.S.\$479.3 million) in locally issued corporate bonds, S/5,685.1 million (approximately U.S.\$1,728.5 million) due to banks and correspondents with local and foreign financial institutions, S/1,342.8 million (approximately U.S.\$408.3 million) due to related parties, S/6,066.3 million (approximately U.S.\$1,844.4 million) in internationally issued corporate bonds, S/313.0 million (approximately U.S.\$95.2 million) in locally issued subordinated bonds, S/3,660.9 million (approximately U.S.\$1,113.1 million) in internationally issued subordinated bonds and S/879.8 million (approximately U.S.\$267.5 million) in internationally issued junior subordinated bonds.

Principal, Maturity and Interest

We are issuing \$300,000,000 aggregate principal amount of Notes. The Notes will mature on October 25, 2019. Interest on the Notes will accrue at a fixed rate of 2.250% per annum. The Notes will not be entitled to the benefit of any sinking fund. Interest on the Notes will be payable semi-annually in arrears on each April 25 and October 25 of

each year (each, an “Interest Payment Date”), commencing on April 25, 2017. Interest on the Notes will accrue from the date of original issuance, or if interest has already been paid, from the date it was most recently paid.

Redemption Prior to Maturity

The outstanding principal amount of the Notes will be paid upon maturity unless required to be earlier repaid as a result of the occurrence and continuation of an Event of Default (as defined herein) or as described below under “—Optional Redemption” and “—Redemption Solely for Taxation Reasons.”

Optional Redemption

We will have the right, at our option, to redeem any of the Notes, in whole at any time or in part from time to time prior to their maturity, on at least 30 days’ but not more than 60 days’ notice, at a redemption price equal to the greater of (1) 100% of the principal amount of such Notes on such redemption date and (2) the sum of the present value on such redemption date of each remaining scheduled payment of principal and interest thereon (exclusive of interest accrued to the date of redemption) discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 20 basis points (the “Make-Whole Amount”), plus in each case any accrued and unpaid interest on the principal amount of the Notes up to, but not including, the date of redemption, plus Additional Amounts, if any (subject to the right of holders of record on the relevant record date to receive interest due on the relevant Interest Payment Date). In addition, such redemption will be permitted so long as: (i) it is not prohibited by Peruvian laws or Central Bank regulations and (ii) it does not cause us to incur increased mandatory reserve requirements (*encaje*).

“Comparable Treasury Issue” means the United States Treasury security or securities selected by an Independent Investment Banker as having an actual or interpolated maturity that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of a maturity of October 25, 2019.

“Comparable Treasury Price” means, as determined by the Independent Investment Banker, with respect to any redemption date (1) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest such Reference Treasury Dealer Quotation or (2) if the Quotation Agent obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations.

“Independent Investment Banker” means one of the Reference Treasury Dealers appointed by us.

“Quotation Agent” means an internationally recognized investment bank, other than the Reference Treasury Dealers appointed by us.

“Reference Treasury Dealer” means J.P. Morgan Securities LLC and Merrill Lynch, Pierce, Fenner & Smith Incorporated or their respective affiliates which are primary United States government securities dealers and not less than two other leading primary United States government securities dealers in New York City reasonably designated by us; provided, however, that if any of the foregoing shall cease to be a primary United States government securities dealer in New York City (a “Primary Treasury Dealer”), we will substitute therefor another Primary Treasury Dealer.

“Reference Treasury Dealer Quotation” means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Quotation Agent, of the bid and asked price for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Quotation Agent by such Reference Treasury Dealer at 3:30 p.m. New York time on the third business day preceding such redemption date.

“Treasury Rate” means, with respect to any redemption date, the rate per annum equal to the semi-annual equivalent yield to maturity or interpolated maturity (on a day count basis) of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

Redemption Solely for Taxation Reasons

We may, at our election, subject to applicable Peruvian law, redeem the Notes in whole, but not in part, upon giving not less than 30 nor more than 60 days' notice to the holders of the Notes, at their principal amount, plus Additional Amounts (as defined herein), if any, together with any accrued and unpaid interest to the date fixed for redemption, if:

(i) as a result of a Change in Tax Law, as defined below, we have or will become obligated to pay or will be liable for Additional Amounts in respect of the Notes in excess of the gross amount of Additional Amounts payable in respect of such Notes prior to a Change in Tax Law; and

(ii) such obligation cannot be avoided by us taking reasonable measures available to us (such measures not involving any material cost to us or the incurring by us of any other tax or penalty). For the avoidance of doubt, reasonable measures shall include a change in the jurisdiction of the paying agent(s).

Such redemption will be permitted so long as: (i) it is not prohibited by Peruvian laws or Central Bank regulations and (ii) it does not cause us to incur increased mandatory reserve requirements (*encaje*).

"Change in Tax Law" means (a) any change in or amendment (including any announced prospective change) to the laws, treaties or regulations of any Taxing Jurisdiction (as defined below) or any political subdivision or governmental authority thereof or (b) any judicial decision, official administrative announcement or regulatory procedure of any Taxing Jurisdiction (each an "Administrative Action"), or (c) any amendment to or change in the official position or the official interpretation of such Administrative Action that provides for a position with respect to such Administrative Action that differs from the theretofore generally accepted position, in each case, by any legislative body, court, governmental authority or regulatory body having appropriate jurisdiction, irrespective of the manner in which such amendment or change is made known, which amendment or change is effective or such pronouncement or decision is announced, in respect of Peru, on or after the date of issuance of the Notes, and in respect of any other Taxing Jurisdiction, on or after the date such jurisdiction becomes a Taxing Jurisdiction.

Before giving notice of redemption, we shall deliver to the trustee an officers' certificate stating that we are entitled to effect such redemption in accordance with the terms set forth in the indenture and setting forth in reasonable detail a statement of the facts relating thereto. The statement will be accompanied by a written opinion of counsel to the effect, among other things, that:

(i) we have become obligated to pay or will be liable for Additional Amounts payable in respect of the Notes in excess of the gross amount of Additional Amounts payable in respect of such Notes prior to such change or amendment, as described above;

(ii) we cannot avoid payment of such Additional Amounts by taking reasonable measures available to us; and

(iii) all governmental approvals necessary for us to effect the redemption have been obtained and are in full force and effect or specifying any such necessary approvals that as of the date of such opinion have not been obtained.

Payment and Administration of the Notes

The Notes will bear interest at the rate specified above. See "—Principal, Maturity and Interest" above. Interest on the Notes will be paid on the dates specified above to the person in whose name a Note is registered at the close of business on the 15th day preceding the respective Interest Payment Date (such date, a "record date," whether or not a Business Day).

If any Interest Payment Date or maturity date for the Notes falls on a day that is not a Business Day, the related payment of principal or interest will be made on the next succeeding Business Day as if it were made on the date such payment was due, and no interest will accrue on the amount so payable for the period from and after such Interest Payment Date or maturity date, as the case may be. Interest on the Notes will be computed on the basis of a 360-day year of twelve 30-day months. "Business Day" means a day that is a day other than Saturday, Sunday or a day on which banking institutions in New York City, United States, or Lima, Peru, generally are authorized or required by law, regulation or executive order to remain closed.

Any interest on the Notes which is payable, but is not paid or duly provided for, on any Interest Payment Date shall cease to be payable to the holder of the Note on the regular record date, and such defaulted interest may be paid by us to the persons in whose name the Notes are registered at the close of business on a special record date (as such term is explained in the indenture) fixed by the trustee for such purpose. Except as described in “—Book-Entry System; Delivery and Form,” we will pay principal and interest by check and may mail interest checks to a holder’s registered address.

The principal of and interest on the Notes will be payable in U.S. dollars or in such other coin or currency of the United States of America as is legal tender for the payment of public and private debts at the time of payment.

The Notes will be issued in denominations of \$200,000 and any integral multiple of \$1,000 in excess thereof and only in the form of beneficial interests in respect of one or more global notes registered in the name of Cede & Co., as nominee of The Depository Trust Company, or DTC. Beneficial interests in respect of the global notes will be held through financial institutions acting on behalf of the beneficial holders of such interests as direct or indirect participants in DTC. Except in limited circumstances, owners of beneficial interests in respect of the global notes will not be entitled to receive physical delivery of Notes in certificated form. See “—Book-Entry System; Delivery and Form.” No service charge will be made for any registration of, transfer or exchange of Notes, but we may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Initially, the trustee will act as paying agent and security registrar for the Notes. The Notes may be presented for registration of transfer and exchange at the offices of the security registrar for the Notes.

Highly Leveraged Transactions; Change of Control

The indenture does not include any debt covenants or other provisions which afford holders of the Notes protection in the event of a highly leveraged transaction or a change of control.

Indebtedness, Liens, Dividends, Investments, Transactions with Affiliates, Reserves and Maintenance of Properties

The indenture does not limit our ability to incur additional indebtedness (including Additional Notes), our ability to grant liens on our assets and properties, our payment of dividends, our ability to make investments or enter into transactions with our affiliates or require us to create or maintain any reserves.

We may not dispose of and must maintain and keep in good condition any tangible property useful in the conduct of our business, unless such disposal or the discontinuance of its maintenance is, in our judgment, desirable in the conduct of our business and not disadvantageous in any material respect to the holders of the Notes.

Covenants

We have agreed to restrictions on our activities for the benefit of holders of the Notes. The following restrictions will apply separately to the Notes:

Consolidation, Merger, Sale or Conveyance

We may not consolidate with or merge into any other corporation or convey or transfer our properties and assets substantially as an entirety to any person, unless:

- (i) the successor corporation (if not BCP) shall be a corporation organized and existing under the laws of (A) Peru, (B) the United States of America or any state thereof, (C) any country member of the Organisation for Economic Co-operation and Development or the G-20 or (D) any other country having an international investment grade rating from each of Moody’s Investors Service, Inc. and Standard & Poor’s Rating Services at the time of such merger or consolidation, and any state thereof (to the extent applicable), and shall expressly assume by a supplemental indenture, delivered to and in a form satisfactory to the trustee, the due and punctual payment of the principal of, premium, if any and interest on all the outstanding Notes and the performance of every covenant in the indenture on our part to be performed or observed;
- (ii) immediately after giving effect to such transaction, no Event of Default, and no event which, after notice or lapse of time or both would become an Event of Default, shall have happened and be continuing; and

(iii) we shall have delivered to the trustee an officers' certificate and an opinion of counsel, each stating that such consolidation, merger, conveyance or transfer and such supplemental indenture comply with the foregoing provisions relating to such transaction and all conditions precedent in the indenture relating to such transaction have been complied with.

In case of any such consolidation, merger, conveyance or transfer, such successor corporation will succeed to and be substituted for us as obligor on the Notes with the same effect as if it had issued the Notes. Upon the assumption of our obligations by any such successor corporation in such circumstances subject to certain exceptions, we will be discharged from all obligations under the Notes and the indenture.

For purposes of the above, "G-20" means the Group of Twenty (G-20) Finance Ministers and Central Bank Governors.

Periodic Reports

So long as any Notes are outstanding, we will furnish to the trustee:

(i) within 120 days following the end of each of our fiscal years, an English version (or accompanied by an English translation thereof) of our consolidated audited income statements, balance sheets, statements of shareholders equity and cash flow statements and the related notes thereto for the two most recent fiscal years in accordance with Peruvian GAAP or in accordance with such accounting standards as may from time to time be required for Peruvian banks, together with an audit report thereon by our independent auditors; and

(ii) within 60 days following the end of the first three fiscal quarters in each of our fiscal years, an English version (or accompanied by an English translation thereof) of our quarterly reports containing unaudited consolidated balance sheets, statements of income, statements of shareholders equity and statements of cash flows and the related notes thereto, in each case for the quarterly period then ended and the corresponding quarterly period in the prior fiscal year and prepared in accordance with Peruvian GAAP or in accordance with such accounting standards as may from time to time be required for Peruvian banks.

In addition, we shall furnish to the holders of the Notes and to prospective investors, upon the requests of such holders, any information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act so long as such Notes are not freely transferable under the Exchange Act by "persons" who are not "affiliates" under the Securities Act.

In addition, if and so long as the Notes are admitted to listing on the Official List of the LSE and to trading on the Euro MTF Market and the rules of the LSE so require, copies of such reports and information furnished to the trustee will also be made available at the specified office of the paying agent in Luxembourg.

Listing

In the event that the Notes are admitted to listing on the Official List of the LSE and to trading on the Euro MTF Market, we will use our reasonable best efforts to maintain such listing, provided that we may delist the Notes from the Euro MTF Market in accordance with the rules of the LSE and seek an alternative admission to listing, trading and/or quotation for the Notes on a different section of the LSE or by such other listing authority, stock exchange and/or quotation system inside or outside the European Union as we may decide. Although we cannot assure you as to the liquidity that may result from a listing on the LSE, delisting the Notes from the LSE may have a material effect on the ability of holders of the Notes to resell the Notes in the secondary market.

Events of Default

An "Event of Default," with respect to the Notes is defined in the indenture as:

(i) our default in the payment of any principal of any of the Notes, when due and payable, whether at maturity or otherwise;

(ii) our default in the payment of any interest or any Additional Amounts when due and payable on any of the Notes and the continuance of such default for a period of 30 days;

(iii) our default in the performance or observance of any other term, covenant, warranty, or obligation in respect of the Notes or the indenture, not otherwise expressly defined as an Event of Default in clauses (i) or (ii) above, and the continuance of such default for more than 60 days after written notice of such default has been given to us by the trustee or the holders of at least 25% in aggregate principal amount of the Notes outstanding specifying such default or breach and requiring it to be remedied and stating that such notice is a “Notice of Default”;

(iv) the occurrence with respect to any of our Indebtedness (as defined below) or any of our “significant subsidiaries” (as defined in Article 1, Rule 1-02 (w)(1) or (2) of Regulation S-X promulgated under the Securities Act, as such regulation is in effect on the date of the indenture) Indebtedness having an outstanding principal amount of \$60,000,000 or more in the aggregate for all such Indebtedness of all such persons (a) of an event of default that results in such Indebtedness being accelerated prior to its scheduled maturity or (b) failure to make any payment of such Indebtedness when due and such defaulted payment is not made, waived or extended within the applicable grace period;

(v) a resolution by the SBS or any similar Peruvian governmental authority is issued with respect to us ordering a definitive intervention regime (“Intervention”) or a similar regime under the applicable regulation;

(vi) any proceeding is instituted by or against us or any of our significant subsidiaries seeking to adjudicate us or any of our significant subsidiaries bankrupt or insolvent, or seeking the liquidation, winding up, reorganization, arrangement, adjustment, protection, relief or composition of any Indebtedness, or seeking the entry of an order for relief or the appointment of a receiver, trustee or other similar official for us or any of our significant subsidiaries or for any substantial part of our property or any of our significant subsidiaries’ property, under Peruvian banking regulation and any other applicable regulation, or order for Intervention or a similar regime under the applicable regulation, and, in the case of any of the foregoing actions instituted against us or any of our significant subsidiaries, such proceeding or action is not dismissed or discharged and remains in effect for 60 days; or we or any of our significant subsidiaries take corporate action to authorize any of the actions set forth in this clause (vi); or

(vii) any event occurs that under the laws of Peru or any political subdivision thereof or any other country has substantially the same effect as any of the events referred to in any of clause (v) or (vi).

For purposes of the above, “Indebtedness” means (i) money borrowed and premiums (if any) and accrued interest in respect thereof, (ii) liabilities under or in respect of any acceptance or credit, (iii) the principal and premium (if any) and any accrued and unpaid interest in respect of any bonds, notes, debentures, debenture stock, loan stock, certificates of deposit or other securities whether issued for cash or in whole or in part for a consideration other than cash, (iv) all obligations issued or assumed as the deferred purchase price of property, all conditional sale obligations and all obligations under any title retention agreement (but excluding trade accounts payable in the ordinary course of business), and (v) guarantees and other contingent obligations in respect of Indebtedness referred to in clauses (i) through (iv) above.

The indenture provides that (i) if an Event of Default (other than an Event of Default described in clauses (v), (vi) and (vii) above) shall have occurred and be continuing with respect to the Notes, either the trustee or the holders of not less than 25% of the total principal amount of the Notes then outstanding may declare the principal of all outstanding Notes and the interest accrued thereon, if any, to be due and payable immediately and (ii) if an Event of Default described in clauses (v), (vi) and (vii) above shall have occurred, the principal of all outstanding Notes and the interest accrued thereon, if any, shall become and be immediately due and payable without any declaration or other act on the part of the trustee or any holder of Notes. In this case, we will be required, without limiting any of our payment obligations under the Notes, to duly comply with any and all then-applicable Central Bank regulations for remittance of funds outside of Peru. The indenture provides that the Notes owned by us or any of our affiliates shall be deemed not to be outstanding for, among other purposes, declaring the acceleration of the maturity of the Notes. Upon the satisfaction by us of certain conditions, the declaration described in clause (i) of this paragraph may be annulled by the holders of a majority of the total principal amount of the Notes then outstanding. Past defaults, other than non-payment of principal, interest and compliance with certain covenants, may be waived by the holders of a majority of the total principal amount of the Notes outstanding.

In the event of any Event of Default specified in clause (iv) above, such Event of Default and all consequences thereof shall be annulled, waived and rescinded, automatically and without any action by the trustee or the holders

of the Notes, if within 60 days after we or our significant subsidiaries received notice of such acceleration or failed to make a principal payment, and before the entering of any judgment:

- (x) the Indebtedness that is the basis for such Event of Default has been discharged;
- (y) the holders thereof have rescinded, annulled or waived the acceleration, notice or action (as the case may be) giving rise to such Event of Default; or
- (z) the default that is the basis for such Event of Default has been cured.

Payment of Additional Amounts

All payments in respect of the Notes will be made free and clear of and without any deduction or withholding for or on account of any present or future Taxes (as defined below), unless the withholding or deduction of such Taxes is required by law or the official interpretation thereof, or by the administration thereof, or pursuant to any agreement between BCP and the United States or any authority thereof. If we are required by any law of any Taxing Jurisdiction (as defined below) to withhold or deduct any Taxes from or in respect of any sum payable under the Notes, we shall (i) pay such additional amounts (“Additional Amounts”) as may be necessary in order that the net amounts receivable by holders of any Notes after such withholding or deduction shall equal the respective amounts which would have been receivable by such holder in the absence of such withholding or deduction, (ii) make such withholding or deduction, and (iii) pay the full amount withheld or deducted to the relevant tax or other authority in accordance with applicable law, except that no such Additional Amounts will be payable in respect of any Note:

(i) to the extent that such Taxes are imposed or levied by reason of such holder (or the beneficial owner) having some connection with the Taxing Jurisdiction other than the mere holding (or beneficial ownership) of such Note, receiving principal or interest payments on the Notes or enforcing rights thereunder (including but not limited to citizenship, nationality, residence, domicile, or existence of a business, permanent establishment, a dependent agent, a place of business or a place of management present or deemed present in the Taxing Jurisdiction);

(ii) to the extent that any Taxes are imposed other than by deduction or withholding from payments of principal, premium, if any, or interest on or in respect of the Notes;

(iii) in the event that the holder (or beneficial owner) fails to comply with any certification, identification or other reporting requirement concerning nationality, residence, identity or connection with the Taxing Jurisdiction if (1) compliance is required by applicable law, regulation, administrative practice or treaty as a precondition to exemption from all or part of the taxes, (2) if the certification, identification or other reporting requirement does not concern nationality, residence or identity with the Taxing Jurisdiction, the holder (or beneficial owner) is able to comply with these requirements without undue hardship and (3) we have given the holders (or beneficial owners) at least 30 calendar days prior notice that they will be required to comply with such requirement;

(iv) in the event that the holder fails to surrender (where surrender is required) its Note for payment within 30 days after we have made available a payment of principal or interest, provided that we will pay Additional Amounts to which a holder would have been entitled had the Note been surrendered on the last day of such 30-day period;

(v) to the extent that such Taxes are imposed by reason of an estate, inheritance, gift, personal property, value added, use or sales tax or any similar taxes, assessments or other governmental charges;

(vi) where such withholding or deduction of Taxes is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other directive on the taxation of savings implementing the conclusions of the European Council of Economic and Finance Ministers (“ECOFIN”) meeting of June 3, 2003 or any law implementing or complying with, or introduced in order to conform to, such directive;

(vii) by or on behalf of a holder who has been able to avoid such withholding or deduction of Taxes by presenting the relevant Note to another available paying agent of BCP in a member state of the European Union;

(viii) where such withholding or deduction is imposed on or in respect of any Note pursuant to sections 1471 to 1474 of the U.S. Internal Revenue Code of 1986, as amended (the “Code”) or any successor law or regulation implementing or complying with, or introduced in order to conform to, such sections; or

(ix) any combination of items (i) to (viii) above.

Notwithstanding the language above in (v), Additional Amounts will be payable in respect of any Note to the extent that a Peruvian value added tax is imposed on payments of interest on the Notes.

Any reference to payments, premium, if any, redemption price, interest or any other amount payable under or with respect to any Note, shall be deemed also to include any Additional Amounts to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof. However, no holder of a Note shall be entitled to receive any Additional Amounts greater than the amounts necessary in order that the net amounts receivable by such holder after such withholding or deduction equal the respective amounts which would have been receivable by such holder in the absence of such withholding or deduction, subject to the exceptions above.

“Taxes” means, with respect to payments on the Notes, all taxes, withholdings, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of Peru or pursuant to any agreement between BCP and the United States, or in the event that we appoint additional paying agents, by the jurisdictions of such additional paying agents, or the jurisdiction of any successor corporation (each, a “Taxing Jurisdiction”), or any political subdivision thereof or any authority or agency therein or thereof having power to tax.

The foregoing provisions will survive any termination or discharge of the Indenture (and any transfer of a Holder or beneficial owner of its Notes). For a discussion of Peruvian withholding taxes applicable to payments under or with respect to the Notes, see “Taxation.”

Modification of the Indenture

Subject to applicable Peruvian banking regulations, we and the trustee may, without the consent of the holders of the Notes, amend, waive or supplement the indenture or the Notes for certain specified purposes, including, among other things, curing ambiguities, defects, omissions or inconsistencies, to conform the text of the indenture or the Notes to any provision in this “Description of the Notes” or making any other provisions with respect to matters or questions arising under the indenture or the Notes or making any other change as will not adversely affect the interests of any holder of the Notes in any material respect. Without the consent of any holder of the Notes, we and the trustee may amend the indenture to evidence the assumption by a successor corporation of our covenants contained in the indenture and the Notes, to add to our covenants, or to surrender any right or power conferred by the indenture upon us, for the benefit of the holders of the Notes, to establish any form of security as provided for in the indenture and the issuance of and terms thereof, to add to the rights of the holders of the Notes, and to evidence and provide for the acceptance of a successor trustee.

In addition, with certain exceptions, we and the trustee may amend, waive or supplement the indenture or the Notes with the consent of the holders of at least a majority in aggregate principal amount of the Notes then outstanding, but no such modification may be made without the consent of the holder of each outstanding Note affected thereby which would:

(i) change the maturity of any payment of principal of or any installment of interest on any Note, or reduce the principal amount thereof or the interest or premium payable thereon, or change the method of computing the amount of principal thereof or interest or premium, if any, payable thereon on any date or change any place of payment where, or the coin or currency in which, any principal or interest or premium thereon are payable, or impair the contractual right of holders as explicitly set forth in the indenture to institute suit for the enforcement of any such payment on or after the date when due; or

(ii) reduce the percentage in aggregate principal amount of the outstanding Notes, the consent of whose holders is required for any such amendment, supplement or waiver or the consent of whose holders is required for any waiver of compliance with certain provisions of the indenture or certain defaults thereunder and their consequences provided for in the indenture; or

(iii) modify any of the provisions of certain sections of the indenture with respect to the Notes, including the provisions summarized in this paragraph, except to increase any such percentage or to provide that certain

other provisions of the indenture cannot be modified or waived without the consent of the holder of each outstanding Note affected thereby.

The indenture provides that the Notes owned by us or any of our affiliates shall be deemed not to be outstanding for, among other purposes, consenting to any such modification.

Registrar, Transfer Agent and Paying Agents

The Bank of New York Mellon will act as our agent as security registrar for the Notes. The Bank of New York Mellon will also act as paying agent for the Notes. We have the right at any time to vary or terminate the appointment of any paying agents and to appoint additional or successor paying agents in respect of the Notes. Registration of transfers of the Notes will be effected without charge, but upon payment (with the giving of such indemnity as we may require) in respect of any tax or other governmental charges that may be imposed in relation to it. We will not be required to register or cause to be registered the transfer of the Notes after the Notes have been called for redemption. Application is expected to be made to admit the Notes for listing on the Official List of the LSE and to trading on the Euro MTF Market. As long as the Notes are listed on this market, we will also maintain a paying agent and a transfer agent in Luxembourg.

The Trustee

The Bank of New York Mellon is the trustee under the indenture. The indenture provides that during the existence of an Event of Default, the trustee will exercise the rights and powers vested in it by the indenture, using the same degree of care and skill as a prudent person would exercise or use under the circumstances in the conduct of his own affairs. In the absence of an Event of Default, the trustee need only perform the duties specifically set forth in the indenture. The indenture does not contain limitations on the rights of the trustee under the indenture, should it become our creditor, to obtain payment of claims. The trustee is not precluded from engaging in other transactions and, if it acquires any conflicting interest, it is not required to eliminate such conflict or resign. The address of the trustee is The Bank of New York Mellon, 101 Barclay Street, Floor 7 East, New York, New York 10286.

Notices

From and after the date the Notes are listed on the Euro MTF Market and so long as a listing on the Euro MTF Market is maintained or is required by the rules of the LSE, all notices to holders of Notes will be published in English:

- (1) in a leading newspaper having a general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*); or
- (2) if such Luxembourg publication is not practicable, on the website of the Luxembourg Stock Exchange at www.bourse.lu and in one other leading English language newspaper being published on each day in morning editions, whether or not it shall be published in Saturday, Sunday or holiday editions.

Notices shall be deemed to have been given on the date of publication as aforesaid or, if published on different dates, on the date of the first such publication.

Notices to be given to holders of a global note will be given only to DTC in accordance with its applicable policies as in effect from time to time. Notices to be given to holders of Notes not in global form will be sent by mail to the respective addresses of the holders as they appear in the security register maintained by the security registrar, and will be deemed given when mailed. Neither the failure to give notice to a particular holder, nor the defect in a notice given to a particular holder, will affect the sufficiency of any notice given to another holder.

Governing Law; Submission to Jurisdiction

The Notes are being issued as senior Notes under Article 234 of the Peruvian Banking Law, and the indenture provides that it and the Notes will be governed by, and be construed in accordance with, the laws of the State of New York, without giving effect to the applicable principles of conflict of laws.

We have consented to the jurisdiction of any court of the State of New York or any United States Federal court sitting, in each case, in the Borough of Manhattan, The City of New York, New York, United States, and any appellate court from any of these courts, and to the courts of our own corporate domicile, in respect of actions brought against us as defendants, and have waived any immunity from the jurisdiction of these courts over any suit, action or proceeding that may be brought by the trustee or a holder based upon the indenture and the Notes and have waived any right to be sued in any other jurisdiction to which we may be entitled on account of place of residence and domicile. We have appointed National Corporate Research Ltd. as our initial authorized agent upon which all writs, process and summonses may be served in any suit, action or proceeding brought by the trustee or a holder based upon the indenture or the Notes against us in any court of the State of New York or any United States Federal court sitting in the Borough of Manhattan, The City of New York and have agreed that such appointment shall be irrevocable so long as any of the Notes remain outstanding or until the irrevocable appointment by us of a successor in The City of New York as its authorized agent for such purpose and the acceptance of such appointment by such successor.

Currency Rate Indemnity

We have agreed that, if a judgment or order made by any court for the payment of any amount in respect of any Notes is expressed in a currency other than U.S. dollars, we will indemnify the relevant holder against any deficiency arising from any variation in rates of exchange between the date as of which the denomination currency is notionally converted into the judgment currency for the purposes of the judgment or order and the date of actual payment. This indemnity will constitute a separate and independent obligation from our other obligations under the Indenture, will give rise to a separate and independent cause of action, will apply irrespective of any indulgence granted from time to time and will continue in full force and effect notwithstanding any judgment or order for a liquidated sum or sums in respect of amounts due under the Indenture or the Notes.

Book-Entry System; Delivery and Form

The Notes are being offered and sold in connection with the initial offering thereof solely to “qualified institutional buyers,” as that term is defined in Rule 144A under the Securities Act, pursuant to Rule 144A, and in offshore transactions to persons other than “U.S. persons,” as defined in Regulation S under the Securities Act, in reliance on Regulation S. Following the initial offering of the Notes, the Notes may be resold to qualified institutional buyers pursuant to Rule 144A, non-U.S. persons in offshore transactions in reliance on Regulation S, and pursuant to Rule 144 under the Securities Act, as described under “Notice to Investors.”

The Global Notes

Rule 144A Global Note

Notes offered and sold to qualified institutional buyers pursuant to Rule 144A will initially be issued in the form of one or more registered Notes in global form, without interest coupons. The Rule 144A global note will be deposited on the date of the closing of the sale of the Notes with, or on behalf of, The Depository Trust Company, or DTC and registered in the name of Cede & Co., as nominee of DTC, and will remain in the custody of The Bank of New York Mellon, as custodian pursuant to the FAST Balance Certificate Agreement between DTC and The Bank of New York Mellon, as custodian. Interests in the Rule 144A global note will be available for purchase only by qualified institutional buyers.

Regulation S Global Note

Notes offered and sold in offshore transactions to non-U.S. persons in reliance on Regulation S under the Securities Act will initially be issued in the form of one or more registered notes in global form, without interest coupons. The Regulation S global note will be deposited upon issuance with, or on behalf of, a custodian for DTC in the manner described in the preceding paragraph for credit to the respective accounts of the purchasers, or to such other accounts as they may direct, at Euroclear Bank S.A. /N.V., as operator of the Euroclear System (“Euroclear”) or Clearstream Banking, société anonyme (“Clearstream”) as participants in DTC.

Investors may hold their interests in the Regulation S global note directly through Euroclear or Clearstream, if they are participants in such systems, or indirectly through organizations which are participants in such systems. After the expiration of the Restricted Period (defined below under “—Exchanges Among the Global Notes”), investors may also hold such interests through organizations other than Euroclear or Clearstream that are

participants in the DTC system. Euroclear and Clearstream will hold such interests in the Regulation S global note on behalf of their participants through customers' securities accounts in their respective names on the books of their respective depositaries. Such depositaries, in turn, will hold such interests in the Regulation S global note in customers' securities accounts in the depositaries' names on the books of DTC.

Except as set forth below, the Rule 144A global note and the Regulation S global note, collectively referred to in this section as the "global notes," may be transferred, in whole and not in part, solely to another nominee of DTC or to a successor of DTC or its nominee. Beneficial interests in respect of the global notes may not be exchanged for Notes in physical, certificated form (referred to as "certificated notes") except in the limited circumstances described below.

The Notes will be subject to certain restrictions on transfer and will bear a restrictive legend as set forth under "Notice to Investors."

All interests in the global notes, including those held through Euroclear or Clearstream, may be subject to the procedures and requirements of DTC. Those interests held through Euroclear or Clearstream may also be subject to the procedures and requirements of such systems.

Exchanges Among the Global Notes

Prior to the 40th day after the later of the commencement of the offering of the Notes and the date of the closing of the sale of the Notes (through and including the 40th day, the "Restricted Period"), transfers by an owner of a beneficial interest in respect of the Regulation S global note to a transferee who takes delivery of this interest through the Rule 144A global note will be made only in accordance with applicable procedures and upon receipt by the trustee of a written certification from the transferor of the beneficial interest in the form provided in the indenture to the effect that such transfer is being made to a person whom the transferor reasonably believes is a qualified institutional buyer within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A. Such written certification will no longer be required after the expiration of the Restricted Period.

Transfers by an owner of a beneficial interest in respect of the Rule 144A global note to a transferee who takes delivery of such interest through the Regulation S global note, whether before or after the expiration of the Restricted Period, will be made only upon receipt by the trustee of a certification from the transferor in the form provided in the indenture to the effect that such transfer is being made in accordance with Regulation S or (if available) Rule 144 under the Securities Act and that, if such transfer is being made prior to the expiration of the Restricted Period, the interest transferred will be held immediately thereafter through Euroclear or Clearstream.

Any beneficial interest in respect of one of the global notes that is transferred to a person who takes delivery in the form of an interest in another global note will, upon transfer, cease to be an interest in such global note and become an interest in the other global note and, accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to beneficial interests in such other global note for as long as it remains such an interest.

Certain Book-Entry Procedures for the Global Notes

The descriptions of the operations and procedures of DTC, Euroclear and Clearstream set forth below are provided solely as a matter of convenience. These operations and procedures are solely within the control of the respective settlement systems and are subject to change by them from time to time. Neither we, the trustee nor the initial purchasers take any responsibility for these operations or procedures, and investors are urged to contact the relevant system or its participants directly to discuss these matters.

DTC has advised us that it is (i) a limited purpose trust company organized under the laws of the State of New York, (ii) a "banking organization" within the meaning of the New York Banking Law, (iii) a member of the Federal Reserve System, (iv) a "clearing corporation" within the meaning of the Uniform Commercial Code, as amended, and (v) a "clearing agency" registered pursuant to Section 17A of the Exchange Act. DTC was created to hold securities for its participants and facilitates the clearance and settlement of securities transactions between participants through electronic book-entry changes to the accounts of its participants, thereby eliminating the need for physical transfer and delivery of certificates. DTC's participants include securities brokers and dealers (including the initial purchasers), banks and trust companies, clearing corporations and certain other organizations. Indirect access to DTC's system is also available to other entities such as banks, brokers, dealers and trust companies, or

indirect participants that clear through or maintain a custodial relationship with a participant, either directly or indirectly. Investors who are not participants may beneficially own securities held by or on behalf of DTC only through participants or indirect participants.

We expect that pursuant to procedures established by DTC (i) upon deposit of each global note, DTC will credit the accounts of participants designated by the initial purchasers with an interest in the global note and (ii) ownership of the Notes will be shown on, and the transfer of ownership thereof will be effected only through, records maintained by DTC (with respect to the interests of participants) and the records of participants and the indirect participants (with respect to the interests of persons other than participants).

The laws of some jurisdictions may require that certain purchasers of securities take physical delivery of such securities in definitive form. Accordingly, the ability to transfer interests in the Notes represented by a global note to such persons may be limited. In addition, because DTC can act only on behalf of its participants, who in turn act on behalf of persons who hold interests through participants, the ability of a person having an interest in Notes represented by a global note to pledge or transfer such interest to persons or entities that do not participate in DTC's system, or to otherwise take actions in respect of such interest, may be affected by the lack of a physical definitive security in respect of such interest.

So long as DTC or its nominee is the registered owner of a global note, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by the global note for all purposes under the indenture. Except as provided below, owners of beneficial interests in respect of a global note will not be entitled to have Notes represented by such global note registered in their names, will not receive or be entitled to receive physical delivery of certificated Notes, and will not be considered the owners or holders thereof under the indenture for any purpose, including with respect to the giving of any direction, instruction or approval to the trustee thereunder. Accordingly, each holder owning a beneficial interest in respect of a global note must rely on the procedures of DTC and, if such holder is not a participant or an indirect participant, on the procedures of the participant through which such holder owns its interest, to exercise any rights of a holder of Notes under the indenture or such global note. We understand that under existing industry practice, in the event that we request any action of holders of Notes, or a holder that is an owner of a beneficial interest in respect of a global note desires to take any action that DTC, as the holder of such global note, is entitled to take, DTC would authorize the participants to take such action and the participants would authorize holders owning through such participants to take such action or would otherwise act upon the instruction of such holders. Neither we nor the trustee or any paying agent, security registrar or transfer agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of Notes by DTC, or for maintaining, supervising or reviewing any records of DTC relating to such Notes.

Payments with respect to the principal of, premium, if any, liquidated damages, if any, and interest on any Notes represented by a global note registered in the name of DTC or its nominee on the applicable record date will be payable by the trustee to or at the direction of DTC or its nominee in its capacity as the registered holder of the global note representing such Notes under the indenture. Under the terms of the indenture, we and the trustee, the paying agents, the security registrar and the transfer agents may treat the persons in whose names the Notes, including the global notes, are registered as the owners thereof for the purpose of receiving payment thereon and for any and all other purposes whatsoever. Accordingly, neither we nor the trustee, any paying agent, security registrar or transfer agent has or will have any responsibility or liability for the payment of such amounts to owners of beneficial interests in respect of a global note (including principal, premium, if any, liquidated damages, if any, and interest). Payments by the participants and the indirect participants to the owners of beneficial interests in respect of a global note will be governed by standing instructions and customary industry practice and will be the responsibility of the participants or the indirect participants and DTC.

Transfers between participants in DTC will be effected in accordance with DTC's procedures, and will be settled in same-day funds. Transfers between participants in Euroclear or Clearstream will be effected in the ordinary way in accordance with their respective rules and operating procedures.

Subject to compliance with the transfer restrictions applicable to the Notes, cross-market transfers between the participants in DTC, on the one hand, and Euroclear or Clearstream participants, on the other hand, will be effected through DTC in accordance with DTC's rules on behalf of Euroclear or Clearstream, as the case may be, by its respective depository. However, such cross-market transactions will require delivery of instructions to Euroclear or Clearstream, as the case may be, by the counterparty in such system in accordance with the rules and procedures and

within the established deadlines (Brussels time) of such system. Euroclear or Clearstream, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to its respective depositary to take action to effect final settlement on its behalf by delivering or receiving interests in the relevant global notes in DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Euroclear participants and Clearstream participants may not deliver instructions directly to the depositaries for Euroclear or Clearstream.

Because of time zone differences, the securities account of a Euroclear or Clearstream participant purchasing an interest in a global note from a participant in DTC will be credited, and any such crediting will be reported to the relevant Euroclear or Clearstream participant, during the securities settlement processing day (which must be a business day for Euroclear and Clearstream) immediately following the settlement date of DTC. Cash received in Euroclear or Clearstream as a result of sales of interest in a global note by or through a Euroclear or Clearstream participant to a participant in DTC will be received with value on the settlement date of DTC but will be available in the relevant Euroclear or Clearstream cash account only as of the business day for Euroclear or Clearstream following DTC's settlement date.

Although DTC, Euroclear and Clearstream have agreed to the foregoing procedures to facilitate transfers of interests in the global notes among participants in DTC, Euroclear and Clearstream, they are under no obligation to perform or to continue to perform such procedures, and such procedures may be discontinued at any time. Neither we nor the trustee or any paying agent, security registrar or transfer agent will have any responsibility for the performance by DTC, Euroclear or Clearstream or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

Certificated Notes

If (i) we notify the trustee in writing that DTC is no longer willing or able to act as a depositary or DTC ceases to be registered as a clearing agency under the Exchange Act and a successor depositary is not appointed within 90 days of such notice or cessation, (ii) we, at our option, notify the trustee in writing that we elect to cause the issuance of certificated notes under the indenture, (iii) upon the request of any holder subsequent to the occurrence of any Event of Default or (iv) upon the occurrence of certain other events as provided in the indenture, then, upon surrender by DTC of the global notes, certificated notes will be issued to each person that DTC identifies as the beneficial owner of the Notes represented by the global notes. Upon any such issuance, the trustee is required to register such certificated notes in the name of such person or persons (or the nominee of any thereof) and cause the same to be delivered thereto.

Neither we nor the trustee, any paying agent, security registrar or transfer agent shall be liable for any delay by DTC or any participant or indirect participant in identifying the beneficial owners of the related Notes and each such person may conclusively rely on, and shall be protected in relying on, instructions from DTC for all purposes (including with respect to the registration and delivery, and the respective principal amounts, of the Notes to be issued).

Replacement of Notes

In case of mutilated, destroyed, lost or stolen Notes, application for replacement thereof may be made to the trustee or us. Any such Note shall be replaced by the trustee in compliance with such procedures, on such terms as to evidence and indemnification as the trustee and we may require and subject to any applicable law or regulation. All such costs as may be incurred in connection with the replacement of any Notes shall be borne by the applicant. Mutilated Notes must be surrendered before new ones will be issued.

BENEFIT PLAN CONSIDERATIONS

The notes may be purchased and held by or with the assets of an employee benefit plan subject to Title I of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”), an individual retirement account or other plan subject to Section 4975 of the Code (collectively, “Plans”) or an employee benefit plan sponsored by a state or local government or otherwise subject to laws that include restrictions substantially similar to Section 406 of ERISA or Section 4975 of the Code (“similar laws”). A fiduciary of an employee benefit plan subject to ERISA must determine that the purchase and holding of notes is consistent with its fiduciary duties under ERISA.

In addition, Section 406 of ERISA and Section 4975 of the Code prohibit certain transactions involving the assets of a Plan and persons who have specified relationships to the Plan, i.e., “parties in interest” as defined in ERISA or “disqualified persons” as defined in Section 4975 of the Code (collectively referred to as “parties in interest”), unless exemptive relief is available under a class exemption issued by the U.S. Department of Labor or a statutory exemption. Parties in interest that engage in a non-exempt prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and Section 4975 of the Code. We, and our current and future affiliates, may be parties in interest with respect to many Plans. Thus, each fiduciary who is, or is acting on behalf of, a Plan or a plan subject to similar laws must determine whether an investment in the notes might constitute or give rise to a non-exempt prohibited transaction under ERISA or Section 4975 of the Code or any similar law. Each purchaser or holder of the notes, and each fiduciary who causes any entity to purchase or hold the notes will be deemed by its purchase and holding to have represented and warranted on each day such purchaser or holder holds such notes, that either (i) it is neither a Plan nor a plan subject to similar laws and it is not purchasing or holding notes on behalf of or with the assets of any Plan or plan subject to similar laws; or (ii) its purchase, holding and subsequent disposition of the notes shall not constitute or give rise to a non-exempt prohibited transaction under Section 406 of ERISA, Section 4975 of the Code or any similar law.

Fiduciaries of any Plans or plans subject to similar law should consult their own legal counsel before purchasing the notes. Each purchaser of notes will have exclusive responsibility for ensuring that its purchase, holding and subsequent disposition of the notes does not violate the fiduciary or prohibited transaction rules of ERISA, the Code or any similar laws. Nothing herein shall be construed as a representation that an investment in the notes would meet any or all of the relevant legal requirements with respect to investments by, or is appropriate for, Plans or plans subject to similar law generally or any particular Plan or plan subject to similar law.

TAXATION

The following discussion summarizes certain Peruvian and U.S. federal income tax considerations that may be relevant to you if you purchase, own or sell the notes. This summary is based on laws, regulations, rulings and decisions now in effect in each of these jurisdictions, including any relevant tax treaties. Any change could apply retroactively and could affect the continued validity of this summary.

This summary does not describe all of the tax considerations that may be relevant to you or your situation, particularly if you are subject to special tax rules.

You should consult your tax advisor about the tax consequences of acquiring, holding and disposing of the notes, including the relevance to your particular situation of the considerations discussed below, as well as of state, local or other tax laws.

Peruvian Tax Considerations

The following summary of certain Peruvian tax matters as in force on the date of this offering memorandum describes the principal tax consequences of an investment in the notes by a person or an entity who is not domiciled in Peru for tax purposes. This summary does not intend to be a comprehensive description of all of the tax considerations that may be relevant to a decision to make an investment in the notes. In addition, it does not intend to describe any tax consequences: (i) arising under the laws of any taxing jurisdiction other than Peru or (ii) applicable to a person or entity domiciled in Peru or to the permanent establishment of foreign entities in Peru.

In this section, the term “Peruvian Holder” means a beneficial owner of a note who, for Peruvian income tax purposes, is treated as a resident of Peru. A legal entity is treated as a Peruvian tax resident if it has been incorporated in Peru, or if it is deemed to be a permanent establishment in Peru of a foreign entity. An individual is deemed to be a Peruvian tax resident if such individual (i) is a Peruvian citizen and has a regular residence in Peru or, (ii) is not a Peruvian citizen but has resided in Peru for a period of at least 183 days during any 12-month period.

The term “Non-Peruvian Holder” means a beneficial owner of a note who is not a Peruvian Holder.

Peru has executed treaties to avoid double taxation with the Andean Community (Bolivia, Colombia and Ecuador), Brazil, Canada, Chile, Switzerland, South Korea, Mexico and Portugal all of which are currently in force. Non-Peruvian Holders that are domiciled in any of these countries should consult an independent tax advisor regarding the application of treaties.

Payment of Interest

In the case of Non-Peruvian Holders, interest paid on debt is subject to income tax withholding, which generally would be imposed at a rate of 30%. However, interest paid on bonds and other debentures issued by Peruvian financial entities are subject to income tax withholding at a preferential rate of 4.99%. Accordingly, interest paid on the notes will be subject to withholding at this preferential rate of 4.99%.

We are required to act as withholding agent for any income tax due with respect to interest paid on the notes. We have agreed, subject to specified exceptions and limitations, to pay additional amounts to the holders of the notes in respect of the Peruvian income taxes mentioned above. See “Description of the Notes—Additional Amounts.”

Sale of the Notes

Any gain arising from the sale, exchange or other disposition of the beneficial interest in the notes would not be subject to Peruvian income tax, except with respect to Peruvian Holders. Prospective purchasers should discuss with their own tax advisors the application of any income tax described herein to their particular situations.

In the event that the beneficial interests in the notes are exchanged for definitive notes, any capital gain arising from the sale, exchange or other disposition of these definitive notes by Non-Peruvian Holders would be subject to Peruvian income tax at a preferential rate of 5% if the following requirements are satisfied: (i) the definitive notes

are registered with the Peruvian Securities Public Registry, and (ii) the definitive notes are negotiated on the BVL. Otherwise, capital gains will be taxable at a 30% rate.

A capital gain will be equal to the difference between (i) the amount realized on the sale, exchange or disposition of the definitive notes, and (ii) the acquisition cost (purchase price) of the notes, which must be certified by the Peruvian tax administration unless the sale, exchange or disposition is made through the BVL. Each holder should discuss with its own tax advisors the formal obligations that may arise in relation with the determination of the acquisition cost of the notes.

Value added tax

Interest paid on the notes is not subject to Peruvian Value Added Tax (*Impuesto General a las Ventas*, or “VAT”).

The sale, exchange or disposition of beneficial interests in the notes or definitive notes is not subject to VAT.

Financial Transaction Tax

Deposits in and withdrawals from accounts held in Peruvian banks or other financial institutions, whether in Soles or foreign currency, are levied with a financial transactions tax (“FTT”) at a 0.005% rate. Therefore, FTT will levy the price paid for and the interest resulting from the notes if deposited in or withdrawn from a Peruvian bank or other financial institution, as the case may be.

U.S. Federal Income Tax Considerations

The following is a description of certain U.S. federal income tax consequences that may be relevant to the acquisition, ownership and disposition of the notes by U.S. Holders, as defined below. This description addresses only the U.S. federal income tax considerations applicable to U.S. Holders that purchase notes pursuant to this offering for the “issue price,” which will equal the first price to the public (not including bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) at which a substantial amount of the notes is sold for money and that will hold the notes as capital assets (generally, assets held for investment).

This description does not describe all of the tax consequences that may be relevant to you in light of your particular circumstances, including alternative minimum tax and Medicare contribution tax consequences, as well as tax considerations applicable to holders that may be subject to special tax rules, including:

- certain financial institutions;
- insurance companies;
- real estate investment trusts or regulated investment companies;
- dealers or traders in securities;
- tax-exempt entities;
- persons that will hold the notes as part of a “conversion” transaction or as a position in a “straddle” for U.S. federal income tax purposes;
- persons subject to the U.S. federal alternative minimum tax;
- persons that have a “functional currency” other than the U.S. dollar; or
- partnerships or other entities classified as partnerships for U.S. federal income tax purposes.

The U.S. federal income tax treatment of a partner in a partnership (including any entity classified as a partnership for U.S. federal income tax purposes) that holds notes will depend on the status of the partner and the activities of the partnership. Prospective purchasers that are partnerships and partners in such partnerships should

consult their tax advisors concerning the U.S. federal income tax consequences to them of the acquisition, ownership and disposition of the notes by the partnership.

This description is based on the Internal Revenue Code of 1986, as amended, existing, proposed and temporary U.S. Treasury Regulations and judicial and administrative interpretations thereof, in each case as of the date hereof. U.S. tax laws and the interpretation thereof are subject to change, which change could apply retroactively and could affect the tax consequences described below. This summary does not address any aspect of state, local or non-U.S. taxation, or any taxes other than income taxes. You should consult your tax advisor with regard to the application of the U.S. federal tax laws to your particular situation, as well as any tax consequences arising under the laws of any state, local or non-U.S. taxing jurisdiction.

For purposes of this description, a “U.S. Holder” is a beneficial owner of the notes for U.S. federal income tax purposes that is:

- a citizen or individual resident of the United States;
- a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States or any state thereof, including the District of Columbia; or
- an estate or trust the income of which is subject to U.S. federal income taxation regardless of its source.

Payments of Interest

Interest paid on a note (including any Additional Amounts) will be taxable to a U.S. Holder as ordinary interest income at the time it accrues or is received, in accordance with the U.S. Holder’s method of accounting for federal income tax purposes.

The amount of interest taxable as ordinary income will include any amounts withheld in respect of Peruvian taxes. Interest income earned by a U.S. Holder with respect to a note will constitute foreign-source income for U.S. federal income tax purposes, which may be relevant to a U.S. Holder in calculating the U.S. Holder’s foreign tax credit limitation. Certain Peruvian taxes, if any, withheld from interest income on a note, may be eligible for credit against the U.S. Holder’s U.S. federal income tax liability, subject to generally applicable limitations and conditions, or, at the election of the U.S. Holder, for deduction in computing the U.S. Holder’s taxable income. Generally, only income taxes (or taxes in lieu of income taxes) qualify for the foreign tax credit. The rules governing foreign tax credits are complex and, therefore, U.S. Holders should consult their own tax advisors regarding the availability of foreign tax credits in their particular circumstances.

Sale, Exchange, Retirement or Other Taxable Disposition

Upon the sale, exchange, retirement or other taxable disposition of a note, a U.S. Holder will recognize taxable gain or loss equal to the difference between the amount realized on the sale, exchange, retirement or other taxable disposition and the U.S. Holder’s tax basis in the note. Gain or loss, if any, will generally be U.S.-source income for purposes of computing a U.S. Holder’s foreign tax credit limitation. For these purposes, the amount realized does not include any amount attributable to accrued interest, which will be taxed as interest. The U.S. Holder’s tax basis in a note generally will equal the U.S. Holder’s cost for acquiring the note. The U.S. Holder’s gain or loss will generally be capital gain or loss and will be long-term capital gain or loss if at the time of sale, exchange, retirement or other taxable disposition the note has been held for more than one year. Long-term capital gains recognized by non-corporate taxpayers are subject to reduced tax rates. The deductibility of capital losses is subject to limitations.

Backup Withholding and Information Reporting

Information returns may be filed with the Internal Revenue Service (the “IRS”) in connection with payments on the notes and the proceeds from a sale or other disposition of the notes, unless such U.S. holder is exempt from information reporting and, when required, demonstrates this fact. Any such payments or proceeds to a U.S. holder that are subject to information reporting generally will be subject to U.S. backup withholding if the U.S. Holder fails to provide its taxpayer identification number to the paying agent and comply with certain certification procedures or otherwise establish an exemption from backup withholding. Backup withholding is not an additional tax. The

amount of any backup withholding from a payment to a U.S. Holder will be allowed as a credit against the U.S. Holder's U.S. federal income tax liability and may entitle the U.S. Holder to a refund, provided that the required information is timely furnished to the IRS. U.S. Holders should consult their tax advisors concerning the application of information reporting and backup withholding rules.

FATCA Legislation

Provisions commonly referred to as "FATCA" impose withholding of 30% on certain U.S. source payments made to "foreign financial institutions" (which is broadly defined for this purpose and in general includes investment vehicles) unless the financial institution is a "participating foreign financial institution" (a "PFFI") or is exempt. A PFFI is a foreign financial institution that has entered into an agreement with the U.S. Treasury (a "PFFI Agreement"), pursuant to which it agrees to perform special due diligence, reporting and withholding functions. Specifically, under its PFFI Agreement, a PFFI is required to obtain and report to the IRS certain information with respect to financial accounts held by U.S. persons or U.S.-owned foreign entities and may be required to withhold 30% from "foreign passthru payments" (which term is not yet defined) that it makes to foreign financial institutions that are not PFFIs or otherwise exempt from FATCA and certain other persons who fail to provide requested information, if such payments are made on or after the later of January 1, 2019 and the date of the publication of final Treasury regulations defining the term foreign passthru payments. Generally, no such withholding would apply to any payments made on non-U.S. debt obligations that are issued before (and not materially modified after) the date that is six months after the date on which final regulations defining the term foreign passthru payments are published. An intergovernmental agreement between the United States and Peru or applicable non-U.S. jurisdiction may modify these requirements. If FATCA withholding is so required, the Company will not be required to pay any additional amounts with respect to any amounts withheld. Prospective investors should consult their tax advisors regarding the effects of FATCA on their investment in the notes.

PLAN OF DISTRIBUTION

J.P. Morgan Securities LLC and Merrill Lynch, Pierce, Fenner & Smith Incorporated are acting as representatives of each of the initial purchasers named below. Subject to the terms and conditions set forth in a purchase agreement among us and the initial purchasers, we have agreed to sell to the initial purchasers, and each of the initial purchasers has agreed, severally and not jointly, to purchase from us, the principal amount of notes set forth opposite its name below.

Initial purchaser	Principal Amount of Notes
Credicorp Capital Sociedad Agente de Bolsa S.A.	U.S.\$ 60,000,000
J.P. Morgan Securities LLC.....	120,000,000
Merrill Lynch, Pierce, Fenner & Smith Incorporated	120,000,000
Total.....	<u>U.S.\$ 300,000,000</u>

Credicorp Capital Sociedad Agente de Bolsa S.A. (“Credicorp Capital”), one of the initial purchasers, is not a broker-dealer registered with the SEC and will only make offers and sales of the notes outside the United States to non-U.S. persons in offshore transactions in reliance on Regulation S.

Subject to the terms and conditions set forth in the purchase agreement, the initial purchasers have agreed, severally and not jointly, to purchase all of the notes sold under the purchase agreement if any of these notes are purchased. If an initial purchaser defaults, the purchase agreement provides that the purchase commitments of the nondefaulting initial purchasers may be increased or the purchase agreement may be terminated.

We have agreed to indemnify the initial purchasers and their controlling persons against certain liabilities in connection with this offering, including liabilities under the Securities Act, or to contribute to payments the initial purchasers may be required to make in respect of those liabilities.

The initial purchasers are offering the notes, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the notes, and other conditions contained in the purchase agreement, such as the receipt by the initial purchasers of officer’s certificates and legal opinions. The initial purchasers reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

Commissions and Discounts

The representatives have advised us that the initial purchasers propose initially to offer the notes at the offering price set forth on the cover page of this offering memorandum. After the initial offering, the offering price or any other term of the offering may be changed.

Notes Are Not Being Registered

The notes have not been registered under the Securities Act or any state securities laws. The initial purchasers propose to offer the notes for resale in transactions not requiring registration under the Securities Act or applicable state securities laws, including sales pursuant to Rule 144A and Regulation S. The initial purchasers will not offer or sell the notes except to persons they reasonably believe to be qualified institutional buyers or pursuant to offers and sales to non-U.S. persons that occur outside of the United States within the meaning of Regulation S. In addition, until 40 days following the commencement of this offering, an offer or sale of notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act unless the dealer makes the offer or sale in compliance with Rule 144A or another exemption from registration under the Securities Act. Each purchaser of the notes will be deemed to have made acknowledgments, representations and agreements as described under “Notice to Investors.”

New Issue of Notes

The notes are a new issue of securities with no established trading market. We cannot assure the liquidity of the trading market for the notes. If an active trading market for the notes does not develop, the market price and liquidity of the notes may be adversely affected. If the notes are traded, they may trade at a discount from their initial offering price, depending on prevailing interest rates, the market for similar securities, our operating performance and financial condition, general economic conditions and other factors.

Settlement

We expect that delivery of the notes will be made to investors on or about October 25, 2016.

No Sales of Similar Securities

We have agreed that we will not, for a period of 45 days after the date of this offering memorandum, without first obtaining the prior written consent of Credicorp Capital Sociedad Agente de Bolsa S.A., J.P. Morgan Securities LLC and Merrill Lynch, Pierce, Fenner & Smith Incorporated, directly or indirectly, issue, sell, offer or agree to sell, grant any option for the sale of, or otherwise dispose of, any U.S. dollar or Soles denominated debt securities of the Company substantially similar to the notes in the international capital markets, except for the notes sold to the initial purchasers pursuant to the purchase agreement.

Short Positions

In connection with the offering, the initial purchasers may purchase and sell the notes in the open market. These transactions may include short sales and purchases on the open market to cover positions created by short sales. Short sales involve the sale by the initial purchasers of a greater principal amount of notes than they are required to purchase in the offering. The initial purchasers must close out any short position by purchasing notes in the open market. A short position is more likely to be created if the initial purchasers are concerned that there may be downward pressure on the price of the notes in the open market after pricing that could adversely affect investors who purchase in the offering.

Similar to other purchase transactions, the initial purchasers' purchases to cover the syndicate short sales may have the effect of raising or maintaining the market price of the notes or preventing or retarding a decline in the market price of the notes. As a result, the price of the notes may be higher than the price that might otherwise exist in the open market.

Neither we nor any of the initial purchasers make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the notes. In addition, neither we nor any of the initial purchasers make any representation that the representatives will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

Other Relationships

Some of the initial purchasers and their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with us or our affiliates. They have received, or may in the future receive, customary fees and commissions for these transactions.

In addition, in the ordinary course of their business activities, the initial purchasers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of ours or our affiliates. If any of the initial purchasers or their affiliates has a lending relationship with us, certain of those initial purchasers or their affiliates routinely hedge, and certain other of those initial purchasers or their affiliates may hedge, their credit exposure to us consistent with their customary risk management policies. Typically, these initial purchasers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the notes offered hereby. Any such short positions could adversely affect future trading prices of the notes offered hereby. The initial purchasers and their affiliates may also make investment recommendations and/or publish or express

independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Credicorp Capital, which is acting as a Joint Bookrunner, is a subsidiary of our parent company, Credicorp.

Notice to Prospective Investors in the European Economic Area

In relation to each member state of the European Economic Area (each, a “Member State”) which has implemented the Prospectus Directive (each, a “Relevant Member State”), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “Relevant Implementation Date”), no offer of the notes to the public in that Relevant Member State prior to the publication of a prospectus in relation to the notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that the initial purchasers may, with effect from and including the Relevant Implementation Date, make an offer of notes to the public in that Relevant Member State at any time:

- to any legal entity which is a “qualified investor” as defined in the Prospectus Directive;
- to fewer than 150 natural or legal persons per Relevant Member State (other than “qualified investors” as defined in the Prospectus Directive); or
- in any other circumstances falling within Article 3(2) of the Prospectus Directive,

Each person in a Relevant Member State who initially acquires any notes as a “financial intermediary,” as that term is used in Article 3(2) of the Prospectus Directive, will be deemed to have represented, acknowledged and agreed that (x) the notes acquired by it in the offering have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Relevant Member State other than “qualified investors” as defined in the Prospectus Directive, or in circumstances in which the prior consent of the subscribers has been given to the offer or resale, or (y) where notes have been acquired by it on behalf of persons in any Relevant Member State other than “qualified investors” as defined in the Prospectus Directive, the offer of those notes to it is not treated under the Prospectus Directive as having been made to such persons.

For the purposes of the foregoing “offer of notes to the public,” in relation to any notes in any Relevant Member State, means the communication in any form and by any means of sufficient information on the terms of the offer and the notes to be offered so as to enable an investor to decide to purchase or subscribe the notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State; “Prospectus Directive” means Directive 2003/71/EC (and amendments thereto including the 2010 PD Amending Directive), and includes any relevant implementing measure in the Relevant Member State; and “2010 PD Amending Directive” means Directive 2010/73/EC.

Notice to Prospective Investors in the United Kingdom

In addition, in the United Kingdom, this document is being distributed only to, and is directed only at, and any offer subsequently made may only be directed at persons who are “qualified investors” (as defined in the Prospectus Directive) (i) who have professional experience in matters relating to investments falling within Article 19 (5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the “Order”) and/or (ii) who are high net worth companies (or persons to whom it may otherwise be lawfully communicated) falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as “relevant persons”). This document must not be acted on or relied on in the United Kingdom by persons who are not relevant persons. In the United Kingdom, any investment or investment activity to which this document relates is only available to, and will be engaged in with, relevant persons.

Notice to Investors in Canada

The notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 *Prospectus Exemptions* or subsection 73.3(1) of the *Securities Act* (Ontario), and are permitted clients, as defined in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*. Any resale of the notes must be made in

accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws. Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this prospectus (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor. Pursuant to section 3A.3 (or, in the case of securities issued or guaranteed by the government of a non-Canadian jurisdiction, section 3A.4) of National Instrument 33-105 Underwriting Conflicts ("NI 33-105"), the initial purchasers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

Notice to Prospective Investors in Switzerland

This offering memorandum does not constitute an issue prospectus pursuant to Article 652a or Article 1156 of the Swiss Code of Obligations and the notes will not be listed on the SIX Swiss Exchange. Therefore, this offering memorandum may not comply with the disclosure standards of the listing rules (including any additional listing rules or prospectus schemes) of the SIX Swiss Exchange. Accordingly, the notes may not be offered to the public in or from Switzerland, but only to a selected and limited circle of investors who do not subscribe to the notes with a view to distribution. Any such investors will be individually approached by the initial purchasers from time to time.

Notice to Prospective Investors in the Dubai International Financial Centre

This offering memorandum relates to an Exempt Offer in accordance with the Offered Securities Rules of the Dubai Financial Services Authority ("DFSA"). This offering memorandum is intended for distribution only to persons of a type specified in the Offered Securities Rules of the DFSA. It must not be delivered to, or relied on by, any other person. The DFSA has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The DFSA has not approved this offering memorandum nor taken steps to verify the information set forth herein and has no responsibility for the offering memorandum. The notes to which this offering memorandum relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the notes offered should conduct their own due diligence on the notes. If you do not understand the contents of this offering memorandum you should consult an authorized financial advisor.

Notice to Prospective Investors in Brazil

The offer of the notes described in this offering memorandum will not be carried out by any means that would constitute a public offering in Brazil under Law No. 6,385, of December 7, 1976, as amended, and under CVM Rule (*Instrução*) No. 400, of December 29, 2003, as amended. The offer and sale of the notes have not been and will not be registered with the *Comissão de Valores Mobiliários* in Brazil. Any representation to the contrary is untruthful and unlawful. Any public offering or distribution, as defined under Brazilian laws and regulations, of the notes in Brazil is not legal without such prior registration. Documents relating to the offering of the notes, as well as information contained therein, may not be supplied to the public in Brazil, as the offering of the notes is not a public offering of securities in Brazil, nor may they be used in connection with any offer for sale of the notes to the public in Brazil. This offering memorandum is addressed to you personally, upon your request and for your sole benefit, and is not to be transmitted to anyone else, to be relied upon by anyone else or for any other purpose either quoted or referred to in any other public or private document or to be filed with anyone without our prior, express and written consent.

Notice to Prospective Investors in Chile

The offer of the notes will begin on October 21, 2016 and is subject to General Rule No. 336 of the Chilean Securities Commission (*Superintendencia de Valores y Seguros de Chile*, or the "SVS"). The notes being offered are not registered in the Securities Registry (*Registro de Valores*) or in the Foreign Securities Registry (*Registro de Valores Extranjeros*) of the SVS and, therefore, the notes are not subject to the supervision of the SVS. As unregistered securities, we are not required to disclose public information about the notes in Chile. The notes may not be publicly offered in Chile unless they are registered in the corresponding securities registry.

La oferta de los valores comienza el 21 de octubre de 2016 y está acogida a la Norma de Carácter General número 336 de fecha 27 de junio de 2012 de la Superintendencia de Valores y Seguros de Chile (la "SVS"). La oferta versa sobre valores no inscritos en el Registro de Valores o en el Registro de Valores Extranjeros que lleva la

SVS, por lo que los valores no están sujetos a la fiscalización de dicho organismo. Por tratarse de valores no inscritos, no existe obligación por parte del emisor de entregar en Chile información pública respecto de los valores. Estos valores no pueden ser objeto de oferta pública a menos que sean inscritos en el registro de valores correspondiente.

Notice to Prospective Investors in Mexico

The notes have not been and will not be registered with the National Securities Registry (Registro Nacional de Valores) maintained by the Mexican National Banking and Securities Commission (Comisión Nacional Bancaria y de Valores), and may not be offered or sold publicly or otherwise be the subject of brokerage activities in Mexico, except pursuant to the private placement exemption set forth in Article 8 of the Mexican Securities Market Law (Ley del Mercado de Valores).

Notice to Prospective Investors in Hong Kong

This offering memorandum has not been approved by or registered with the Securities and Futures Commission of Hong Kong or the Registrar of Companies of Hong Kong. The notes will not be offered or sold in Hong Kong other than (a) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance. No advertisement, invitation or document relating to the notes which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) has been issued or will be issued in Hong Kong or elsewhere other than with respect to notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

Notice to Prospective Investors in Japan

The notes offered in this offering memorandum have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the “Financial Instruments and Exchange Act”). The notes have not been offered or sold and will not be offered or sold, directly or indirectly, in Japan or to or for the account of any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except (i) pursuant to an exemption from the registration requirements of the Financial Instruments and Exchange Act and (ii) in compliance with any other applicable requirements of Japanese law.

Notice to Prospective Investors in Peru

The notes and the information contained in this offering memorandum have not been and will not be registered with or approved by SMV or the BVL. Accordingly, the notes cannot be offered or sold in Peru, except if such offering is considered a private offering under the securities laws and regulations of Peru. The Peruvian securities market law establishes that any particular offer may qualify as private, among others, if it is directed exclusively to institutional investors.

Notice to Prospective Investors in Singapore

This offering memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this offering memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the notes may not be circulated or distributed, nor may the notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act (Chapter 289) (the “SFA”), (ii) to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA. Where the notes are subscribed or purchased under Section 275 by a relevant person which is: (a) a corporation (which is not an accredited investor) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold

investments and each beneficiary is an accredited investor, then securities, debentures and units of securities and debentures of that corporation or the beneficiaries' rights and interest in that trust shall not be transferable for 6 months after that corporation or that trust has acquired the securities under Section 275 except: (i) to an institutional investor under Section 274 of the SFA or to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA; (ii) where no consideration is given for the transfer; or (iii) by operation of law.

NOTICE TO INVESTORS

The notes have not been registered, and will not be registered, under the Securities Act or any state securities laws of any jurisdiction, and the notes may not be offered or sold except pursuant to an effective registration statement or pursuant to transactions exempt from, or not subject to, registration under the Securities Act. Accordingly, the notes are being offered and sold only:

- in the United States to qualified institutional buyers (as defined in Rule 144A) pursuant to Rule 144A under the Securities Act; and
- outside of the United States, to certain non-U.S. persons, in offshore transactions meeting the requirements of Rule 903 of Regulation S under the Securities Act.

The notes have not been or will not be registered with or approved by the SMV or the BVL. Accordingly, the notes cannot be offered or sold in Peru, except in compliance with the applicable Peruvian securities regulations.

Purchasers' Representations and Restrictions on Resale and Transfer

Each purchaser of notes (other than the initial purchasers in connection with the initial issuance and sale of notes) and each owner of any beneficial interest therein will be deemed, by its acceptance or purchase thereof, to have represented and agreed as follows:

(1) it is purchasing the notes for its own account or an account with respect to which it exercises sole investment discretion and it and any such account is either (a) a qualified institutional buyer and is aware that the sale to it is being made pursuant to Rule 144A or (b) a non-U.S. person that is outside the United States;

(2) it acknowledges that the notes have not been registered under the Securities Act or with any securities regulatory authority of any state and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth below;

(3) it understands and agrees that notes initially offered in the United States to qualified institutional buyers will be represented by a global note and that notes offered outside the United States pursuant to Regulation S will also be represented by a global note;

(4) it will not resell or otherwise transfer any of such notes except (a) to us or any of our subsidiaries, (b) within the United States to a qualified institutional buyer in a transaction complying with Rule 144A under the Securities Act, (c) outside the United States in compliance with Rule 903 or 904 of Regulation S under the Securities Act, (d) pursuant to another exemption from registration under the Securities Act (if available) or (e) pursuant to an effective registration statement under the Securities Act, in each case in accordance with all applicable securities laws of the states of the United States and other jurisdictions;

(5) either (i) it is neither an employee benefit plan subject to Title I of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), an individual retirement account or other plan subject to Section 4975 of the Code (collectively, "Plans") nor an employee benefit plan sponsored by a state or local government or otherwise subject to laws that include restrictions substantially similar to Section 406 of ERISA or Section 4975 of the Code ("similar laws") and it is not purchasing or holding notes on behalf of or with the assets of any Plan or plan subject to similar laws; or (ii) its purchase, holding and subsequent disposition of the notes shall not constitute or give rise to a non-exempt prohibited transaction under Section 406 of ERISA, Section 4975 of the Code or any similar law;

(6) it agrees that it will give to each person to whom it transfers the notes notice of any restrictions on transfer of such notes;

(7) it acknowledges that prior to any proposed transfer of notes (other than pursuant to an effective registration statement or in respect of notes sold or transferred either pursuant to (a) Rule 144A or (b) Regulation S) the holder of such notes may be required to provide certifications relating to the manner of such transfer as provided in the indenture;

(8) it acknowledges that the trustee, registrar or transfer agent for the notes may not be required to accept for registration or transfer of any notes acquired by it, except upon presentation of evidence satisfactory to the Issuer that the restrictions set forth herein have been complied with;

(9) it acknowledges that we, the initial purchasers and other persons will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of the acknowledgements, representations and agreements deemed to have been made by its purchase of the notes are no longer accurate, it will promptly notify us and the initial purchasers; and

(10) if it is acquiring the notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each account.

Legends

The following is the form of restrictive legend which will appear on the face of the Rule 144A global note and which will be used to notify transferees of the foregoing restrictions on transfer. This legend will only be removed with our consent. If we so consent, it will be deemed to be removed.

THE NOTES EVIDENCED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE OR OTHER SECURITIES LAWS, AND MAY NOT BE OFFERED, SOLD, PLEDGED, OR OTHERWISE TRANSFERRED EXCEPT IN ACCORDANCE WITH THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF OR OF A BENEFICIAL INTEREST HEREIN, THE HOLDER OF THIS NOTE BY ITS ACCEPTANCE HEREOF (1) REPRESENTS THAT IT, AND ANY ACCOUNT FOR WHICH IT IS ACTING, (A) IS A "QUALIFIED INSTITUTIONAL BUYER" (WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT) OR (B) IS NOT A U.S. PERSON AND IS ACQUIRING THIS NOTE IN AN "OFFSHORE TRANSACTION" PURSUANT TO RULE 903 OR 904 OF REGULATION S AND, WITH RESPECT TO (A) AND (B), EXERCISES SOLE INVESTMENT DISCRETION WITH RESPECT TO SUCH ACCOUNT, (2) AGREES FOR THE BENEFIT OF THE ISSUER THAT IT WILL NOT OFFER, SELL, PLEDGE OR OTHERWISE TRANSFER THIS NOTE OR ANY BENEFICIAL INTEREST HEREIN, EXCEPT (A) (I) TO THE ISSUER OR ANY SUBSIDIARY THEREOF, (II) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BECOME EFFECTIVE UNDER THE SECURITIES ACT, (III) TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT, (IV) IN AN OFFSHORE TRANSACTION COMPLYING WITH THE REQUIREMENTS OF RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, OR (V) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT (IF AVAILABLE), AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND OTHER JURISDICTIONS, (3) (I) REPRESENTS THAT IT AND ANY ACCOUNT FOR WHICH IT IS ACTING IS NEITHER AN EMPLOYEE BENEFIT PLAN SUBJECT TO TITLE I OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), AN INDIVIDUAL RETIREMENT ACCOUNT OR OTHER PLAN SUBJECT TO SECTION 4975 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE") (COLLECTIVELY, "PLANS") NOR AN EMPLOYEE BENEFIT PLAN SPONSORED BY A STATE OR LOCAL GOVERNMENT OR OTHERWISE SUBJECT TO LAWS THAT INCLUDE RESTRICTIONS SUBSTANTIALLY SIMILAR TO SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE ("SIMILAR LAWS") AND IT IS NOT PURCHASING OR HOLDING THE NOTES ON BEHALF OF OR WITH THE ASSETS OF ANY PLAN OR PLAN SUBJECT TO SIMILAR LAWS; OR (II) REPRESENTS THAT ITS PURCHASE, HOLDING AND SUBSEQUENT DISPOSITION OF THE NOTES SHALL NOT CONSTITUTE OR GIVE RISE TO A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA, SECTION 4975 OF THE CODE OR ANY SIMILAR LAW, AND (4) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS NOTES IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. AS USED HEREIN, THE TERMS "OFFSHORE TRANSACTION," "UNITED STATES" AND "U.S. PERSON" HAVE THE RESPECTIVE MEANINGS GIVEN TO THEM BY REGULATION S UNDER THE SECURITIES ACT.

PRIOR TO THE REGISTRATION OF ANY TRANSFER IN ACCORDANCE WITH PARAGRAPH (2)(A)(V) ABOVE, THE ISSUER RESERVES THE RIGHT TO REQUIRE THE DELIVERY OF SUCH LEGAL OPINIONS, CERTIFICATIONS, OR OTHER EVIDENCE AS MAY REASONABLY BE REQUIRED IN

ORDER TO DETERMINE THAT THE PROPOSED TRANSFER IS BEING MADE IN COMPLIANCE WITH THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS. NO REPRESENTATION IS MADE AS TO THE AVAILABILITY OF ANY EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

THIS LEGEND MAY ONLY BE REMOVED AT THE OPTION OF THE ISSUER.

The following is the form of restrictive legend which will appear on the face of the Regulation S global note and which will be used to notify transferees of the foregoing restrictions on transfer:

THE NOTES EVIDENCED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE OR OTHER SECURITIES LAWS. PRIOR TO EXPIRATION OF THE 40-DAY DISTRIBUTION COMPLIANCE PERIOD (AS DEFINED IN REGULATION S ("REGULATION S") UNDER THE SECURITIES ACT), THIS NOTE MAY NOT BE REOFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES (AS DEFINED IN REGULATION S) OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, A U.S. PERSON (AS DEFINED IN REGULATION S), EXCEPT TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT IN A TRANSACTION MEETING THE REQUIREMENTS OF THE INDENTURE REFERRED TO HEREIN.

LISTING AND GENERAL INFORMATION

Listing

We have applied to be admitted to listing the notes on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF Market. If listed and so long as the rules of the Luxembourg Stock Exchange require, any notice, including notice of any optional redemption, change of control or any change in the rate of interest payable on the notes will be published in a leading daily newspaper of general circulation in Luxembourg, which we expect to be *Luxemburger Wort* or if such Luxembourg publication is not practicable, on the website of the Luxembourg Stock Exchange at www.bourse.lu and in one other leading English language newspaper being published on each day in morning editions, whether or not it shall be published in Saturday, Sunday or holiday editions.

We accept responsibility for the information contained in this offering memorandum. To the best of our knowledge (having taken all reasonable care to ensure that such is the case), the information contained in this offering memorandum is in accordance with the facts and does not omit anything likely to affect the import of such information.

We have appointed The Bank of New York Mellon (Luxembourg) S.A. as the Luxembourg listing and paying agent for the notes in Luxembourg. We reserve the right to vary such appointment. So long as the notes are listed on the Luxembourg Stock Exchange and traded on the Euro MTF Market, we will maintain a paying agent in Luxembourg.

Copies of the indenture, our by-laws and our articles of incorporation will be available at the expense of the Issuer at our offices, the corporate trust office of the trustee and at the offices of the Luxembourg paying agent.

Clearing Information

The global notes representing the notes have been accepted into the applicable systems used by DTC, Euroclear and Clearstream.

144A note CUSIP	144A note ISIN	144A note Common Code
05954T AK7	US05954TAK79	150395941
Regulation S note CUSIP	Regulation S note ISIN	Regulation S note Common Code
P09646 AH6	USP09646AH62	150395534

Authorization

Our Board of Directors authorized the issuance of the notes and their generic terms and conditions in a meeting on September 28, 2016. We have obtained all other consents and authorizations necessary under Peruvian law for the issuance of the notes.

Litigation

Other than as set forth in this offering memorandum, we are not involved in any litigation or arbitration proceeding that is material in the context of the issuance of the notes. We are not aware of any material litigation or arbitration proceeding that is pending or threatened other than as set forth in this offering memorandum.

Financial Information

We have prepared, and intend to continue to prepare, audited fiscal year-end consolidated financial statements and quarterly unaudited interim consolidated financial statements while the notes are outstanding, both in conformity with Peruvian GAAP. There has been no material adverse change in our business, financial condition,

results of operations or prospects since December 31, 2015, the date of our last annual consolidated financial statements.

Copies of our latest audited annual and unaudited quarterly interim reports may be obtained, and copies of offering documents referred to herein (including the forms of the notes) will be available free of charge at the corporate trust office of the trustee and at the offices of the Luxembourg paying agent.

LEGAL MATTERS

Certain U.S. legal matters relating to the issuance of the notes will be passed upon for us by Davis Polk & Wardwell LLP, New York, New York, and Peruvian legal matters will be passed upon for us by Payet, Rey, Cauvi, Pérez Abogados, Lima, Peru. Certain legal matters will be passed upon for the initial purchasers by Milbank, Tweed, Hadley & McCloy LLP, New York, New York and Miranda & Amado, Lima, Peru.

INDEPENDENT ACCOUNTANTS

The consolidated financial statements as of December 31, 2015 and for the year then ended, included in this offering memorandum, have been audited by Gaveglío Aparicio & Asociados S.C.R.L., a member firm of PricewaterhouseCoopers International Limited, an independent registered public accounting firm, as stated in their report appearing herein.

With respect to the unaudited consolidated financial information of Banco de Crédito del Perú and its subsidiaries for the six months ended June 30, 2016 and 2015, included in this offering memorandum, Gaveglío Aparicio & Asociados S.C.R.L. reported that they have applied limited procedures in accordance with professional standards for a review of such information. However, their separate report dated August 25, 2016 herein states that they did not audit and they do not express an opinion on that unaudited financial information. Accordingly, the degree of reliance on their report or such information should be restricted in light of the limited nature of the review procedures applied.

The consolidated financial statements as of and for the years ended December 31, 2013 and 2014, included in this offering memorandum, have been audited by Paredes, Burga & Asociados (formerly Paredes, Zaldívar, Burga & Asociados), a member firm of Ernst & Young Global Limited, independent certified public accountants in Peru, as stated in their report appearing herein.

AVAILABLE INFORMATION

We will furnish, upon prior written request of any registered owner of a note, or noteholder, or beneficial owner of a note, or note owner, such information as is specified in paragraph (d)(4) of Rule 144A under the Securities Act: (a) to such noteholder or note owner, (b) to a prospective purchaser of such note (or beneficial interest therein) who is a qualified institutional buyer designated by such noteholder or note owner or (c) to the trustee for delivery to such noteholder or note owner or such prospective purchaser so designated, in each case in order to permit compliance by such noteholder or note owner with Rule 144A in connection with the resale of such note (or a beneficial interest therein) in reliance upon Rule 144A unless, at the time of such request, (1) we are subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act, or (2) we qualify for the exemption to Rule 12g3-2(b).

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Translation of consolidated financial statements originally issued in Spanish - See Note 31

Independent auditor's report

To the shareholders of Banco de Crédito del Perú

We have audited the accompanying consolidated financial statements of Banco de Crédito del Perú (a subsidiary of Credicorp Ltd., a holding incorporated in Bermuda) and Subsidiaries, which comprise the consolidated statements of financial position as of December 31, 2014 and 2013, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for each year ended December 31, 2014, 2013 and 2012, respectively, and the summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles prescribed by the Superintendencia de Banca, Seguros y AFP (SBS) for Peruvian 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 misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our audit was conducted in accordance with International Standards on Auditing as adopted for use in Peru by the Board of Deans of Colleges of Public Accounting in Peru. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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 auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's 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.

Translation of consolidated financial statements originally issued in Spanish - See Note 31

Independent auditor's report (continued)

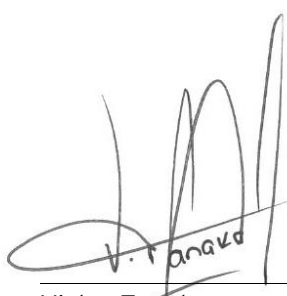
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Banco de Crédito del Perú and Subsidiaries as of December 31, 2014 and 2013, and the consolidated results of its operations and its consolidated cash flows for each year ended December 31, 2014, 2013 and 2012; in accordance with accounting principles prescribed by the Superintendencia de Banca, Seguros y AFP (SBS) for Peruvian financial entities.

Lima, Peru,
February 24, 2015

Countersigned by:



Victor Tanaka
C.P.C.C. Register No.25613

PAREDES, LOUISE, BURG
f ASOC.

Banco de Crédito del Perú and Subsidiaries

Consolidated statements of financial position

As of December 31, 2014 and 2013

	Note	2014 S/.(000)	2013 S/.(000)
Assets			
Cash and due from banks:	4		
Cash and clearing		4,363,606	3,516,518
Deposits in Peruvian Central Bank		14,003,756	15,634,276
Deposits in local and foreign banks		2,547,718	2,002,451
Restricted funds		3,873,133	151,302
Accrued interest on cash		547	4,476
		<u>24,788,760</u>	<u>21,309,023</u>
Interbank funds		30,223	139,463
Investments:			
At fair value through profit or loss	5(a)	1,968,298	1,217,955
Available-for-sale	5(a)	7,087,111	10,485,097
Held-to-maturity	5(m)	<u>2,667,663</u>	<u>676,976</u>
		11,723,072	12,380,028
Loans, net	6	74,117,331	60,085,666
Investments in associates		46,617	41,338
Property, furniture and equipment, net	7	1,793,662	1,543,460
Goodwill	8	276,321	144,841
Other assets, net	9	<u>2,874,519</u>	<u>2,299,395</u>
Total assets		<u>115,650,505</u>	<u>97,943,214</u>
Risks and Commitments	18	<u>34,915,262</u>	<u>24,849,259</u>

Translation of consolidated financial statements originally issued in Spanish - See Note 31

Banco de Crédito del Perú and Subsidiaries

Consolidated statements of income

For the years ended December 31, 2014, 2013 and 2012

	Note	2014 S/.(000)	2013 S/.(000)	2012 S/.(000)
Financial income and expenses				
Financial income	19	8,072,776	6,573,454	5,620,189
Financial expenses	19	(2,152,053)	(1,996,835)	(1,699,332)
Gross financial margin		<u>5,920,723</u>	<u>4,576,619</u>	<u>3,920,857</u>
Allowance for loan losses, net of recoveries	6(f)	(1,754,963)	(1,239,943)	(1,003,033)
		<u>4,165,760</u>	<u>3,336,676</u>	<u>2,917,824</u>
Net gain for exchange difference		<u>245,406</u>	<u>155,072</u>	<u>14,163</u>
Net financial margin		<u>4,411,166</u>	<u>3,491,748</u>	<u>2,931,987</u>
Non-financial income				
Banking services commissions, net	20	1,953,907	1,755,663	1,623,399
Net gain (loss) on sale of securities	21	63,221	(78,754)	104,636
Net gain on foreign exchange transactions		457,489	515,562	379,615
Other non-financial income	22	51,186	81,348	110,670
		<u>2,525,803</u>	<u>2,273,819</u>	<u>2,218,320</u>
Operating expenses				
Salaries and employees' benefits	23	(2,104,991)	(1,707,008)	(1,626,763)
General and administrative	24	(1,415,875)	(1,210,170)	(1,035,326)
Depreciation and amortization	7(a) and 9(d)	(344,314)	(289,718)	(274,083)
Provision for seized assets		(4,404)	(7,325)	(3,143)
Taxes and contributions		(148,953)	(135,904)	(98,566)
Other operating expenses	22	(135,803)	(122,370)	(65,070)
		<u>(4,154,340)</u>	<u>(3,472,495)</u>	<u>(3,102,951)</u>

Translation of consolidated financial statements originally issued in Spanish - See Note 31

Consolidated statements of income (continued)

	Note	2014 S/.(000)	2013 S/.(000)	2012 S/.(000)
Income before income tax from continuing operations		2,782,629	2,293,072	2,047,356
Income tax	13(b)	(875,540)	(650,638)	(551,145)
Net income from continuing operations		1,907,089	1,642,434	1,496,211
Net income from discontinued operations	2(b)	-	6,865	9,701
Net Income		<u>1,907,089</u>	<u>1,649,299</u>	<u>1,505,912</u>
Attributable to:				
Shareholders' equity of Banco de Crédito del Perú		1,914,519	1,647,418	1,497,701
Non-controlling Interest		(7,430)	1,881	8,211
		<u>1,907,089</u>	<u>1,649,299</u>	<u>1,505,912</u>
Basic and diluted earnings per share (in Nuevos Soles) from continuing operations		0.4054	0.3474	0.3104
Basic and diluted earnings per share (in Nuevos Soles) from discontinued operations		-	0.0015	0.0020
Weighted average number of ordinary shares for basic earnings (In thousands of units)	25	<u>4,722,752</u>	<u>4,722,752</u>	<u>4,793,547</u>

Translation of consolidated financial statements originally issued in Spanish - See Note 31

Banco de Crédito del Perú and Subsidiaries

Consolidated statements of comprehensive income

For the years ended December 31, 2014, 2013 and 2012

	Note	2014 S/.(000)	2013 S/.(000)	2012 S/.(000)
Net income for the year		1,907,089	1,649,299	1,505,912
Other comprehensive income				
Net gain (loss) on available-for-sale investments	14(e)	11,443	(125,041)	155,160
Net movement of cash flow hedges	14(e)	(3,439)	68,862	(5,003)
Exchange difference on translation of foreign operations	14(e)	1,006	52,357	(33,867)
Income tax	14(e)	5,114	31,039	(46,933)
Other comprehensive income for the year, net of income tax		<u>14,124</u>	<u>27,217</u>	<u>69,357</u>
Total comprehensive income for the year, net of income tax		<u>1,921,213</u>	<u>1,676,516</u>	<u>1,575,269</u>
Attributable to:				
Shareholders' equity of Banco de Crédito del Perú		1,927,912	1,674,323	1,571,917
Non-controlling interest		<u>(6,699)</u>	<u>2,193</u>	<u>3,352</u>
		<u>1,921,213</u>	<u>1,676,516</u>	<u>1,575,269</u>

Banco de Crédito del Perú and Subsidiaries

Consolidated statements of changes in shareholders' equity

For the years ended December 31, 2014, 2013 and 2012

	Number of outstanding shares (in thousands of units)	Capital stock S/.(000)	Legal reserve S/.(000)
Balances as of January 1, 2012	2,557,738	2,557,738	895,208
Changes in shareholders' equity for 2012 -			
Net income	-	-	-
Other comprehensive income	-	-	-
Total comprehensive income	-	-	-
Capitalization of income, Note 14(a)	630,159	630,159	-
Transfer to legal reserve, Note 14(b)	-	-	220,556
Cash dividends, Note 14(f)	-	-	-
Acquisition of subsidiary - Correval, Note 2(b)	-	-	-
Acquisition of subsidiary - IM Trust, Note 2(b)	-	-	-
Transfer of Subsidiary - IM Trust, Note 2(b)	-	-	-
Split of an equity block, Note 2(c)	(85,000)	(85,000)	(29,750)
Balances as of December 31, 2012	3,102,897	3,102,897	1,086,014
Changes in shareholders' equity for 2013 -			
Net income	-	-	-
Other comprehensive income	-	-	-
Total comprehensive income	-	-	-
Capitalization of income, Note 14(a)	649,720	649,720	-
Transfer to legal reserve, Note 14(b)	-	-	227,402
Cash dividends, Note 14(f)	-	-	-
Dividends of Subsidiaries	-	-	-
Transfer of Subsidiary - Correval, Note 2(b)	-	-	-
Balances as of December 31, 2013	3,752,617	3,752,617	1,313,416
Changes in shareholders' equity for 2014-			
Net income	-	-	-
Other comprehensive income	-	-	-
Total comprehensive income	-	-	-
Capitalization of income, Note 14(a)	970,135	970,135	-
Transfer to legal reserve, Note 14(b)	-	-	339,547
Cash dividends, Note 14(f)	-	-	-
Dividends of Subsidiaries	-	-	-
Acquisition of subsidiary -Mibanco, Note 2(a)	-	-	-
Purchase of non-controlling interest	-	-	-
Balances as of December 31, 2014	4,722,752	4,722,752	1,652,963

Translation of consolidated financial statements originally issued in Spanish - See Note 31

Banco de Crédito del Perú and Subsidiaries

Consolidated cash flows statements

For the years ended December 31, 2014, 2013 and 2012

	Note	2014 S/.(000)	2013 S/.(000)	2012 S/.(000)
Cash flows from operating activities				
Net income from continuing operations		1,907,089	1,642,434	1,496,211
Adjustments to reconcile net income to net cash provided by operating activities:				
Allowance for loan losses, net of recoveries	6(f)	1,754,963	1,239,943	1,003,033
Depreciation and amortization	7(a) y 9(d)	344,314	289,718	274,083
Deferred income tax	13(b)	(132,623)	(16,547)	(71,804)
Provision for seized assets		4,404	7,325	3,143
Loss (gain) from valuation of indexed certificates	22	2,671	5,353	(30,236)
Loss from share-based compensation plan	23	43,746	42,756	48,191
Net (gain) loss from sale of securities	21	(63,221)	78,754	(104,636)
Net gain from sale of seized assets	22	(1,550)	(9,905)	(8,243)
Changes in asset and liability accounts:				
Other assets		(1,250,011)	335,971	(168,573)
Other liabilities		<u>555,599</u>	<u>(163,129)</u>	<u>27,320</u>
Net cash provided by operating activities		<u>3,165,381</u>	<u>3,452,673</u>	<u>2,468,489</u>
Cash flows from investing activities				
Acquisition of Mibanco, net of cash acquired		773,405	-	-
Sales of property, furniture and equipment		918	953	35,063
Sales of seized assets		1,147	11,898	17,000
IMTrust and Correval's acquisition, net of cash received		-	-	(469,137)
Transfer of Correval		-	189,625	-
Transfer of IM Trust		-	-	351,191
Purchase of intangible assets	9(d)	(147,408)	(151,354)	(117,654)
Purchase of property, furniture and equipment	7(a)	<u>(289,974)</u>	<u>(472,230)</u>	<u>(292,733)</u>
Net cash provided by (used in) investing activities		<u>338,088</u>	<u>(421,108)</u>	<u>(476,270)</u>

Translation of consolidated financial statements originally issued in Spanish - See Note 31

Consolidated cash flows statements (continued)

	Note	2014 S/.(000)	2013 S/.(000)	2012 S/.(000)
Cash flows from financing activities				
Net increase in deposits and obligations		8,002,637	6,568,767	10,878,859
Net increase in payables from repurchase agreements		718,052	766,174	993,637
Net decrease (increase) in investments at fair value through profit or loss and available-for-sale investment		926,686	(241,740)	(2,595,229)
Net decrease in investments in associates and received dividends		2,768	6,962	3,247
Net increase in due to banks, correspondents and other entities, and interbank funds		1,419,590	120,578	1,554,811
Net increase in bonds and subordinated notes issued		1,483,681	2,103,648	909,121
Net increase in loan portfolio		(15,799,060)	(10,223,921)	(7,991,152)
Purchase of non-controlling interest		(162,181)	-	-
Cash dividends	14(f)	<u>(337,736)</u>	<u>(620,579)</u>	<u>(588,279)</u>
Net cash (used in) provided by financing activities		<u>(3,745,563)</u>	<u>(1,520,111)</u>	<u>3,165,015</u>
Net (decrease) increase in cash and cash equivalents				
		(242,094)	1,511,454	5,157,234
Cash and cash equivalents split, Note 2(c)		-	-	(33,186)
Cash and cash equivalents at the beginning of year		<u>21,157,721</u>	<u>19,646,267</u>	<u>14,522,219</u>
Cash and cash equivalents at the end of year		<u>20,915,627</u>	<u>21,157,721</u>	<u>19,646,267</u>
Supplementary cash flow information				
Cash paid during the year for:				
Interests		2,088,057	1,975,903	1,588,049
Income tax		656,807	492,384	1,064,727
Non-cash flows transactions				
Split of an equity block, Note 2(c):				
Due to banks, correspondents and other entities		-	-	46,656
Repurchase agreements - BCRP	4	3,639,009	-	-
Others restricted funds	4	234,124	151,302	179,400

Translation of consolidated financial statements originally issued in Spanish - See Note 31

Banco de Crédito del Perú and Subsidiaries

Notes to the consolidated financial statements

As of December 31, 2014 and 2013

1. Operations

Banco de Crédito del Perú (hereinafter "the Bank" or "BCP") was incorporated in 1889 and is a subsidiary of Credicorp Ltd. (a holding incorporated in Bermuda in 1995), which as of December 31, 2014 and 2013 owns directly and indirectly 97.66 percent of its capital stock.

The Bank's registered office is at Calle Centenario N°156, La Molina, Lima, Peru. As of December 31, 2014, the Bank and its Subsidiaries had 437 branches and agencies in Peru and 2 branches abroad (387 branches and agencies in Peru and 2 branches abroad as of December 31, 2013).

The Bank, whose operations are governed by the "Ley General del Sistema Financiero y de Seguros y Orgánica de la Superintendencia de Banca, Seguros y AFP" (General Law of the Financial and Insurance Systems and Organic of the SBS - Law 26702), hereinafter the "Banking Law", is authorized by the Superintendencia de Banca, Seguros y AFP - SBS (Peruvian Banking and Insurance Authority, hereinafter "SBS" for its Spanish acronym) to operate as a universal bank, in accordance with prevailing Peruvian legislation.

The consolidated financial statements as of December 31, 2013 and for the year then ended were approved by the General Shareholders Meeting dated March 31, 2014 without modifications. The consolidated financial statements as of December 31, 2014 and for the year then ended were approved by the Audit Committee and Management on February 24, 2015, and will be submitted for their final approval by the Board of Directors and the General Shareholders' Meeting within the period established by law. In Management's opinion, the consolidated financial statements will be approved by the Board of Directors and the General Shareholders' Meeting without modifications.

2. Acquisition and sale of subsidiaries

- (a) Acquisition of Mibanco, Banco de la Microempresa S.A. -
- On February 8, 2014, the Bank, through its subsidiary Empresa Financiera Edyficar S.A. (hereinafter "Edyficar"), signed an agreement with Grupo ACP Corp S.A.A. to acquire the 60.68 percent of Mibanco, Banco de la Microempresa S.A. (hereinafter "Mibanco"), a local banking entity oriented to micro and small entities sector, for approximately US\$179.5 million (equivalent to approximately S/.504.8 million) in cash consideration. This acquisition was approved by SBS Resolution N°1490-2014 dated March 7, 2014 and completed on March 20, 2014, effective date of the purchase and payment.

As a consequence of the above indicated, on April 2014, International Finance Corporation, a minority shareholder of Mibanco, executed a tag-along right, for which it sold to Edyficar 1.5 percent of the capital stock of Mibanco for approximately S/.12.5 million.

Translation of consolidated financial statements originally issued in Spanish - See Note 31

Notes to the consolidated financial statements (continued)

Considering these purchases at the date of acquisition, fair values of the identified assets and liabilities were as follows:

	Book Value S/.(000)	Fair value adjustments S/.(000)	Fair value recognized on acquisition S/.(000)
Assets			
Cash and due from banks	1,290,673	-	1,290,673
Interbank funds	144,605	-	144,605
Investments available-for-sale	530,938	-	530,938
Loans, net	4,047,923	(204,000)	3,843,923
Property, furniture and equipment, net	118,437	26,086	144,523
Deferred income tax asset	36,575	75,732	112,307
Intangible assets, Note 9(d):			
Brand name	-	170,700	170,700
Client relationships	-	84,200	84,200
Core deposits	-	21,100	21,100
Software	28,769	(1,006)	27,763
Other assets	88,154	(1,864)	86,290
Liabilities			
Deposits and obligations and interbank funds	4,463,091	-	4,463,091
Due to banks, correspondent and financial institutions	730,939	11,675	742,614
Bonds	338,187	(11,231)	326,956
Deferred income tax liability	-	96,864	96,864
Provision for sundry risks	2,082	41,921	44,003
Other liabilities	90,591	(2,000)	88,591
Total identifiable net assets at fair value	<u>661,184</u>	<u>33,719</u>	694,903
Non-controlling interest at fair value			(309,115)
Goodwill arising on acquisition, Note 8(a)			<u>131,480</u>
Total purchase consideration			<u>517,268</u>

The acquisition of Mibanco was recorded using the acquisition method, in accordance with IFRS 3, "Business Combinations", applicable at the date of the transaction. Assets and liabilities were recorded at their estimated fair values at the acquisition dates, including the identified intangible assets unrecorded in Mibanco's statement of financial position.

Translation of consolidated financial statements originally issued in Spanish - See Note 31

Notes to the consolidated financial statements (continued)

Acquisition costs incurred for approximately S/.1.0 million were included in the caption "General and administrative expenses" of the consolidated statements of income.

The Bank has elected to measure the non-controlling interests in Mibanco at fair value; which has been estimated by applying an international valuation technique (discounted cash flows). The fair value is based on the following significant inputs that are not observable in the market:

- An assumed discount rate of 13.8 percent.
- A terminal value, calculated based on long-term sustainable growth rates for the industry of 5.0 percent.
- A reinvestment ratio of 40.0 percent of earnings.

The fair values of identifiable intangible assets as of the acquisition dates were determined using the income approach, based on the present value of the profits attributable to the asset or costs avoided as a result of owning the asset. Under this approach, the fair value of the intangible assets are determined by discounted future cash flows using the rate of return that considers the relative risk of achieving the cash flows and the time value of money.

The following methods based on the income approach were used by Bank's Management to estimate the fair values of identifiable intangible assets as of the acquisition dates:

- For core deposits valuation, the "Cost savings" method was applied, which estimates the fair value of deposits acquired compared with the cost associated to these deposits, discounted to present value at a rate that reflects the opportunity cost of the Bank regarding the best financing alternative.
- For brand name valuation, the "Relief from Royalty" method was applied, which estimates the cash flows saved from owning the brand or relief from royalties that would be paid to the brand owner.
- For client relationship valuation, the "Multi-Period-Excess-Earnings-Method" was applied, which estimates residual cash flow derived from an intangible asset after deducting portions of the cash flow that can be attributed to supporting assets that contributed to the generation of the cash flow.

In Management's opinion these methods are generally accepted for measurement of identifiable intangible assets in business combinations processes.

Translation of consolidated financial statements originally issued in Spanish - See Note 31

Notes to the consolidated financial statements (continued)

From the effective date of acquisition (March 20, 2014) to December 31, 2014, the contribution of Mibanco in income was approximately S/.715.7 million. If the combination had taken place at the beginning of the year, the income of the Bank and its Subsidiaries would have been S/.11,076.9 million (an increase of S/.249.5 million). The contribution of net income and the income before income tax of Mibanco is insignificant for the consolidated statements of income of Bank and its Subsidiaries.

Also, following an acquisition strategy and in compliance with legal requirements in the Peruvian stock exchange the Bank, through Edyficar, performed the following additional purchases of Mibanco's capital stock in cash:

- On July 2014 acquired 18.56 percent for approximately S/.153.6 million.
- On September 2014 acquired 1.19 percent for approximately S/.10.0 million.

These acquisitions of non-controlling interest were recorded as an equity transaction.

Considering these acquisitions, as of December 31, 2014, Edyficar holds 81.93 percent of Mibanco and paid in total for approximately S/.680.9 million.

Additionally, as of December 31, 2014, Grupo Crédito, a subsidiary of Credicorp Ltd., holds 5.0 percent of the capital stock of Mibanco, which was acquired on April 8, 2014 for an amount of approximately S/.41.6 million.

- (b) Acquisition and sale of Credicorp Capital Colombia S.A. e Inversiones IMT S.A. -
On April 27, 2012, the Bank acquired 51 percent of Credicorp Capital Colombia S.A. - Sociedad Comisionista de Bolsa (formerly Correal S.A. - Sociedad Comisionista de Bolsa S.A.), an investment banking entity established in Bogota, Colombia, for approximately US\$72.3 million (equivalent to approximately S/.190.9 million) in cash consideration.

Also, on July 31, 2012, Credicorp, the Bank acquired 60.6 percent of Inversiones IMT S.A. Corredores de Bolsa (formerly IM Trust S.A.), an investment banking entity established in Santiago, Chile, for approximately US\$131.5 million (equivalent to approximately S/.351.2 million).

Subsequently, the Bank's Director's Meeting held on September 26, 2012, approved the transfer, through the sale of the shares held in Credicorp Capital Colombia S.A. and Inversiones IMT S.A., to Credicorp Capital Ltd. (formerly Credicorp Investments Ltd.), a subsidiary of Credicorp incorporated in 2012 and domiciled in Bermuda.

The transfer of Inversiones IMT S.A. took place on November 30, 2012, was made for the same amount paid at its acquisition date.

Translation of consolidated financial statements originally issued in Spanish - See Note 31

Notes to the consolidated financial statements (continued)

The transfer of Credicorp Capital Colombia S.A. took place on June 28, 2013, due to at that date could be obtained authorizations from the Colombian Authorities, for approximately US\$68.2 million (equivalent to approximately S/.189.6 million). Therefore, the result of operations of Credicorp Capital Colombia S.A. for the periods from January 1 to June 28, 2013 (date of transfer) and from April 27, 2012 (date of acquisition) to December 31, 2012, were presented as "discontinued operations" in the consolidated statements of income.

The amounts related to these discontinued operations are presented below:

	2013 S/.(000)	2012 S/.(000)
Operating income and expenses		
Operating income	104,247	61,869
Operating expenses	(93,979)	(48,709)
Income before income tax	10,268	13,160
Income tax	(3,403)	(3,459)
Net income	6,865	9,701

(c) Split of an equity block -

The Bank's General Shareholders Meeting held on August 21, 2012, approved the split of an equity block of Bank in favor of Credicorp Capital Perú S.A.A. (formerly BCP Capital S.A.A.), an entity incorporated on April 23, 2012 and an indirect Credicorp subsidiary.

The split was approved by the SBS through Resolution No. 7782-2012 dated October 12, 2012 and took effect on November 1, 2012. As a consequence, the Bank reduced its "capital stock" by S/.85.0 million, its "legal reserve" by S/.29.8 million and its "unrealized gains" by S/.23.2 million.

(d) Sale of Inversiones 2020 S.A. -

On November 28, 2012, the Bank's Director's Meeting approved the transfer, through the sale, of the shares held in Inversiones 2020 S.A. (formerly Inmobiliaria BCP S.A.) to Grupo Crédito S.A., a subsidiary of Credicorp Ltd. incorporated in 1987 and domiciled in La Molina, Lima, Peru.

The transfer of Inversiones 2020 S.A. took place on May 16, 2013 and was made for approximately US\$2.3 million (equivalent to approximately S/.6.2 million) corresponding to the market value of the entity paid in cash consideration. As result of this operation, the Bank recorded a gain in the consolidated statements of income for approximately S/.2.4 million. The investment value of Inversiones 2020 S.A. as of the transfer date was approximately S/.3.8 million.

Translation of consolidated financial statements originally issued in Spanish - See Note 31

Notes to the consolidated financial statements (continued)

The result of operations of Inversiones 2020 S.A. for the period between January 1, 2013 to May 16, 2013 (date of transfer) amounted to approximately S/.0.1 million.

Entities that are included in the consolidated financial statements as of December 31, 2014 and 2013, considering the transactions described in this note, are presented in Note 3(b).

3. Significant accounting policies

In the preparation and presentation of the accompanying consolidated financial statements, the Bank and its Subsidiaries' Management has complied with the regulations established by the SBS in force in Peru as of December 31, 2014 and 2013. Significant accounting principles and practices used in the preparation of the Bank and its Subsidiaries' consolidated financial statements are the following:

(a) Basis for presentation, use of estimates and accounting changes -

(i) Basis for presentation and use of estimates -

The accompanying consolidated financial statements have been prepared from the Bank and its Subsidiaries' accounting records, which are maintained in nominal Peruvian currency (Nuevos Soles), in accordance with SBS regulations and, supplementary, with International Financial Reporting Standards - IFRS approved by the Consejo Normativo de Contabilidad (Peruvian Accounting Council, hereinafter "CNC" for its Spanish acronym) in force in Peru as of December 31, 2014 and 2013, see paragraph (bb.i).

These accounting principles are consistent with those used in 2013 and 2012, except as explained in paragraph (ii) below.

The preparation of consolidated financial statements requires Management to make estimates that affect the reported amounts of assets, liabilities, income and expenses and the disclosure of material events in the notes to the consolidated financial statements. Estimates are continually evaluated and are based on historical experience and other factors. The final results could differ from those estimates; however, management expects that the variations, if any, will not have a material effect on the consolidated financial statements. The most significant estimates in relation with the accompanying consolidated financial statements are the computation of the allowance for loan losses, the valuation of investments, impairment of goodwill evaluation, the valuation of derivative financial instruments and the share based payments; likewise, management performs other estimates such estimated useful life and the recoverable value of intangible assets, property, furniture and equipment and the deferred income tax assets and liabilities. The accounting criteria used for such estimates are described in this note.

Also, the consolidated financial statements of Subsidiaries and branch offices have been standardized to the accounting standards of the SBS.

Translation of consolidated financial statements originally issued in Spanish - See Note 31

Notes to the consolidated financial statements (continued)

(ii) Accounting changes -

Applicable since 2014 -

- (ii.a) On November 27, 2014, SBS issued the Circular Letter No. B-2224-2014, which establishes the deactivation of the pro-cyclical rule for calculating the provision for loan losses, see paragraph (g) below, whereas the average of the annualized percentage variation of the last thirty months in the Gross Domestic Product (GDP) was lower to 5.0 percent (actual 4.99 percent).

According to this Circular Letter, pro-cyclical provisions recorded until the date of deactivation will be reallocated to mandatory specific provisions or, exceptionally, the SBS may authorize the reallocation to other provisions. In any case shall not generate income for its reversal in the consolidated statements of income.

This Circular Letter entered into force in November 2014; therefore, the Bank and its Subsidiaries reallocated pro-cyclical provisions amounting to S/.381.2 as voluntary generic provisions.

Applicable since 2013 -

As part of the harmonization process of accounting standards issued by the SBS with IFRS, on September 19, 2012, the SBS issued the following Resolutions:

- (ii.b) SBS Resolution No. 7033-2012, in force since January 1, 2013, which replaced the Regulation on classification and valuation of investment of the financial entities approved by SBS Resolution No. 10639-2008.

The main amendment contained in said Resolution was the introduction of a standard methodology for the identification of the impairment of financial instruments classified as available-for-sale and held-to-maturity investments; see Note 3(i).

As a result of the application of the aforementioned methodology, it has not been necessary to make any additional records related to impairment loss on available-for-sale and held-to-maturity investments.

- (ii.c) SBS Resolution No. 7036-2012, "Amendments to the Accounting Manual for Financial Institutions", which according to SBS's authorization, was implemented by the Bank in its entirety as of May 31, 2013, and established mainly the following amendments:

- Commissions over direct and indirect loans, granted from 2013, are accrued during the contract's term. As of December 31, 2014 and 2013, as result of the application of this rule, the Bank and its Subsidiaries recorded a deferred gain of approximately S/.108.9 and S/.71.5 million, respectively.

Translation of consolidated financial statements originally issued in Spanish - See Note 31

Notes to the consolidated financial statements (continued)

- Requires the presentation of the comprehensive income in one or in two statements (a separate income statement and a statement of comprehensive income). The Bank has decided present two statements.
- Introduces the application of IFRS 7 "Financial Instruments: Disclosures", except for the following:
 - a. As of December 31, 2014 and 2013, is considered fair value of the loan portfolio and deposits their book value at such dates.
 - b. If the Bank manages liquidity risk by using expected maturities, it is required to include an analysis of such estimations and point out the differences with contractual maturities. This exception is not applicable for the Bank and its Subsidiaries because of they make an analysis in accordance with the contractual undiscounted maturities.

In Management's opinion as of December 31, 2014 and 2013, the Bank is complying with the requirements of the SBS Resolution N° 7036-2012.

Applicable since 2012 -

- (ii.d) Through letter SBS No. 38179-2011 dated August 23, 2011, the SBS indicated that the program that grants Credicorp shares to employees should be recorded under IFRS 2 "Share-based payments", starting January 1, 2012, but requiring a prospective treatment. See more detail in paragraph (r).

(b) Consolidation -

The consolidated financial statements include the financial statements of the Bank and its Subsidiaries for all periods presented.

Subsidiaries are all entities over which the Bank has control, meaning the power to govern their financial and operating policies. This is generally evidenced by a shareholding of more than one half of the voting rights.

Subsidiaries are consolidated from the date on which effective control is transferred to the Bank and are no longer consolidated from the date that control ceases.

All transactions, balances, gains and losses between the Bank and its Subsidiaries have been eliminated in the consolidation process. The equity attributable to the non-controlling interests is presented separately from the consolidated statements of financial position. The income attributable to the non-controlling interests is presented separately in the consolidated statements of income.

Notes to the consolidated financial statements (continued)

The consolidated financial statements include the financial statements of the Bank and its Subsidiaries in which it has participated in the process of consolidation as of December 31, 2014 and 2013, before eliminations made in such process:

Entity	Activity and Country	Percentage of participation (direct and indirect)	
		2014 %	2013 %
Banco de Crédito del Perú	Banking, Peru	-	-
Banco de Crédito de Bolivia and Subsidiaries (a)	Banking, Bolivia	95.90	95.89
Financiera Edyficar S.A. and Subsidiaries	Microcredits, Peru	99.90	99.79
Inversiones BCP S.A.	Holding, Chile	99.90	99.90
Solución Empresa Administradora Hipotecaria S.A. (hereinafter "Solución")	Mortgage loans, Peru	100.00	100.00
Inversiones Credicorp Bolivia S.A. (a)	Holding, Bolivia	95.89	95.84
Credicorp Capital Colombia S.A. - Sociedad Comisionista de Bolsa, notes 2(b)	Investment banking, Colombia	-	-
Inversiones 2020 S.A., Note 2(d)	Real estate, Peru	-	-

(a) The Banco de Crédito de Bolivia Board's session held on November 28, 2012, approved the constitution of a new company in the capital markets in such country. In that sense, on February 18, 2013, Banco de Crédito de Bolivia constituted a new company, Credicorp Bolivia S.A.

Likewise, the Extraordinary Shareholders' General Meeting of Banco de Crédito de Bolivia held on August 26, 2013, agreed to transfer Credicorp Bolivia S.A. for an equity value that amounted to Bolivianos 20,960,000, equivalent to S/.8.6 million. This transaction had no effects in the consolidated financial statements of the Bank and its Subsidiaries.

As of December 31, 2014 and 2013, Credicorp Ltd. holds 4.08 percent of the capital stock of Banco de Crédito de Bolivia.

Translation of consolidated financial statements originally issued in Spanish - See Note 31

Notes to the consolidated financial statements (continued)

(c) Foreign currency -

Functional and presentation currency -

The Bank and its Subsidiaries consider Nuevos Soles as its functional and presentation currency, because it reflects the nature of economic events and relevant circumstances, since its main operations and/or transactions such as loans granted, obtained financing, financial income, financial expenses, and a significant percentage of purchases; are established and settled in Nuevos Soles.

Banco de Crédito de Bolivia and overseas branches have a functional currency different from the Nuevos Soles, therefore their balances were translated to Nuevos Soles for consolidation purposes as follows:

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

All differences resulting from the translation were included in the caption "Translation results" of the consolidated statements of changes in shareholders' equity.

Transactions in foreign currency -

Assets and liabilities in foreign currencies are recorded at the exchange rate prevailing at the date the transactions are performed. Monetary assets and liabilities denominated in foreign currency are translated into Nuevos Soles at the closing of each corresponding month by using the exchange rate set by SBS; see Note 29.3(b)(ii). Gains or losses resulting from the translation of foreign currency monetary assets and liabilities at the exchange rates prevailing at the date of the consolidated statements of financial position are included in the caption "Net gain for exchange difference" of the consolidated statements of income.

(d) Discontinued operations -

Gain or loss related to discontinued operations is presented separately in the caption "Net income from discontinued operations" in the consolidated statements of income. Also, cash flows from operating, investing and financing activities generated by discontinued operations have been excluded from the accompanying consolidated cash flows statements. See Note 2(b).

Translation of consolidated financial statements originally issued in Spanish - See Note 31

Notes to the consolidated financial statements (continued)

(e) Financial instruments -

Financial instruments are classified as assets, liabilities or equity according to the substance of the contractual agreement that originated them. Interests, dividends, gains and losses generated by financial instruments classified as assets or liabilities are recorded as income or expense. Financial instruments are offset when the Bank and its Subsidiaries have a legal enforceable right to offset them and Management has the intention to settle them on a net basis or to realize the asset and settle the liability simultaneously.

Financial assets and liabilities presented in the consolidated statements of financial position correspond to cash and due from banks, interbank funds, investments at fair value through profit or loss, available-for-sale and held-to-maturity, derivative financial instruments at fair value, loans, accounts receivable (presented in the caption "Other assets, net", Note 9(a)) and liabilities in general, except for the liabilities identified as non-financial instruments presented in the caption "Other liabilities", Note 9(a). In addition, all indirect loans are considered to be financial instruments. The specific accounting policies on recognition and measurement of these items are disclosed in the accounting policies described in this note.

(f) Recognition of revenue and expenses -

Financial revenue and expense for interests are recognized on an accrual basis over the related contract period and considering the interest rates agreed with clients, except for interest generated from past due, refinanced, restructured or under legal collection loans, and loans classified in the categories of doubtful and loss, which interest is recognized as revenue on a cash basis. When Management determines that the debtor's financial condition has improved and the loan is reclassified as current and/or in the categories of normal, with potential problems or substandard, interest is again recorded on an accrual basis.

Revenue includes interest on fixed income investments classified as available for sale and held-to-maturity, including recognition of any discount or premium.

Dividends are recognized as income when they are declared.

Commissions for financial services related to the maintenance of loans granted and to retributions for additional operations and services and/or complementary to such loans, are recognized as income when received.

Commissions and expenses for loan formalization, as well as the granting, analyzing and assessment of direct and indirect loans granted since 2013, are recorded as income on a time proportion basis over the agreement period. As of December 31, 2012, the services mentioned above were recorded as income when collected, the other revenues and expenses are recorded on an accrual basis.

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Notes to the consolidated financial statements (continued)

(g) Loans and allowance for loan losses -

Direct loans are recorded when disbursement of funds to the client is made. Operations with credit cards are recorded as loans for the amount consumed and/or withdrawn. Indirect loans (contingent) are recorded when documents supporting such facilities are issued. Loans considered as refinanced are loans or direct financing whose original contractual terms and/or amounts have been modified due to difficulties in the payment capacity of the debtor. Loans considered as restructured are those subject to reprogramming of approved installments under a restructuring process in accordance to Law No 27809 - General Law of the Insolvency System.

Leasing operations are registered as financial leases, recording as loans the principal of the installments pending collection.

Financial revenues are based on a pattern that reflects a constant interest rate over the loan.

As of December 31, 2014 and 2013, the allowance for loan losses was determined following guidelines established by SBS Resolutions N°11356-2008 "Regulation for the evaluation and classification of the debtor and the requirement of provisions" and N°6941-2008 "Regulation for Managing the Risk of Retail Debtors with High Leverage Levels". In accordance to SBS Resolution N°11356-2008, the loan portfolio is separated in retail and non-retail borrowers, who could be individuals or legal entities. Retail borrowers have direct or indirect loans, classified as consumer (revolving and none revolving), micro-business, small business or mortgage loans. Non-retail borrowers have direct or indirect loans with corporate, large business or medium business loans.

In general, these guidelines includes the following three components: (i) the provision for loan losses which results from the classification of the loan portfolio, (ii) the pro-cyclical provision which was deactivated in November 2014 by SBS based on the behavior of local macro-economic variables, see Note 3(a)(ii.a), and (iii) the over-indebtedness provisions for retail borrowers, when applicable.

In this sense, Management periodically reviews and analyzes the loan portfolio, classifying it in the following categories: normal, potential problem, substandard, doubtful or loss, depending on the degree of risk of default of payment of each debtor.

For non-retail loans, the classification into one of each of the categories mentioned above considers, among others, the following factors: the payment history of the specific loan, the Bank's dealing history with the debtor's management, the debtor's: operating history, repayment capability and availability of funds, the status of any collateral or guarantee received, the analysis of the debtor's financial statements, the risk classification given by other financial institutions; plus other relevant factors. For retail loans, the classification is based, mainly, on how long payments are overdue.

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Notes to the consolidated financial statements (continued)

As of December 31, 2014 and 2013, the allowance rate for indirect loans can be 0, 25, 50 and 100 percent, depending on the type of credit and is determined over the basis of a loan conversion factor.

The provision is computed considering the risk classifications assigned and using specific percentages, which vary depending on whether the loans are or not secured by self-liquidating preferred guarantees (mainly cash deposits and rights on credit certificates); highly liquid preferred guarantees (treasury bonds issued by the Peruvian Government, financial instruments of the Central Reserve Bank of Perú - BCRP, debit instruments issued by governments and central banks traded on a stock exchange, among others) or preferred guarantees (primary pledge on financial instruments, machinery, property, agriculture products or mineral, insurance credit on exports, among others), considered at their net realizable value as determined by independent appraisers. Likewise, for credits subject to counterparty substitution by a financial or insurance entity (CAC), the provision requirement for the secured amount depends on the risk classification of the counterparty, regardless of the risk classification of the customer debtor.

The provisions for customers classified as doubtful or loss for more than 36 months or 24 months, respectively, is computed without considering the value of the guarantees.

For past due loans over 90 days, the expected loss is estimated and, if it is greater than the provision recorded, the Bank must record additional provisions.

The provision for loan losses on indirect loans is established accordingly to the credit conversion factor.

In the case of debtors operating in countries where there is a higher risk of difficulties in servicing external debt, an assessment of the political and economic situation is made, and an additional country risk allowance is recorded.

Pro-cyclical provisions was calculated for loans classified as normal and according to the percentages established by the SBS. However, as of December 31, 2014, pro-cyclical component of the provision was deactivated and at that date the Bank and its subsidiaries maintain pro-cyclical provision amounted to S/.381.2 million, classified as voluntary general provisions, as established by the Circular Letter SBS N°2224-2014, see Note 3(a)(ii.a).

The administration of risk of over-indebtedness of retail borrowers is required by SBS Resolution No. 6941-2008, issued on August 25, 2008, "Regulation for managing the risk of over-indebtedness of retail borrowers". This rule requires that financial entities establish an over-indebtedness risk management system that will enable them to reduce risk, prior to and after granting the loan; as well as constant monitoring of the loan portfolio to identify over-indebted debtors, in order to determine if additional provisions are required. For provisioning purposes, the financial entities that fail to comply with this rule to the satisfaction of the SBS, must calculate the exposure equivalent to the credit risk by applying a 20 percent factor to the unused

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Notes to the consolidated financial statements (continued)

amount of revolving credit lines for micro-business and consumer loans, and on the basis of said amount, compute the provision according to the debtor's classification.

In Management's opinion, as of December 31, 2014 and 2013, the Bank has complied with the requirements of SBS Resolution No. 6941-2008 so it was not necessary to record additional general provisions relating to the improper administration risk of debt distress.

The allowance for direct loans is presented as an asset deduction, while the allowance for indirect loans is presented as a liability in the caption "Others liabilities"; see Note 9(a).

(h) Derivative financial instruments -

Derivate financial instruments are recorded in accordance with accounting criteria established by SBS Resolution N° 1737-2006 "Regulation for Trading and Accounting of Derivatives for Financial Entities" and amendments, as explained below:

Trading -

Trading derivate financial instruments are initially recognized in the consolidated statements of financial position at cost, and thereafter, they are recognized at fair value. Fair values are obtained based on exchange rates and interest rates prevailing in the market. Gains and losses arising from changes in fair values are recorded in the consolidated statements of income, recognizing an asset or liability in the consolidated statements of financial position as appropriate. In addition, they are recorded as off- statements of financial position accounts at their notional amount, Note 18(d).

Fair values are estimated based on the market exchange and interest rates.

Hedging -

A derivative financial instrument that seeks to achieve a financial hedge for a given risk is designated as for hedge purposes if, at its negotiation, it is foreseen that changes in fair value or cash flows are expected to be highly effective in offsetting the fair value or cash flow changes of the hedged item attributable to the hedged risk at inception, which must be documented when the financial derivative is negotiated and during the period that the hedge relation exists. A hedge is considered as highly effective if changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated are expected to offset in a range of 80 to 125 percent.

If the SBS considers the documentation to be unsatisfactory or finds weaknesses in the methodologies applied, it may require the immediate termination of the hedge relationship and the recording of the derivative financial instrument as trading.

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Notes to the consolidated financial statements (continued)

For cash flow hedges, the effective portion of gain or loss over the hedge instrument is recognized directly in equity, in the caption "Unrealized gains (losses)" as a cash flow hedges reserve. The ineffective portion of gain or loss of the hedged instrument is recognized in the consolidated statements of income. When the cash flow hedge affects the consolidated statements of income, the gain or loss in the hedge instrument is recorded in the corresponding caption of the consolidated statements of income.

For fair value hedges, changes in fair value of the derivative are recognized in the consolidated statements of income. Changes in fair value of the hedged item attributed to the hedged risk are recorded as part of the balance of the hedged item and recognized in the consolidated statements of income.

If the hedge instrument expires, is sold, terminated or exercised, or when the hedge does not fulfill the hedging accounting criteria, the hedge relationship is prospectively terminated and the balance recorded in the consolidated statements of financial position is transferred to the consolidated statements of income during the term the hedged item is kept.

Following the SBS permission, certain derivative financial instruments maintained by the Bank and its Subsidiaries have been designated as hedging operations considering the functional currency of Credicorp Ltd., the U.S. Dollar, until December 31, 2013. Since January 1, 2014 Credicorp Ltd. changed its functional currency to Nuevos Soles, see Note 9(b).

Embedded derivatives -

Certain derivatives embedded in other financial instruments (host contract) are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not carried at fair value through profit or loss. These embedded derivatives are separated from the host instrument and recognized at fair value in the consolidated statements of income, unless the Bank and its Subsidiaries choose to designate the hybrid contracts (host and embedded derivative) at fair value through profit and loss.

As of December 31, 2013, in accordance with SBS Resolution N°1737-2006, the Bank had Indexed Certificates to Credicorp Ltd. stock price that will be settled in cash, which were hybrid instruments with embedded derivatives that were not closely related to the risk of the host contract. In this regard, the Bank decided to classify these instruments at inception at fair value through profit and loss. Therefore, the separation of the embedded derivative was not required; see Note 9(c).

- (i) Investments at fair value through profit or loss, available-for-sale and held-to-maturity -
As described in Note 3(a)(ii.b), as of December 31, 2014 and 2013, investment are valued in accordance with Resolution SBS N° 7033-2012.

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Notes to the consolidated financial statements (continued)

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

- Investments at fair value through profit or loss - Initial recognition is at fair value, considering the transaction costs associated with such investments as expenses. Subsequent measurement is at fair value and any gain or loss arising from changes in the initial cost and subsequent fair value is recognized directly in the consolidated statements of income.
- Investments available-for-sale - Initial recognition is at fair value, including the transaction costs that are directly associated to their acquisition. Gains or losses originated by changes between the initial cost and fair value are recognized directly in equity, unless a permanent impairment in its value exists. When an instrument is realized or sold, the unrealized gains or losses previously recognized as part of equity are recognized in the consolidated statements of income.

In the case of debt securities, before their subsequent measurement at fair value, the amortized cost is updated applying the effective interest rate; considering this amortized cost, unrealized gains or losses due to changes in fair value are recognized.

- Investments held-to-maturity - Initial recognition is at fair value, including the transaction costs that are directly associated to their acquisition; subsequent measurement is at amortized cost, using the effective interest rate method.

Transactions are recorded at the date of negotiation, that is, the date of the assumption of the reciprocal obligations that must be complied with, within terms established by regulations and practices of the market on which the transaction is performed.

Interests are recognized using the effective interest rate, which includes both interest receivables and premium or discount amortization.

Gains or losses on exchange differences regarded to amortized cost of debt instruments affect the consolidated statements of income; gain or losses on exchange differences regarded to fair value valuation are recorded as part of the unrealized gains or losses in the consolidated equity.

Equity instruments are considered non-monetary items, therefore, the original cost in local currency is not modified, and the exchange difference is part of the valuation and is recognized as unrealized results in the consolidated equity.

The difference between the revenues received from the sale of an investments and their book value is recognized in the consolidated statements of income.

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Notes to the consolidated financial statements (continued)

Impairment evaluation -

SBS Resolution No. 7033-2012 establishes a standard methodology for the identification of the impairment of financial instruments classified as available-for-sale and held-to-maturity. Said methodology comprises a two-filter analysis, as described below:

(i) First filter:

The following conditions on the entire portfolio of debt and equity investments are assessed quarterly:

- a) Significant decrease of fair value: In case the fair value at the date of the financial statements has decreased below 50 percent of the purchasing cost.
- b) Prolonged decrease of fair value: In case the monthly average fair value decreases consecutively during the last 12 months, and the cumulative fall of the fair value in said period is at least 20 percent.

The aforementioned assessment is performed in the original currency of the instrument in order to isolate the exchange rate difference.

(ii) Second filter:

For the instruments that passed the first filter, the following circumstances related to qualitative aspects of the issuer are assessed:

- a) Impairment of the financial position or financial ratios of the issuer or its economic group.
- b) Adverse conditions of the investment and the issuer.
- c) Downgrading of the risk classification as consequence of factors additional to the aforementioned.
- d) Interruption of the interest or capital payments due to financial difficulties of the issuer.
- e) Interruption of transactions or of an active market due to financial difficulties of the issuer.
- f) Forced renegotiation of the contractual conditions of the instrument due to legal or economic factors involving the issuer.
- g) Evidence that the issuer is to enter into a forced restructuring or bankruptcy process.
- h) Decrease in value due to legislation changes (taxes, regulatory or other governmental).

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- i) The entity does not have both the intention and capacity to maintain the investment with losses up until the recovery of its value. In such case, it will be necessary to perform a forecast of the estimated time needed to recover the value and an assessment of the evidence that show, on the basis of historical information and the financial position of the entity, whether there is the intention and capacity to maintain the investment all through that period of time.

In accordance with what is established in said Resolution, if at least two of the analyzed factors are affirmative, then impairment exists. Once a loss due to impairment is recognized, the posterior assessments are performed over the book value of the instruments, net of the losses due to previously recognized impairment.

In the other hand, when the SBS considers it necessary to establish any additional provision for any type of investment, this provision shall be determined on the basis of each individual instrument, and must be recorded in the consolidated statements of income of the period in which the SBS requires such provision.

- (j) Investments in associates -
In this category includes only equity securities acquired with the purpose of having equity participation and/or significant influence in other entities or institutions.

Investments in associates are initially recognized at their fair value including the transaction costs directly attributable to their acquisition; subsequently they are recorded using the equity participation method. In the case of investments quoted on a stock exchange, when their market value shows a decreasing trend due to non-temporary circumstances, the Bank and its Subsidiaries must record a provision for impairment; nevertheless, the SBS at its own criteria, can require the recognition of an additional provision for impairment.

- (k) Property, furniture and equipment and depreciation -
Property, furniture and equipment are recorded at acquisition cost, less accumulated depreciation and accumulated amount of impairment, if applicable, see paragraph (s) below. Maintenance and repair costs are charged to the consolidated statements of income and significant renewals and improvements are capitalized when: i) it is probable that future economic benefits will flow from the renewal or improvement; and ii) cost can be measured reliably. The cost and its corresponding accumulated depreciation and any impairment loss of an asset sold or retired are eliminated from the corresponding accounts and the related gain or loss is included in the consolidated statements of income.

Work in progress and in transit units are accounted at their acquisition cost. These goods are not depreciated until they are received or finished and placed into service.

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Notes to the consolidated financial statements (continued)

Land is not depreciated. Depreciation is computed on a straight-line basis over the following estimated useful lives:

	Years
Buildings and other constructions	33
Installations	10
Furniture and fixtures	10
Computer hardware	4
Equipment and vehicles	5

The residual value, the useful live assigned and the selected depreciation method is periodically reviewed to ensure that they are consistent with the economic benefit and useful live expectations of property, furniture and equipment items.

- (I) Seized assets, assets received as payment and realizable assets -
Realizable assets include assets purchased specifically for granting them as part of financial leasing operations and are recorded initially at their acquisition cost; realizable assets not granted in leasing operations are recorded at cost or market value, the lower.

Received as payment and seized assets (which include assets from terminated financial leasing contracts) are initially recorded at the value assigned to them, through a legal proceeding, out-of-court settlement, market value or at the unpaid value of the debt, the lower. At the time of initial recognition, a provision equivalent to 20 percent of the above determined value must be recorded; for this purpose it is permitted to reclassify the allowance for loan losses that was originally provided for the related loan.

Thereafter, additional provisions should be recorded using the following guideline:

- Assets that are not real state - a uniform monthly provision in a term of twelve months, until providing for one hundred percent of the net seized or recovered value.
- Real estate - uniform monthly provisions over the net book value obtained at the twelfth month. In addition, SBS Resolution N°1535-2005 allows a term extension of six months, in such case; a uniform monthly provision must be made over the net book value obtained in the eighteenth month. On both situations, provisions must be made until providing for one hundred percent of the net book value in a term of three years and a half, starting the date monthly provisions began to be provided.

The annual update of the seized assets' fair value, determined by an independent appraiser, involves, if necessary, the recording of an impairment provision.

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Notes to the consolidated financial statements (continued)

(m) Business combination -

Business combinations are accounted for using the acquisition method according to IFRS 3 "Business Combination". The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interest in the acquire. For each business combination, the Bank and its Subsidiaries elects whether to measure the non-controlling interest in the acquired business at fair value or at the proportionate share of the acquirer's identifiable net assets. Acquisition costs incurred are expensed and included in the caption "General and administrative" of the consolidated statements of income.

When the Bank acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquired business.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in the consolidated statements of income or as a change in the consolidated statements of comprehensive income. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

Acquisition of non-controlling interest is recorded directly in the consolidated statements of changes in shareholders' equity; the difference between the amount paid and the share of the net assets acquired is recorded as an equity transaction. Therefore, no additional goodwill is recorded upon purchase of non-controlling interest nor a gain or loss is recognized upon disposal of a non-controlling interest.

(n) Finite useful live intangible assets -

The intangible assets are included in the caption "Other assets, net" of the consolidated statements of financial position and are stated at historical acquisition cost less accumulated amortization and accumulated impairment losses, if applicable; see following paragraph (s). These assets are composed principally by acquisition and development of software used by the Bank and its Subsidiaries in their operations, which are recorded at cost; brand rights of use, which are recorded considering the related contract; as well as finite useful live intangible assets identified in the acquisition of Edyficar in 2009, which were recognized on the consolidated statements of financial position at their fair values determined at their acquisition date, corresponding to the brand name and customer relationship, see Note 9(d). Also, as part of the acquisition of Mibanco, the Bank and its Subsidiaries recognized brandname, client relationships and core deposits, see Note 2(a).

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Notes to the consolidated financial statements (continued)

According to SBS Resolution N°1967-2010, finite useful live intangible assets are amortized in no more than five years.

The Bank and its Subsidiaries' finite useful lives intangible assets are amortized using the straight-line method, based in their estimated useful lives (five years), see Note 9 (d).

(o) Indefinite useful live intangible assets - Goodwill -

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Bank and its Subsidiaries re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in the consolidated statements of income.

The indefinite useful live assets, such as goodwill, registered before January 1, 2010, are amortized following regulations in force on the date of initial recognition, considering a period of no more than five years. Goodwill generated after January 1, 2010, after initial recognition, is measured its cost less any impairment loss. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (CGU) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquire are assigned to those units.

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

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

In accordance with authorized by the SBS, the goodwill resulting from the acquisition of Edyficar in 2009 is measured at cost less any accumulated impairment losses.

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Notes to the consolidated financial statements (continued)

(p) Bonds and subordinated notes issued -

Includes the liabilities from the issuance of different types of bonds and subordinated notes, which are initially recorded at their fair value plus the incremental costs related to the transaction that are directly attributable to the instrument's issuance. Upon initial recognition, they are measured at their amortized cost applying the effective interest rate method. The amortized cost is calculated taking into account any issuance discount or premium, as well as the costs that are an integral part of the effective interest rate. Likewise, accrued interests are recognized in the consolidated statements of income in the "Interest on bonds and subordinated notes issued" caption of the "Financial expenses" account, according to the contractual terms.

(q) Income tax -

Current Income tax is calculated on the basis of taxable income determined for tax purposes, which is determined using principles that differ from accounting principles used by the Bank and its Subsidiaries.

Therefore, the Bank and its Subsidiaries record deferred income taxes, considering the guidelines of IAS12 - Income Tax. The deferred income tax reflects the effects of temporary differences between the carrying amounts of assets and liabilities for accounting purposes and the amounts determined for tax purposes. Deferred assets and liabilities are measured using the tax rates expected to be applied to taxable income in the years in which temporary differences are expected to be recovered or settled. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences which arise from the way in which the Bank and its Subsidiaries expect to recover or eliminate the carrying amount of its assets and liabilities at the consolidated statements of financial position dates.

The carrying amount of deferred tax assets and deferred tax liabilities may change even though there is no change in the amount of temporary differences, due to a change in the rate of income tax. The effect of the change in deferred tax, corresponding to the tax rate change shall be recognized in the consolidated statements of income, except for items previously recognized outside consolidated statements of income (either in other comprehensive income or directly in equity).

Deferred tax assets and liabilities are recognized without taking into consideration the time in which it is estimated that temporary differences will be written off. Deferred assets are recognized when sufficient future tax benefits are probable to exist for applying the deferred assets. As at the date of the consolidated statements of financial position, Management evaluates the non-recognized deferred assets and the balance of the recognized assets, recording deferred assets not previously recognized to the extent that probable future tax benefits will allow their recovery, or reducing the deferred assets to the extent that it is not likely that sufficient future tax benefits will be available to use part or all of the deferred assets previously recognized.

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Notes to the consolidated financial statements (continued)

In accordance with IAS 12, the Bank and its Subsidiaries determines its deferred tax considering the tax rate applicable to its non-distributed earnings; any additional tax on dividends distribution is recorded on the date a liability is recognized.

(r) Share-based payment transactions -

The Bank and its Subsidiaries have two share-based payment plans.

The first share-based payment plan was granted until 2008 and consisted of rights/options granted in the form of stock appreciation rights (SARs) over a number of Credicorp Ltd. shares to certain executives who had at least one year of service. According to the conditions of the plan, a fixed settlement price of the rights/options was established at the grant date, allowing the executive to obtain as benefit the difference between the market price at the moment in which the rights/options are exercised and the agreed settlement price, Note 16. The related expense is recorded considering the accrued services at the date of the consolidated statements of financial position, multiplied by the difference between the estimated market price of the rights/options at the date of the consolidated statements of financial position and the agreed settlement price. As of December 31, 2014, this first plan has been settled in full, see Note 16.

The second share-based payment plan was implemented in 2009 to replace the plan explained above and consists on the granting of a number of Credicorp Ltd. shares. For that purpose, the Bank and its Subsidiaries purchase each year Credicorp Ltd. shares, which are legally given to the executives, although they vest in 3 years from the date of grant (March or April of each year). Until December 31, 2011, shares of Credicorp Ltd. legally delivered to the executive, as authorized by Official Letter SBS N°9771-2009, were recorded as personnel expenses, for all the amount disbursed in their acquisition and in the year they were legally delivered to the executive.

In August 2011, the SBS issued Official Letter N°38179-2011, by which it indicated that all share-based payments plan must be recorded following IFRS 2 - Share-based payments, starting January 1, 2012, but requiring prospective treatment.

Consequently, in accordance with IFRS 2, because the Bank is responsible of settling the plan and it is not settled in equity instruments of the Bank, but of Credicorp Ltd., the second share-based payment plan granted in the year 2012 is also recorded as cash settled.

The fair value of the shares and rights / options is estimated using a binomial method. The fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The liability is remeasured at each reporting date up to and including the settlement date, recognizing changes in fair value under "Compensation and benefits" in the consolidated statements of income.

When the price or terms of the plans change, the effect of the change is recognized in the consolidated statements of income.

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Notes to the consolidated financial statements (continued)

(s) Impairment -

When changes or certain events indicate that the value of an asset may not be recovered, the Bank and its Subsidiaries review the value of property, furniture and equipment, goodwill and intangible assets (including brand name and client relationship) in order to verify if there is no permanent impairment in their values. When the book value of the asset exceeds its recoverable value, a loss for impairment is recognized in the consolidated statements of income for each caption mentioned above. The recoverable value is the highest between the net sale price and its value in use. The net sale price is the amount that can be obtained from the sale of an asset in a free market, while the value in use is the present value of the estimated future cash flows provided by the continuous use of an asset and its disposal at the end of its useful life. The recoverable amounts are estimated for each asset or, if not possible, for each cash generating unit.

(t) Fiduciary activities -

Assets and cash flows from fiduciary operations in which there is a commitment to return such assets and cash flows to a client and in which the Bank and its Subsidiaries participate as a fiduciary, have been excluded from these consolidated financial statements, because the Bank and its Subsidiaries are not owners of such assets and cash flows and they do not assume the risks and rewards that arise from their ownership. The commissions for these activities are included in the caption "Other non-financial income".

(u) Provisions -

Provisions are only recognized when the Bank and its Subsidiaries have a present (implicit or legal) obligation as a result of past events, it is probable that an outflow of resources will be required to settle such obligation, and the amount has been reliably estimated. Provisions are reviewed in each period and are adjusted to reflect their best estimate as of the consolidated statements of financial position date. When the effect of the time value of money is significant, the amount recorded as a provision is the present value of future payments required to settle the obligation.

(v) Contingencies -

Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed in notes to the consolidated financial statements, unless the possibility of an outflow of economic resources is remote.

Contingent assets are not recognized in the consolidated financial statements; however, they are disclosed when their contingency degree is probable.

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Notes to the consolidated financial statements (continued)

(w) Earnings per share -

Basic and diluted earnings per share are calculated by dividing the net income by the weighted average number of shares outstanding at the consolidated balance sheets dates. Shares that are issued due to the capitalization of retained earnings are deemed to be stock splits; thus, for the computation of the weighted average number of shares; they are considered as if they had always been issued.

As of December 31, 2014, 2013 and 2012, the Bank and its Subsidiaries do not have financial instruments with dilutive effects; therefore, basic and diluted earnings per share are the same.

(x) Repurchase agreements and security lending and borrowing transaction -

Through SBS Resolution No. 5790-2014, which took effect since September 3, 2014, the SBS approved the new "Regulations for repo transactions applicable to financial entities " which replacement the "Regulation for repo transaction and repurchase agreements" approved by Resolution No. 1067-2005 SBS and its amendment.

The Resolution allows the development of sales operations with repurchase agreements, simultaneous sale and purchase of securities and operations of temporary transfer of securities; also establishes accounting treatment of such transactions.

The rules laid down in this Regulation are in accordance with the criteria in IAS 39 "Financial Instruments: Recognition and Measurement".

Securities sold under agreements to repurchase at a specified future date are not derecognized from the consolidated statements of financial position as the Bank and its Subsidiaries retains substantially all of the risks and rewards of ownership. The related cash received is recognized in the consolidated statements of financial position as an asset with a corresponding obligation to return it, including accrued interest as a liability in the caption "Payables from repurchase agreements", reflecting the transaction's economic substance as a loan to the Bank and its Subsidiaries. The difference between the sale and repurchase prices is recorded in the caption "Financial expenses" of the consolidated statements of income and is accrued over the life of agreement using the effective interest rate.

Conversely, securities purchased under agreements to resell at a specified future date are not recognized in the consolidated statements of financial position. The consideration paid, including accrued interest, is recorded in the consolidated statements of financial position, in the caption "Receivables from reverse repurchase agreements", reflecting the transaction's economic substance as a loan by the Bank and its Subsidiaries. The difference between the purchase and resale prices is recorded in the caption "Financial income" of the consolidated statements of income and is accrued over the life of the agreement using the effective interest rate.

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Notes to the consolidated financial statements (continued)

If securities purchased under agreement to resell are subsequently sold to third parties, the obligation to return the securities is recorded as a short sale in the caption "Financial liabilities designated at fair value through profit or loss" of the consolidated statements of financial position, and measured at fair value, with any gains or losses included in the caption "Other non-financial income" of the consolidated statements of income".

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

(y) Purchase operation and repurchase agreement of foreign currency -

On April 4, 2014, the SBS issued the Multiple Official Letter No. 11479-2014, which established the accounting treatment for the initial recognition, subsequent recognition and settlement of purchase transactions and repurchase agreement of foreign currency held with the Peruvian Central Bank (here in after BCRP), under the regulation of Circular Letter No. 024-2009-BCRP or legislation replacing hereinafter.

In this transaction, the Bank receives cash in Nuevos Soles of BCRP that must return at maturity, whereby recognizes a liability in the caption "Payable for repurchase agreements" in the consolidated statement of financial position, including accrued interest computed according to the method of the effective interest rate. Simultaneously, the Bank provides cash in U.S. Dollars to BCRP; whose availability will be restricted until the maturity of the operation, so the Bank records an asset under "Restricted funds" in the consolidated statement of financial position.

The interest generated by the cash received and provided will be recorded in the captions "Financial expenses" and "Financial income", respectively, in the consolidated statements of income.

(z) Cash and cash equivalents -

Cash and cash equivalents presented in the consolidated statements of cash flows correspond to "Cash and due from banks" of the consolidated statements of financial position, which includes deposits with less than a three-month maturity as of the acquisition date, BCRP time deposits, funds deposited in central banks and overnight deposits, excluding restricted funds.

(aa) Reclassifications -

When it is necessary, comparative figures have been reclassified to conform to the current year presentation. Certain transactions were reclassified in the current year presentation. In Management's opinion those reclassifications made in the consolidated financial statements as of December 31, 2013, are not significant considering the consolidated financial statements as whole.

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Notes to the consolidated financial statements (continued)

(bb) International Financial Reporting Standards (IFRS) -

(bb.i) IFRS issued and in effect in Peru as of December 31, 2014 -

The CNC through Resolution No. 055-2014-EF/30 issued on at July 24, 2014, approved the adoption of IFRS current versions from IFRS 1 to IFRS 13, the IAS 1 to IAS 41, pronouncements 7, 10, 15, 25, 27, 29, 31 and 32 of Standard Interpretations Committee (SIC) and the interpretations of from 1 to 21 IFRS Interpretations Committee (IFRIC). Also, through this Resolution made official amendments to IAS 16 and IAS 38.

Additionally, the CNC through Resolutions No. 054-2014-EF/30 issued on June 26, 2014 and No. 056-2014 issued on November 6, 2014, approved the official version of IFRS 9, IFRS 14 and IFRS 15 and the amendments to IFRS 11, IAS 16 and IAS 41.

Their application is in effect from the day following the issuance of the CNC Resolution or after the effective date as stipulated in each specific standard.

Through Resolution N°914-2010, the SBS postponed the effective date for financial institutions of IFRS 8 "Operating Segments". No effective date has been defined by the SBS.

(bb.ii) IFRS issued but not yet effective as of December 31, 2014 -

- Amendments to IAS 19 "Employee Benefits": Defined Benefit Plans: Employee Contributions. Effective for annual periods beginning on as after July 1, 2014.
- Amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets": Clarification of Acceptable Methods of Depreciation and Amortization. Effective for annual periods beginning on or after January 1, 2016.
- Amendments to IAS 16 "Property, Plant and Equipment" and IAS 41 "Agriculture-Production Plants". Effective for annual periods beginning on or after January 1, 2016.
- Amendments to IAS 27 "Separate Financial Statements" Equity method in the separate financial statements. Effective for annual periods beginning on or after January 1, 2016.
- IFRS 9 "Financial instruments: Classification and measurement". Effective for annual periods beginning on or after January 1, 2018.
- IFRS 14 "Regulatory deferral accounts". Effective for annual periods beginning on or after January 1, 2016.

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Notes to the consolidated financial statements (continued)

- IFRS 15 "Revenue from contracts with customer". Effective for annual periods beginning on or after January 1, 2017.
- Amendments to IFRS 10 "Consolidated Financial Statements" and NIC 28 "Investments in associates and Joint Ventures: sale or contribution of assets between an investor and its associate or Joint Venture". Effective for annual periods beginning on or after January 1, 2016.
- Amendments to IFRS 11 "Joint Arrangements": Accounting for Acquisitions of Interests. Effective for annual periods beginning on or after January 1, 2016.
- Improvements to IFRS (cycles 2010-2012 and 2011-2013).
The IASB issued improvements to IFRS 2 "Share based payment", IFRS 3 "Business combinations", IFRS 8 "Operating segments", IFRS 13 "Fair value measurement", IAS 16 "Property, plant and equipment", IAS 38 "Intangible assets", IAS 24 "Related party disclosures", and IAS 40 "Investment property", effective for periods beginning on or after July 1, 2014.
- Annual Improvements to IFRSs (cycle 2012-2014)
The IASB issued Improvements to IFRS 5 "Non-current assets held for sale and discontinued operations", IFRS 7 "Financial Instruments: Disclosures", IFRS 1 "First-time adoption of international financial reporting standards", IAS 19 "Employee benefits" and IAS 34 "Interim financial reporting". Effective for annual periods beginning on or after January 1, 2016.

Given that the standards detailed solely apply in a supplementary manner to the accounting regulation established by the SBS, they will not have any significant effect on the preparation of the accompanying consolidated financial statements, unless the SBS adopts them in the future through the modification of its Accounting Manual for Financial Entities or the issuance of specific rules thereon. The Bank and its Subsidiaries have not estimated the effect on its consolidated financial statements if such rules were adopted by the SBS.

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Notes to the consolidated financial statements (continued)

4. Cash and due from banks

Cash and due from banks include the mandatory reserve that the Bank and its Subsidiaries must maintain for their obligations with the public and are within the limits established by prevailing legislation. This mandatory reserve is made up as follows:

	2014 S/.(000)	2013 S/.(000)
Deposits in Peruvian Central Bank - BCRP	13,545,753	13,935,194
Cash in the vaults of the Bank and its Subsidiaries	<u>3,979,543</u>	<u>3,131,598</u>
Total	<u>17,525,296</u>	<u>17,066,792</u>

As of December 31, 2014, cash and due from banks subject to mandatory reserve in Peruvian currency and foreign currency are affected at an implicit rate of 9.50 percent and 42.86 percent, respectively, of the total obligations subject to reserve (TOSE), as required by the BCRP (14.99 percent and 40.18 percent, respectively, as of December 31, 2013).

The reserve funds which represent the minimum mandatory do not earn interest; however, the mandatory reserve deposited in BCRP in excess of minimum mandatory, earns interests at a nominal rate established by BCRP. As of December 31, 2014, the excess in foreign currency amounts to approximately US\$3,441.5 million, equivalent to approximately S/.10,276.3 million, and earns interest in U.S. Dollars at an average rate of 0.040 percent (US\$3,087.0 million, equivalent to approximately S/.8,628.0 million, at an average rate of 0.041 percent as of December 31, 2013), while the excess in Nuevos Soles amounts to approximately S/.160.1 million and earns interests at an average rate of 0.35 percent (S/.1.901.3 million, at an average rate of 1.25 percent as of December 31, 2013).

Deposits in local and foreign banks correspond principally to balances in Nuevos Soles and U.S. Dollars. All deposits are unrestricted and earn interest at market rates. As of December 31, 2014 and 2013, the Bank and its Subsidiaries do not have significant deposits in any specific financial institution.

Furthermore, the Bank and its Subsidiaries maintain restricted funds related to:

	2014 S/.(000)	2013 S/.(000)
Repurchase agreements with BCRP (*)	3,639,009	-
Repurchase agreements with other entities	147,085	113,889
Derivative financial instruments	81,428	32,254
Other	<u>5,611</u>	<u>5,159</u>
Total	<u>3,873,133</u>	<u>151,302</u>

(*) As of December 31, 2014, correspond to deposits in U.S. Dollars maintained in BCRP for an amount of US\$1,128.7 million (equivalent to S/.3,639.0 million) that pledge repurchase agreements with such entity amounting to S/.3,566.9 million with maturities between February 2015 and June 2016, see notes 3(y) and 5(n).

Notes to the consolidated financial statements (continued)

5. Investments

(a) The investments at fair value through profit or loss and available-for-sale investments, are made up as follows:

		2014	
		Unrealized gross amount	
	Amortized cost S/.(000)	Gains S/.(000)	Losses S/.(000)
Investments at fair value through profit or loss (trading) - (b)	-	-	-
Investments available-for-sale			
BCR Certificate of deposits (c)	3,060,435	4,243	(69)
Corporate and leasing bonds (d)	1,290,453	14,673	(11,077)
Listed equity security - Banco de Crédito e Inversiones - BCI			
Chile (e)	173,510	453,424	-
Participation in RAL funds (f)	542,921	-	-
Treasury notes from the Central Bank of Bolivia (g)	439,186	8,883	(857)
Peruvian sovereign bonds (i)	395,726	154	(1,370)
Assets back securities	218,780	11,694	-
Foreign governments bonds (h)	98,767	989	(820)
Peruvian treasury bonds (i)	79,598	2,870	-
Mutual funds participations	77,888	947	-
Listed equity securities - Credicorp Ltd.	75,708	-	-
Certificates of deposit	53,373	282	-
Bonds of multilateral financial institutions	45,102	1,247	-
Peruvian treasury notes	10,534	14	-
Non-listed equity securities	5,780	136	(548)
	<u>6,567,761</u>	<u>499,556</u>	<u>(14,741)</u>
Accrued interest			
Balance of available-for-sale investments			

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Notes to the consolidated financial statements (continued)

- (b) As of December 31, 2014, the balance includes 15,675 BCRP certificates of deposit (securities issued at discount through public auctions, negotiated in the Peruvian secondary market and settled in Nuevos Soles) amounting to S/.1,543.3 million, Peruvian sovereign bonds amounting to S/.261.8 million, corporate bonds issued by entities from Brasil, Colombia, Perú and Bolivia for an amount of S/.154.0 million, securities mainly listed in Lima stock exchange amounting to S/.7.5 million and Bolivian treasury notes for an amount of S/.1.7 million (BCRP certificates of deposit for an amount of S/.972.8 million, Exchange-Traded Funds for an amount of S/.95.0 million, Peruvian sovereign bonds amounting to S/.82.4 million, corporate bonds issued by entities from Mexico, Chile, Costa Rica and Brasil for an amount of S/.26.5 million, foreign governments bonds amounting to S/.26.0 million and securities listed mainly in Lima stock exchange for an amount of S/.15.2 million, as of December 31, 2013).
- (c) As of December 31, 2014, the Bank maintains 31,248 BCRP certificates of deposit (53,778 BCRP certificates of deposit as of December 31, 2013).
- (d) As of December 31, 2014, it includes mainly bonds issued by entities from Peru, Brasil, Colombia, The United States of America and Chile, which represent 46.4 percent, 14.0 percent, 13.6 percent, 11.6 percent and 10.3 percent of the total balance, respectively (36.3 percent, 11.6 percent, 16.1 percent and 15.9 percent and 14.8 percent of the total balance, respectively, as of December 31, 2013). As of December 31, 2014 and 2013, 98.9 percent and 97.4 percent, respectively, of these bonds were "investment grade".
- (e) As of December 31, 2014 and 2013, it corresponds to 4,239,092 and 4,025,389 shares held by Inversiones BCP S.A., which represent 3.90 percent and 3.76 percent of BCI-Chile capital stock, respectively.

During January 2015, Inversiones BCP sold to Credicorp Ltd. all the shares mentioned above, for approximately US\$188.9 million (equivalent to S/.564.2 million), generating a profit before taxes of approximately US\$130.7 million (equivalent to S/.399.7 million).

- (f) As of December 31, 2014, the participation quotas in the fund "Requirement of Cash Assets" (RAL for its Spanish acronym), are denominated in Bolivianos and U.S. Dollars, and amounts approximately to Bolivianos 481.5 million, equivalent to S/.209.6 million and US\$111.6 million, equivalent to S/.333.3 million, respectively (approximately Bolivianos 268.4 million, equivalent to S/.109.3 million and US\$86.6 million, equivalent to S/.242.2 million, respectively, as of December 31, 2013). They comprise investments made by Banco de Crédito de Bolivia in the Central Bank of Bolivia as collateral for the deposits maintained with the public. RAL Fund has restrictions for its use and it is required for all banks operating in Bolivia.

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Notes to the consolidated financial statements (continued)

- (g) As of December 31, 2014, it includes mainly treasury notes from the Central Bank of Bolivia, issued at discount in Bolivianos for an amount of Bolivianos 1,007.0 million, equivalent to S/.447.2 million (mainly Bolivianos 890.4 million, equivalent to S/.365.4 million as of December 31, 2013).
- (h) As of December 31, 2014, foreign governments bonds corresponds to US\$14.7 million, equivalent to S/.44.0 million, issued by the Bolivian Government and US\$18.4 million, equivalent to S/.55.0 million, issued by the Colombian Government (US\$79.8 million, equivalent to S/.223.1 million, issued by the Colombian Government and US\$24.7 million, equivalent to S/.69.0 million, issued by the Bolivian Government as of December 31, 2013).

As of December 31, 2014, certain foreign governments bonds for a notional amount of S/.25.4 million were hedged through CCS, for a notional amount with the same principal and maturity, see note 9(b), through such CCS, these bonds were economically converted to Nuevos Soles at fixed rate.

- (i) Sovereign bonds are issued in Nuevos Soles and Peruvian treasury bonds correspond to global bonds issued in U.S. Dollars and Euros.

As of December 31, 2013, according to note 3(h), certain sovereign bonds were hedged through CCS for a notional amount of S/.353.8 million, see note 9(b), these bonds were economically converted to U.S. Dollars at fixed rate.

During 2014, due to the change in Credicorp's functional currency to Nuevos Soles, the Bank revoked these sovereign bonds cash flow hedges.

In this sense, the net unrealized gain arise from the fair value of CCS, previously recognized in the consolidated statements of changes in shareholders' equity, will be recognized in the consolidated statements of income, over the remaining term of the underlying asset (sovereign bonds). See note 14(d).

- (j) As of December 31, 2014, the Bank maintained interest rate swaps (IRS), which were designated as fair value hedges of certain bonds issued at fixed rate in U.S. Dollars by the Peruvian Government, corporate entities and multilateral financial entities, for a notional amount of S/.844.0 million (S/.924.4 million, as of December 31, 2013), see Note 9(b); through such IRS, these bonds were economically converted to variable interest rate.

Notes to the consolidated financial statements (continued)

- (k) As of December 31, 2014 and 2013, the maturities and the annual market rates of the investments available-for-sale

	Maturity			
	2014	2013		
			S/.	
			Min %	Max %
BCRP certificates of deposit	Jan-15 / Jun-16	Jan-14 / May-15	3.32	4.00
Corporate and leasing bonds	Feb-15 / Nov-24	Jan-14 / Nov-24	8.20	8.20
Treasury notes from the Central Bank of Bolivia	Jan-15 / Aug-16	Jan-14 / Oct-14	-	-
Peruvian sovereign bonds	Aug-17 / Feb-18	Jan-14 / Feb-29	1.99	3.98
Assets back securities	Feb-20 / Nov-29	Jun-14 / Nov-29	-	-
Foreign governments bonds	Jan-17 / Aug-23	Jan-14 / Sep-24	-	-
Peruvian treasury bonds	Feb-15 / Dec-15	Feb-15 / Aug-20	-	-
Certificates of deposit	Jan-15 / Aug-16	Aug-16	-	-
Bonds of multilateral financial institutions	Apr-17	May-15 / Jun-19	-	-
Peruvian treasury notes	Jan-15 / Dec-15	-	3.44	3.78

- (l) As of December 31, 2014 and 2013, Management has estimated the fair value of investments at fair value through profit or loss. If the fair value of these investments was not available, by discounting the expected future cash flows at an interest rate that reflects the risk classification of these investments.

Management has determined that the unrealized losses of available-for-sale investments as of December 31, 2014 are not considered to be other than temporary. Management has determined that these investments for a period of time sufficient to allow for an anticipated recovery in fair value, which can occur at any time.

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Notes to the consolidated financial statements (continued)

(m) Investments held-to-maturity

This item is made up as follows:

	2014 S/.(000)	2013 S/.(000)
Peruvian sovereign bonds	2,098,727	266,907
Foreign governments bonds	288,023	281,478
Peruvian treasury bonds	226,192	116,535
	<u>2,612,942</u>	<u>664,920</u>
Accrued interest	54,721	12,056
Total	<u>2,667,663</u>	<u>676,976</u>

As of December 31, 2014 and 2013, the fair value of held-to-maturity investments amounts to S/.2,968.5 million and S/.640.9 million, respectively, with maturities between August 2017 and February 2042. These investments bear interest at annual effective interest rates between 3.98 and 6.79 percent for bonds issued in Nuevos Soles and between 2.01 and 3.33 percent for bonds issued in U.S. Dollars.

As of December 31, 2014 and 2013, the Bank's Management and its subsidiaries has determined that the unrealized losses on certain investments hold maturity are temporary in nature. Therefore as such dates, those dates, the Bank and its Subsidiaries have not recorded impairment loss.

Notes to the consolidated financial statements (continued)

- (n) As of December 31, 2014 and 2013, the Bank and its Subsidiaries maintained repurchase agreements guaranteed with cash. This item is made up as follows:

	Maturity	As of December 31, 2014	
		Book value S/.(000)	Co
BCRP, see note 4	Feb-2015 / Jun-2016	3,566,920	Cash
BCRP	Apr-2015 / Jan-2016	1,058,371	Investments available-
Commerzbank	Oct-2015	669,781	Investments available-
Nomura International PLC (*)	Mar-2019 / Dec-2019	447,900	Investments held-to-m
Credit Suisse Peru	Aug-2017	300,000	Investments held-to-m
			Investments available-
Natixis	Aug-2017	300,000	maturity
Nomura International PLC (**)	Aug-2020	238,880	Investments held-to-m
Nomura International PLC (***)	Aug-2020	209,020	Investments held-to-m
Deutsche Bank AG. London Branch	-	-	-
		<u>6,790,872</u>	

As of December 31, 2014, the Bank maintained repurchase agreements for approximately S/6,790.9 guaranteed with cash (repurchase agreements for approximately S/2,433.8 million guaranteed with cash for approximately S/113.9 million and bonds of multilateral financial institutions, sovereign bonds and global bonds) classified as investments available for sale and held to maturity for a fair value of US\$995.3 million (repurchase agreements ascending to S/2,433.8 million guaranteed with cash for approximately S/113.9 million and bonds and global bonds) classified as investments available for sale and held to maturity for a fair value of US\$995.3 million, rate between 3.51 and 4.70 percent and at variable rate between Libor 3M+0.35 percent and Libor 6M+1.70 percent and Libor 6M+1.38 percent, respectively, as of December 31, 2013).

Certain repurchase agreements were hedged through interest rate swaps (IRS) and cross currency swaps (CCS), as follows:

- (*) As of December 31, 2014, the Bank maintained IRS, which were designated as cash flow hedges of certain repurchase agreements for approximately S/447.9 million (US\$120.0 million, equivalent to approximately S/335.4 million, as of December 31, 2013).

- (**) As of December 31, 2013, the Bank maintained repurchase agreements in U.S. Dollars at variable rate for a fair value of US\$995.3 million, which were hedged through one IRS, which was designated as cash flow hedge, as a result, these repurchase agreements were economically converted to U.S. Dollars.

During 2014, the Bank signed one CCS, which was designated in combination with initial IRS as cash flow hedge of repurchase agreements at variable rate, see Note 9(b). As of December 31, 2014, CCS and IRS have a notional amount (combined hedge) of US\$995.3 million.

- (***) During February 2014, the Bank signed one CCS, which was designated as cash flow hedge of repurchase agreements for approximately S/209.0 million. Through the CCS, these repurchase agreements were economically converted to U.S. Dollars.

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Notes to the consolidated financial statements (continued)

- (o) The balance of investments at fair value through profit or loss (trading), available-for-sale and held-to-maturity as of December 31, 2014 and 2013, classified by contractual maturity, (accrued interest is not considered) are made up as follow:

	2014 S/.(000)	2013 S/.(000)
Up to 3 months	914,989	2,877,903
From 3 months to 1 year	3,742,353	4,108,739
From 1 to 3 years	2,009,046	839,825
From 3 to 5 years	839,435	938,680
More than 5 years	2,790,722	2,309,820
Without maturity	1,337,271	1,244,236
Total	11,633,816	12,319,203

6. Loans, net

- (a) This item is made up as follows:

	2014 S/.(000)	2013 S/.(000)
Direct loans		
Loans	27,327,254	19,336,541
Mortgage loans	12,269,652	10,581,072
Leasing receivables (*)	9,318,870	8,615,329
Small and micro-business	7,716,256	4,243,259
Credit cards	6,368,740	6,218,150
Other consumer loans	5,286,425	5,479,190
Foreign trade loans	2,794,945	3,026,578
Discounted notes	1,661,592	1,499,543
Factoring receivables	1,002,891	833,456
Refinanced loans	647,803	359,573
Advances and overdrafts	555,624	371,834
Past due and under legal collection loans	2,007,795	1,435,742
	<u>76,957,847</u>	<u>62,000,267</u>
Add (less)		
Accrued interest from performing loans	620,836	442,160
Deferred interest on discounted notes	(125,619)	(81,283)
Allowance for loan losses (f)	<u>(3,335,733)</u>	<u>(2,275,478)</u>
Total direct loans	74,117,331	60,085,666
Indirect loans, (d) and Note 18(a)	17,687,024	13,065,083

- (*) In accordance with Resolution N°7036-2012, starting January 1, 2013, leasing receivables are presented net of its deferred interest.

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Notes to the consolidated financial statements (continued)

- (b) As of December 31, 2014 and 2013, 51 percent of the direct and indirect loan portfolio corresponded to approximately 330 and 380 clients, respectively.
- (c) As of December 31, 2014 and 2013, the distribution of the loan portfolio by segments, according to Resolutions SBS N°11356-2008, Note 3(g), is as follows:

	2014 S/.(000)	2013 S/.(000)
Non-retail loans		
Corporate	17,673,358	15,042,737
Large-business	13,074,448	10,490,064
Medium-business	11,276,176	9,271,263
Sub total	42,023,982	34,804,064
Retail loans		
Mortgage	12,498,194	10,730,774
Revolving and non-revolving consumer loans	10,858,160	8,607,034
Small-business	8,582,858	5,871,123
Micro-business	2,994,653	1,987,272
Sub total	34,933,865	27,196,203
Total	76,957,847	62,000,267

Notes to the consolidated financial statements (continued)

(d) According to SBS regulations, as of December 31, 2014 and 2013, the Bank and its Subsidiaries' loan portfolio cre

Risk category	2014				
	Direct loans		Indirect loans		S/.(000)
	S/.(000)	%	S/.(000)	%	
Normal	72,247,964	93.9	17,545,800	99.2	89,793,
Potential problems	1,701,044	2.2	106,872	0.6	1,807,
Substandard	734,713	1.0	20,306	0.2	755,
Doubtful	1,054,540	1.4	5,963	-	1,060,
Loss	1,219,586	1.5	8,083	-	1,227,
	<u>76,957,847</u>	<u>100.0</u>	<u>17,687,024</u>	<u>100.0</u>	<u>94,644,</u>

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Notes to the consolidated financial statements (continued)

- (e) As of December 31, 2014 and 2013, financial entities in Peru must constitute their allowance for loan losses based on the risk classification indicated in paragraph (d) and using the percentages indicated on Resolution SBS N°11356-2008, as follows:

- (i) For loans classified as "Normal":

Loan type	Fixed-rate %	Pro-cyclical component (*) %
Corporate	0.70	0.40
Large-business	0.70	0.45
Mortgage	0.70	0.40
Medium-business	1.00	0.30
Small-business	1.00	0.50
Revolving consumer	1.00	1.50
Non-revolving consumer	1.00	1.00
Micro-business	1.00	0.50

(*) During 2014, the pro-cyclical rule was deactivated for the determination of the allowance for loan losses, see Note 3(a)(ii)(i.a) and 3(g).

- (ii) For loans classified as "Potential problems", "Substandard", "Doubtful" and "Loss"; depending if the loans are: Loans Without Guarantees (LWG), Loans With Preferred Guarantees (LWPG) or Loans With Readily Preferred Guarantees (LWRPG) or Loans with Highly Liquid Preferred Guarantees (LWHLPG):

Risk category	LWG %	LWPG %	LWRPG %	LWHLPG %
Potential problems	5.00	2.50	1.25	1.00
Substandard	25.00	12.50	6.25	1.00
Doubtful	60.00	30.00	15.00	1.00
Loss	100.00	60.00	30.00	1.00

For loans subject to substitution of credit counterparty, Note 3(g), the allowance requirement depends on the classification of the respective counterparty, for the amount covered, regardless of the debtor credit risk classification, using the percentages indicated above.

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Notes to the consolidated financial statements (continued)

- (f) The movement of the allowance for loan losses (direct and indirect loans) is shown below:

	2014 S/.(000)	2013 S/.(000)	2012 S/.(000)
Balance as of January 1	2,397,784	1,915,117	1,524,348
Provision, net of recoveries	1,754,963	1,239,943	1,003,033
Acquisition of Mibanco, see Note 2	564,276	-	-
Recoveries of written-off loans	196,688	134,725	108,211
Loan portfolio written-off	(1,450,773)	(991,175)	(677,883)
Translation result and other	2,481	99,174	(42,592)
Balance as of December 31(*)	<u>3,465,419</u>	<u>2,397,784</u>	<u>1,915,117</u>

- (*) The allowance for loan losses includes the allowance for indirect loans for approximately S/.129.7 million, S/.122.3 million and S/.116.0 million as of December 31, 2014, 2013 and 2012, respectively, which are presented in the caption "Other liabilities" of the consolidated statements of financial position, Note 9(a).

In Management's opinion, the allowance for loan losses recorded as of December 31, 2014 and 2013, has been determined in accordance with SBS regulations in force as of those dates, Note 3(g).

- (g) A portion of the loan portfolio is secured by guarantees received from clients, which are principally conformed by mortgages, stand-by letters, financial instruments, and industrial and commercial pledges.
- (h) Interests accrued on the loan portfolio are determined considering the current interest rates prevailing in the markets where the Bank and its Subsidiaries operate.

Interests, commissions and expenses over loans or installments which are past due, refinanced, under legal collection, or classified in the "Doubtful" or "Loss" categories, are recorded in the consolidated statements of income at when they are effectively collected. The amounts which were not recognized as income amounted to S/.413.0 million and S/.278.6 million as of December 31, 2014 and 2013, respectively.

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Notes to the consolidated financial statements (continued)

- (i) As of December 31, 2014 and 2013, the direct gross loan portfolio classified by maturity, based on the remaining period to repayment date is as follows:

	2014 S/.(000)	2013 S/.(000)
Outstanding loans -		
Up to 1 month	6,985,722	6,156,607
From 1 to 3 months	8,888,136	6,827,187
From 3 months to 1 year	16,751,967	14,581,522
From 1 to 3 years	17,646,175	13,120,294
From 3 to 5 years	9,496,746	7,536,410
More than 5 years	15,181,306	12,342,505
Past due loans -		
Up to 4 months	643,979	600,307
More than 4 months	666,285	505,564
Loans under legal collection	697,531	329,871
Total	<u>76,957,847</u>	<u>62,000,267</u>

Notes to the consolidated financial statements (continued)

7. Property, furniture and equipment, net

(a) The movement of property, furniture and equipment and accumulated depreciation for the years ended December 31

	Land S/.(000)	Buildings and other constructions S/.(000)	Installations S/.(000)	Furniture and fixtures S/.(000)
Cost -				
Balance as of January 1	264,459	898,309	688,992	363,053
Additions	45,306	1,278	15,171	25,658
Acquisition of Mibanco, net	58,653	37,518	18,571	15,839
Sales	-	(7,016)	(37,992)	(1,547)
Transfers	962	60,154	69,815	19,615
Write-downs and other	-	(194)	(5,641)	(12,558)
Balance as of December 31	<u>369,380</u>	<u>990,049</u>	<u>748,916</u>	<u>410,060</u>
Accumulated depreciation -				
Balance as of January 1	-	436,328	402,723	216,247
Depreciation of the year	-	28,242	54,124	25,431
Sales	-	(5,125)	(35,525)	(1,094)
Write-downs and transfers	-	(190)	(5,602)	(11,625)
Balance as of December 31	<u>-</u>	<u>459,255</u>	<u>415,720</u>	<u>228,959</u>
Net book value	<u>369,380</u>	<u>530,794</u>	<u>333,196</u>	<u>181,101</u>

- (b) Banks in Peru are not allowed to pledge their fixed assets.
- (c) During 2014 and 2013, the Bank, as part of its annual investment plan in infrastructure, capitalized disbursements for the conditionir and restyling of a vaviety of agencies and administrative offices.
- (d) As of December 31, 2014 and 2013, the Bank and its Subsidiaries maintain fully depreciated assets for approximat
- (e) The Bank and its Subsidiaries maintain insurance over their main assets, according to policies established by Manag
- (f) Management periodically reviews the fixed assets' residual value, their useful live and the selected depreciation me expectations. In Management's opinion, there is no evidence of impairment of property, furniture and equipment a

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Notes to the consolidated financial statements (continued)

8. Goodwill

Goodwill acquired through business combinations has been allocated to cash-generating units (also identified as a "CGU") for the purposes of impairment testing made by Management which evaluates the results and allocates resources to each CGU. Goodwill has been arisen from the acquisition of the following entities:

	2014 S/(000)	2013 S/(000)
Goodwill -		
Edyficar	144,841	144,841
Mibanco	131,480	-
	<u>276,321</u>	<u>144,841</u>
Net book value	<u>276,321</u>	<u>144,841</u>

The recoverable amount of all CGUs has been determined based on value in use calculations, determined by discounting the future cash flows expected to be generated from the continuing use of the CGU.

The following table summarizes the key assumptions used for value in use calculations in 2014 and 2013:

Description	As of December 31, 2014		As of December 31, 2013	
	Terminal value growth rate	Discount rate	Terminal value growth rate	Discount rate
	%	%	%	%
Edyficar and Mibanco	5.00	14.45	5.00	14.45

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Notes to the consolidated financial statements (continued)

9. Other assets, net and other liabilities

(a) These items are made up as follows:

	2014 S/.(000)	2013 S/.(000)
Other assets, net		
Financial instruments		
Derivatives receivable (b)	758,494	437,849
Accounts receivable, net (h)	288,787	199,056
Operations in process (e)	11,955	20,347
Indexed certificates (c)	-	55,064
	<u>1,059,236</u>	<u>712,316</u>
Non-financial instruments		
Finite live intangible assets, net (d)	740,622	459,260
Value added tax credit	447,324	573,469
Deferred income tax asset, Note 13(a)	408,559	313,956
Deferred expenses	121,870	111,278
Income tax prepayments, net	32,913	102,976
Realizable, received in payment and seized assets, net (f)	14,880	10,672
Other	49,115	15,468
	<u>1,815,283</u>	<u>1,587,079</u>
Total	<u>2,874,519</u>	<u>2,299,395</u>
Other liabilities		
Financial instruments		
Derivatives payable (b)	556,153	340,355
Accounts payable (h)	530,615	335,591
Salaries and other personnel expenses payable	405,310	284,103
Allowance for indirect loan losses, Note 6 (f)	129,686	122,306
Operations in process (e)	31,711	42,504
Share based payments, Note 16(a) and (b)	51,740	70,359
	<u>1,705,215</u>	<u>1,195,218</u>
Non-financial instruments		
Tax payable	211,429	41,549
Deferred income tax liability, Note 13(a)	137,057	141,335
Provision for sundry risks (g)	146,083	114,432
Deposit insurance fund	24,551	22,733
Other	11,121	5,595
	<u>530,241</u>	<u>325,644</u>
Total	<u>2,235,456</u>	<u>1,520,862</u>

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Notes to the consolidated financial statements (continued)

- (b) The risk in derivatives contracts arises from the possibility that the counterparty does not fulfill the terms and conditions of the contracts.

The table below presents, as of December 31, 2014 and 2013 the fair value of the derivative financial instruments, the derivative's underlying asset and is the basis upon which changes in fair value of derivatives are measured, Note 18.

				2014	
	Note	Assets S/.(000)	Liabilities S/.(000)	Notional amount S/.(000)	Maturity
Derivatives held for trading (i) -					
Forward exchange contracts		110,840	206,196	14,384,380	Between January 2015 and December 2016
Interest rate swaps		49,886	48,207	4,444,288	Between February 2015 and March 2016
Currency swaps		284,369	274,648	7,701,186	Between January 2015 and December 2016
Foreign currency options		15,320	19,277	1,980,405	Between January and December 2016
		<u>460,415</u>	<u>548,328</u>	<u>28,510,259</u>	
Derivatives held as hedges -					
Cash flow hedge (ii) -					
Interest rate swaps (IRS)	11(b)(i)	-	-	-	-
Interest rate swaps (IRS)	11(b)(i)	153	187	447,900	Between September 2016 and March 2017
Interest rate swaps (IRS)	11(b)(ii)	14	-	89,580	October 2016
Interest rate swaps (IRS)	5(n)(*)	6,513	27	447,900	Between March 2019 and March 2020
Interest rate swaps (IRS)	11(c)	-	2,154	171,502	Between January 2015 and December 2016
Cross currency swaps (CCS)	5(n)(***)	7,645	-	209,020	August 2020
Cross currency swaps (CCS)	11(c)	-	-	-	-
Cross currency swaps (CCS)	5(h)	-	-	-	-
Cross currency swaps (CCS)	5(i)	4,385	-	25,413	September 2024
Cross currency swaps and interest rate swaps (CCS and IRS)	5(n)(**)	27,561	-	238,880	August 2020
Cross currency swaps and interest rate swaps (CCS and IRS)	12(a)	-	-	-	-
Fair value hedge -					
Interest rate swaps (IRS)	12(a)	247,631	-	7,293,069	Between September 2020 and March 2021
Interest rate swaps (IRS)	5(j)	4,177	5,457	843,973	Between May 2015 and March 2016
		<u>298,079</u>	<u>7,825</u>	<u>9,767,237</u>	
		<u>758,494</u>	<u>556,153</u>	<u>38,277,496</u>	

Notes to the consolidated financial statements (continued)

- (i) Derivatives held for trading are mainly negotiated to satisfy clients' needs. On the other hand, the Bank and
Also, this caption includes any derivatives which do not comply SBS hedging requirements. The fair value of

	As of December 31, 2014				
	Up to 3 months S/.(000)	From 3 months to 1 year S/.(000)	From 1 to 3 years S/.(000)	From 3 to 5 years S/.(000)	Over 5 years S/.(000)
Forward exchange contracts	88,379	15,841	6,620	-	
Interest rate swaps	280	94	19,202	2,489	27
Currency swaps	64,005	9,049	8,638	50,908	153
Foreign currency options	10,677	4,643	-	-	
Total assets	163,341	29,627	34,460	53,397	179

	As of December 31, 2014				
	Up to 3 months S/.(000)	From 3 months to 1 year S/.(000)	From 1 to 3 years S/.(000)	From 3 to 5 years S/.(000)	Over 5 years S/.(000)
Forward exchange contracts	153,365	52,788	43	-	
Interest rate swaps	607	426	18,479	759	27
Currency swaps	35,013	21,014	63,488	51,743	102
Foreign currency options	14,122	6,382	-	-	
Total liabilities	203,107	80,610	82,010	52,502	130

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Notes to the consolidated financial statements (continued)

- (ii) The Bank and its Subsidiaries are exposed to movements in future cash flows on assets and liabilities in foreign currency or which bear interest at variable rates. The Bank and its Subsidiaries use derivate financial instruments as cash flow hedges to cover these risks, according to Note 3(h).

A summary indicating the periods when the current cash flow hedges are expected to occur and affect the consolidated statements of income, net of the deferred income tax is as follows:

As of December 31, 2014					
	Up to 1 year S/.(000)	From 1 to 3 years S/.(000)	From 3 to 5 years S/.(000)	More than 5 years S/.(000)	Total S/.(000)
Cash outflows (liabilities)	(193,482)	(614,456)	(471,256)	(567,705)	(1,846,899)
Consolidated statements of income	(6,594)	3,888	7,757	7,232	12,283

As of December 31, 2013					
	Up to 1 year S/.(000)	From 1 to 3 years S/.(000)	From 3 to 5 years S/.(000)	More than 5 years S/.(000)	Total S/.(000)
Cash outflows (liabilities)	(1,186,262)	(654,236)	(42,484)	(678,522)	(2,561,504)
Consolidated statements of income	(15,392)	(7,139)	11,864	37,778	27,111

As of December 31, 2014, the net unrealized gain from the cash flow hedges which is included as other comprehensive income in the caption "cash flow hedges reserves", results from the current hedges (unrealized gain for approximately S/.12.3 million) and the hedges revoked (unrealized gain for approximately S/.28.9 million), which is being recognized in the consolidated statement of income during the remaining term of the underlying financial instrument. Also, the transfer of the net unrealized gain on cash flow hedges to the consolidated statements of income is presented in Note 14(d).

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Notes to the consolidated financial statements (continued)

- (c) In connection with the liabilities that result from Credicorp's stock appreciation rights (SARs), Note 16(a), as of December 31, 2013, the Bank signed several contracts with Citigroup Global Markets Holdings Inc., Citigroup Capital Limited, Citigroup Capital Market Inc. (hereinafter "Citigroup") and Credit Agricole Corporate and Investment Bank (hereinafter "Calyon").

These contracts consisted of the purchase of certificates indexed to the performance of Credicorp (BAP) shares, in the form of "warrants" issued by Citigroup and Calyon, with the same number of Credicorp shares.

As of December 31, 2013, the Bank and its Subsidiaries had acquired 144,914 certificates, at a total cost of US\$9.9 million (US\$68.63 per certificate on average). During 2013, the Bank and its Subsidiaries settled 70,000 certificates.

According to SBS standards, the difference between cost and estimated market value; as well as the result obtained from the liquidation of the indexed certificates, were recorded in the consolidated statements of income in the captions "Other non-financial income" and "Other operating expenses", see Note 22.

Notes to the consolidated financial statements (continued)

- (d) The movement of intangible assets for the years ended December 31, 2014, 2013 and 2012 is as follows:

Description	Brand name S/.(000)	Rights of use (ii) S/.(000)	Client relationship S/.(000)	Core d S/.(0
Cost -				
Balance as of January 1	37,504	55,740	18,735	
Additions (i)	-	-	-	
Acquisition of Mibanco, Note 2(a)	170,700	-	84,200	2
Transfers	-	-	-	
Split, Note 2(c)	-	-	-	
Withdrawals and others	-	-	-	
Balance as of December 31	<u>208,204</u>	<u>55,740</u>	<u>102,935</u>	<u>2</u>
Accumulated amortization -				
Balance as of January 1	31,254	26,012	15,613	
Amortization of the year	11,371	11,148	12,143	
Split, Note 2(c)	-	-	-	
Withdrawals and others	-	-	-	
Balance as of December 31	<u>42,625</u>	<u>37,160</u>	<u>27,756</u>	<u></u>
Net book value	<u>165,579</u>	<u>18,580</u>	<u>75,179</u>	<u>1</u>

- (i) During 2014, the Bank capitalized disbursements related to the implementation and development of several IT projects (in 2013, the Bank capitalized disbursements mainly related to the implementation and development of several IT projects (DSYO Outsourcing)).
- (ii) In July 2010, the Bank signed a contract with Telefónica Móviles S.A. by which both parties agreed that the Bank is the exclusive agent for the instrument issued by the Banks and bears certain benefits established by both parties and stipulated in the contract, whose details are disclosed in Note 2(a).
- (iii) As of December 31, 2014 and 2013, the Bank and its Subsidiaries have fully amortized intangibles assets that are still in use.
- (iv) Management periodically reviews the intangibles' residual value, their useful life and the selected amortization method to determine if there is no evidence of impairment on intangibles as of December 31, 2014 and 2013.

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Notes to the consolidated financial statements (continued)

- (e) Operations in process include deposits received, loans disbursed and/or collected, funds transferred and other similar types of transactions, which are made at the end of the month which are reclassified to their final balance sheet account in the following month. The regularization of these transactions do not affect the Bank and its Subsidiaries' consolidated net income.
- (f) As of December 31, 2014 and 2013, the balance includes S/.3.9 million and S/.7.9 million, respectively, corresponding to assets acquired with the specific purpose of granting leasing loans.

In Management's opinion, the allowance of realizable assets, received in payment and seized assets recorded as of December 31, 2014 and 2013, complies with SBS regulations in force on those dates.

- (g) As of December 31, 2014 and 2013, the provision for sundry risks comprises the estimated losses due to legal procedures against the Bank and its Subsidiaries, due to operational risk and other similar obligations that were recorded based on Management and its internal legal advisors' best estimates. In Management's and its internal legal advisor's opinion, additional significant liabilities will not result to those already recorded by the Bank and its Subsidiaries.
- (h) Accounts receivable correspond mainly to sales of foreign currency and sales of securities arising from the last days of the month, which have been settled during the early days of the next month. Accounts payable correspond mainly to purchases of securities and foreign currency arising from the last days of the month, which have been settled during the early days of the next month.

10. Deposits and obligations

- (a) As of December 31, 2014 and 2013, this caption includes:

	2014 S/.(000)	2013 S/.(000)
Non-interest bearing deposits and obligations -		
In Peru	21,721,062	14,788,024
In other countries	2,019,880	2,418,491
	<u>23,740,942</u>	<u>17,206,515</u>
Interest bearing deposits and obligations -		
In Peru	45,558,134	44,291,611
In other countries	3,218,721	3,049,230
	<u>48,776,855</u>	<u>47,340,841</u>
	72,517,797	64,547,356
Interest payable for deposits and obligations	231,921	199,725
Total	<u>72,749,718</u>	<u>64,747,081</u>

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Notes to the consolidated financial statements (continued)

The Bank and its Subsidiaries have established a policy to pay interests on demand deposits and savings deposits according to a sliding interest rate scale, based on the average balance maintained in those accounts. Additionally, according to such policy, it was established that accounts having balances lower than a determined amount for each type of account, do not bear interest.

Interest rates applied to the different deposits and obligations accounts are determined by the Bank and its Subsidiaries considering current interest rates in the markets where they develop their operations.

- (b) As of December 31, 2014 and 2013, the balance of deposits and obligations by product is as follows:

	2014 S/.(000)	2013 S/.(000)
Demand deposits	23,792,476	20,771,926
Saving deposits	21,214,172	17,764,196
Time deposits (d)	20,002,378	18,812,511
Severance indemnity deposits	6,848,396	6,719,031
Negotiable certificates	660,375	479,692
Total	72,517,797	64,547,356

- (c) As of December 31, 2014 and 2013, approximately S/./24,681.5 million and S/./21,663.6 million, respectively of the deposits and obligations balances, are covered by the "Fondo de Seguro de Depósitos" (Deposit Insurance Fund). At those dates, the "Fondo de Seguro de Depósitos" covered up to S/./94,182.0 and S/./92,625.0, respectively.

- (d) The balance of time deposits classified by maturity is as follows:

	2014 S/.(000)	2013 S/.(000)
Up to 3 months	13,127,898	15,050,806
From 3 months to 1 year	4,906,994	2,529,130
From 1 to 3 years	1,102,816	657,460
From 3 to 5 years	864,670	575,115
Total	20,002,378	18,812,511

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Notes to the consolidated financial statements (continued)

11. Due to banks, correspondents and other entities

(a) This item is made up as follows:

	2014 S/.(000)	2013 S/.(000)
By type -		
Due to banks and correspondents with foreign financial institutions (b)	6,804,700	4,961,305
Due to related parties (c)	2,071,303	2,827,208
Promotional credit lines (d)	1,763,939	1,296,654
	<u>10,639,942</u>	<u>9,085,167</u>
Interest payable	44,699	38,614
Total	<u>10,684,641</u>	<u>9,123,781</u>

(b) As of December 31, 2014 and 2013, it includes loans to finance foreign trade operation and for working capital. This item is made up as follow:

Entities	2014 S/.(000)	2013 S/.(000)
Wells Fargo Bank N.A.	800,248	419,250
Citibank N.A.	648,400	306,975
Syndicated loans (i)	444,794	834,989
Corporación Andina de Fomento - CAF	429,180	572,000
Standard Chartered Bank (ii)	418,040	504,547
Sumitomo Mitsui Banking Corporation	373,250	-
HSBC Bank USA	366,163	-
China Development Bank	357,062	417,435
JP Morgan Chase & Co	239,152	-
Bank of New York Mellon	238,880	167,700
The Bank of Tokyo-Mitsubishi UFJ	238,880	30,000
Bank of Montreal	232,908	25,000
COFIDE	184,236	-
Barclays Bank PLC.	179,160	-
Toronto-Dominion Bank	170,873	-
International Finance Corporation	165,332	112,000
Banco de la Nación - Perú	150,000	349,999
Responsability Global Microfinance Fund	118,537	-
Scotiabank Perú S.A.A.	100,000	-
Banco Interamericano de Finanzas	100,000	-
Cobank	-	241,275
Otros	849,605	980,135
Total	<u>6,804,700</u>	<u>4,961,305</u>

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Notes to the consolidated financial statements (continued)

- (i) As of December 31, 2014, the balance includes a syndicated loan obtained from foreign financial entities in March 2013, amounting to US\$150.0 million, equivalent to S/.447.9 million (S/.444.8 net of transaction costs), with maturity in September 2016 (two syndicated loans amounting to US\$300.0 million, equivalent to S/.838.5 million (S/.835.0 net of transaction costs) obtained in March 2013 and March 2011, with maturities in September 2016 and March 2014, respectively, at December 31, 2013); with interest payments semester at Libor 6m+1.75 percent in both loans.

As of December 31, 2013, the syndicated loans amounting to S/.838.5 million were hedged through two IRS, each one with the same notional and maturities, see Note 9(b), the loans were economically converted to fix interest rate.

During 2014, one IRS amounting to US\$150.0 million, equivalent to S/419.2 million, expired in March 2014, and the other IRS amounting to US\$150.0 million, equivalent to S/419.2 million, was revoked in August 2014. In this sense, the unrealized gain from the fair value of IRS, of which the hedge was revoked, will be recorded in the consolidated statements of income over the remaining term of the underlying (syndicated loan).

Also, as of December 31, 2014, the syndicated loan for a notional amount to S/.447.9 million was hedged through three new interest rate swaps (IRS) with the same notional and maturities, see Note 9(b); through these IRS, the loan was economically converted to fixed interest rate.

- (ii) As of December 31, 2014, one of these loans amounting to US\$30.0 million, equivalent to S/.89.6 million, was hedged by a swap interest rate (IRS) with the same notional and maturities, see Note 9(b), this loan was economically converted to fixed interest rate.

As of December 31, 2014, the loans have maturities between January 2015 and August 2023 (Between January 2014 and March 2024 as of December 31, 2013) and accrued annual interests at rates that ranged between 1.00 and 11.21 percent (between 0.54 and 8.00 percent as of December 31, 2013).

- (c) As of December 31, 2014, due to related parties included loans at variable interest rates received from CCR Inc. and Atlantic Security Bank (ASB), amounting to US\$682.7 million, equivalent to S/.2,038.6 million and US\$10.9 million, equivalent to S/.32.7 million, respectively; (loans at variable interest rates received from CCR Inc. and ASB, amounting to US\$858.7 million, equivalent to S/.2,399.1 million and US\$33.0 million, equivalent to S/.92.2 million, respectively, and a promissory note settled during 2014 in favor of BCP Emisiones Latam 1 S.A. for 2.7 million of Unidades de Fomento Chilenas-UF, equivalent to S/.335.9 million, as of December 31, 2013).

The debts with CCR Inc. and ASB bear interest at Libor 1M rate and fixed-weight rate of 5.1 percent, respectively.

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Notes to the consolidated financial statements (continued)

As of December 31, 2014, part of the cash flows of the loans at variable interest rates, subject to interest rate risk, have been hedged through interest rate swaps (IRS), for a notional amount of S/.171.5 million (S/.297.5 million as of December 31, 2013); see Note 9(b); through such IRS, the loans were economically converted to fixed rate.

In addition, as of December 31, 2013, the promissory note in favor of BCP Emisiones Latam 1 S.A., subject to exchange rate risk, has been hedged, as mentioned in Note 3(g), through cross currency swaps (CCS) for the same notional amounts and the same maturities, see Note 9(b); through such CCS, this liability was economically converted to U.S. Dollars.

- (d) Promotional credit lines represent loans received mainly from Corporación Financiera de Desarrollo (COFIDE) and Fondo de Cooperación para el Desarrollo Social (FONCODES) to promote the development of Peru. As of December 31, 2014, their annual interest rates ranged between 1.50 and 7.75 percent (between 5.50 and 7.75 percent as of December 31, 2013). These liabilities are secured by a loan portfolio for up to the amount of the credit line used.
- (e) As of December 31, 2014 and 2013, the balance of this caption, classified by maturity, is as follows:

	2014 S/.(000)	2013 S/.(000)
Up to 3 months	2,129,633	1,557,470
From 3 months to 1 year	2,139,239	2,329,815
From 1 to 3 years	3,415,787	2,339,155
From 3 to 5 years	699,243	988,090
More than 5 years	2,256,040	1,870,637
Total	10,639,942	9,085,167

- (f) Some due to banks, correspondents and foreign financial institutions include standard covenants concerning the fulfillment of financial ratios, specific agreements on how to use the funds received, the financial conditions that the Bank and its Subsidiaries must maintain, as well as other administrative matters. In Management's opinion, these specific agreements have been complied by the Bank and its Subsidiaries as of December 31, 2014 and 2013.

Notes to the consolidated financial statements (continued)

12. Bonds and notes issued

(a) This item is made up as follow:

	Weighted annual interest rate %	Interest payment	
Local issuances			
Corporate bonds			
Second program			
First issuance (Serie A) - BCP	6.84	Semi-annual	B
First issuance (Serie B) - BCP	6.81	Semi-annual	M
First issuance (Serie A) - Edyficar	5.47	Semi-annual	A
Second issuance (Serie A) - Edyficar	5.50	Semi-annual	J
Third issuance (Series A and B) - BCP	7.73	Quarterly	B
Third program			
First issuance (Serie A) - Edyficar	5.28	Semi-annual	M
Third issuance (Serie B) - Edyficar	5.16	Semi-annual	M
First issuance (Series A and B) - Mibanco	5.39	Semi-annual	B
Second issuance (Serie A) - Mibanco	5.34	Semi-annual	A
Fourth issuance (Serie A) - Mibanco	4.78	Semi-annual	B
Fifth issuance (Series A and B) - Mibanco	6.77	Semi-annual	B
Fourth program			
Fourth issuance (Series A, B, C and D) - BCP	6.41	Semi-annual	B
Eighth issuance (Serie A) - BCP	3.75	Semi-annual	J
Ninth issuance (Serie A) - BCP	6.22	Semi-annual	M
Tenth issuance (Serie A) - BCP	7.25	Semi-annual	B
Tenth issuance (Series B and C) - BCP	5.41	Semi-annual	B
Subordinated bonds			
First program			
First issuance (Serie A) - BCP	6.22	Semi-annual	M
First issuance (Serie A) - Edyficar	8.16	Semi-annual	C
Second issuance (Serie A) - Edyficar	8.13	Semi-annual	B
Fourth issuance (Serie A) - Edyficar	6.19	Semi-annual	B
Fifth issuance (Serie A) - Edyficar	7.75	Semi-annual	J
Fourth issuance (Series A, B, C and D) - BCP	7.65	Quarterly	B
Second program			
Issuance I - Banco de Crédito de Bolivia	6.25	Annual	A

Notes to the consolidated financial statements (continued)

	Weighted annual interest rate %	Interest payment	
Leasing bonds - First program			
Sixth issuance (Series A) - BCP	8.72	Quarterly	A
Trading certificates of deposit			
Third program			
Third issuance (Series C) - BCP	4.02	Annual	M
Trading certificate of deposit - Mibanco	4.50	Annual	A
Total local issuances			
International issuances - BCP			
Senior notes (i)	4.25	Semi-annual	A
Senior notes - (ii) and (viii)	Between 4.25 and 4.75	Semi-annual	B
Senior notes - (ii)	5.38	Semi-annual	S
Subordinated bonds - (iii)	6.13	Semi-annual	A
Subordinated bonds - (iv)	6.88	Semi-annual	S
Trading certificate of deposit - (v)	7.45	Semi-annual	C
Junior subordinated bonds - (vi)	9.75	Semi-annual	M
Subordinated trading certificates of deposit (vii)	6.88	Semi-annual	B
Total international issuances			
Total local and international issuances			
Interest payable			
Total			

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Notes to the consolidated financial statements (continued)

Leasing bonds are collateralized by the assets financed by the Bank.

As of December 31, 2013, as detailed in Note 3(h), the Bank and its Subsidiaries through CCS and IRS hedged certain corporate bonds issued in Nuevos Soles for a notional amount of S/.91.4 million. As a result, such bonds were economically converted to U.S. Dollars at fixed rate.

During 2014, due to change in Credicorp's functional currency to Nuevos Soles, the Bank revoked the CCS and IRS that hedged such corporate bonds, subject to exchange rate risk and interest rate risk, see Note 9(b), in this sense, the unrealized loss from the fair value of the derivative will be recorded in the consolidated statements of income over the remaining term of the derivative's underlying (corporate bonds), see Note 14 (d). Also, during the indicated period, the Bank signed interest rate swaps (IRS) for a notional amount up to US\$2,442.4 million, equivalent to S/.7,293.0 million, see Note 9(b), which were designated as fair value hedges of certain corporate bonds, bonds and subordinated notes issued in U.S. Dollars at fix rate; through IRS, these bonds and notes were economically converted to variable interest rate. As of December 31, 2014, these bonds and notes are recorded at fair value and, as a result, they recorded a loss amounting to approximately S/227.8 million, which is presented net of the gain arising from such IRS for approximately S/.247.6 million in the caption "Financial income and expense" in the consolidated statements of income, see Note 19.

International issuances are listed in the Luxembourg Stock Exchange. Likewise, international issuances maintain certain financial and operative covenants, which in Management's opinion, the Bank and its Subsidiaries have complied with as of the dates of the consolidated statements of financial position.

- (i) The Bank can redeem in whole or in a part these notes at any time, with the penalty of the payment of an interest rate equivalent to the American Treasury plus 50 basis points. Payment of principal will take place at the date of maturity of the notes or when the Bank redeems there of.
- (ii) The Bank can redeem in whole or in a part these notes at any time, with the penalty of the payment of an interest rate equivalent to the American Treasury plus 40 basis points. Payment of principal will take the place at the date of maturity or redemption.
- (iii) Starting in 2022, the interest rate becomes a variable rate of Libor 3M + 704.3 basis points. Between April 24, 2017 and April 24, 2022, the Bank may redeem all or part of the subordinated notes with the penalty of the payment of an interest equivalent to the American Treasury plus 50 basis points. Additionally, from April 25, 2022 or at any later date of coupon payment, the Bank can redeem all or part of the notes without penalty. Payment of principal will take place at the date of maturity or redemption.

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Notes to the consolidated financial statements (continued)

- (iv) Starting September 16, 2021, the interest rate becomes a variable rate of Libor 3M + 770.8 basis points. Between September 16, 2016 and September 15, 2021, the Bank may redeem all or part of the notes, with the penalty of the payment of an interest equivalent to the American Treasury plus 50 basis points. Additionally, from September 16, 2021 or at any later date of coupon payment, the Bank can redeem all or part of the bonds without penalty. Payment of principal will take place at the date of maturity or redemption.
- (v) In October 2017, the interest rate becomes a variable rate determined as the average of at least three valuations over the internal rate of return of sovereign bonds issued by the Peruvian Government (with maturity on 2037), plus 150 basis points, with semiannual payments. From that date and at any later date of coupon payment, the Bank can redeem all the certificates without penalty. Payment of principal will take place at the date of maturity (October 2022) or redemption.
- (vi) In November 2019, interest rate becomes a variable rate of Libor 3M + 816.7 basis points. From that date or at any later date of coupon payment, the Bank can redeem all the bonds without penalty. Payment of principal will take place at the date of maturity or redemption.

This debt does not have collateral and qualifies as Tier 1 capital for SBS regulations.

- (vii) In November 2016, the interest rate becomes a variable rate of Libor 3M + 279 basis points. From that date or at any later date of coupon payment, the Bank can redeem all the certificates without penalty. Payment of principal will take place at the date of maturity or redemption.
- (viii) During June 2014, the Bank offered an exchange to the senior notes holders, whereby notes were partially replaced with new notes with the same characteristics of senior notes mentioned in (i).

- (b) Bonds and notes issued classified by maturity are shown below:

	2014 S/.(000)	2013 S/.(000)
Up to 3 months	20,774	254,345
From 3 months to 1 year	175,873	233,414
From 1 to 3 years	1,369,783	1,716,142
From 3 to 5 years	300,000	300,000
More than 5 years	10,884,155	8,772,149
Total	12,750,585	11,276,050

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Notes to the consolidated financial statements (continued)

13. Deferred income tax

(a) These items are made up as follows:

	2014 S/.(000)	2013 S/.(000)
Net deferred income tax asset		
Deferred assets		
Allowance for loan losses	434,538	298,667
Valuation of hedged bonds and notes, Note 12	50,921	-
Provision for sundry expenses	39,640	32,877
Provision for sundry risks	22,293	16,023
Allowance for seized assets	6,750	6,197
Leasing operations, net	5,689	1,930
Loss from valuation of investments at fair value through profit or loss	4,179	1,948
Unrealized loss in valuation on available-for-sale investments	2,004	1,971
Unrealized loss in valuation on cash flow hedges derivatives	1,271	4,233
Past due interests	-	1,678
Share-based compensation rights provision	-	9,073
Other	5,383	7,512
Deferred liabilities		
Acquired intangibles - Mibanco	(68,739)	-
Gain for difference tax exchange	(44,164)	(5,309)
Buildings depreciation	(35,695)	(30,202)
Unrealized gain in valuation on available-for-sale investments	(8,559)	(10,378)
Indexed certificates	-	(9,511)
Unrealized gain in valuation on cash flow hedges derivatives	(6,719)	(8,664)
Other	(233)	(4,089)
Total	<u>408,559</u>	<u>313,956</u>
Net deferred income tax liabilities		
Deferred liabilities		
Unrealized gain in valuation on available-for-sale investments in BCI Chile	(137,057)	(141,335)
Total	<u>(137,057)</u>	<u>(141,335)</u>

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Notes to the consolidated financial statements (continued)

- (b) The composition of the amounts presented in the consolidated statements of income for the years ended December 31, 2014 and 2013, are shown below:

	2014 S/.(000)	2013 S/.(000)
Current	1,008,163	667,185
Deferred	<u>(132,623)</u>	<u>(16,547)</u>
	<u>875,540</u>	<u>650,638</u>

- (c) Reconciliation of the effective tax rate to the statutory tax rate for the years 2014 and 2013 is as follows:

	2014 %	2013 %
Income before income tax	<u>100.00</u>	<u>100.00</u>
Theoretical expense	30.00	30.00
Effect on taxable income		
Non-taxable financial revenue	<u>(4.24)</u>	<u>(8.33)</u>
Effect of non-deductible expenses		
Non-deductible financial expenses	1.63	1.70
Effect of change in Peruvian tax rate, Note 15(a)	1.14	-
Other non-deductible expenses	<u>2.93</u>	<u>3.39</u>
Income tax, current and deferred	<u>31.46</u>	<u>26.76</u>

The estimated effect of change in tax rate, see Note 15(a), for the determination of the deferred income tax was an expense amounting to approximately S/.31.0 million, which is recorded in the caption "Income tax" of the consolidated statements of income.

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Notes to the consolidated financial statements (continued)

14. Equity

(a) Capital stock -

As of December 31, 2014, the Bank's capital stock comprises 4,722.8 million of fully subscribed and paid common shares (3,752.6 million and 3,102.9 million shares, as of December 31, 2013 and 2012, respectively) with a nominal value of one Peruvian Nuevo Sol.

As of December 31, 2014 and 2013, Credicorp Ltd. and Grupo Crédito S.A. hold 12.73 percent and 84.93 percent, respectively, of the Bank's capital stock.

The General Shareholders Meeting held on August 21, 2012, approved the split of an equity block in favor of Credicorp Capital Perú S.A.A. and a reduction of capital stock by approximately S/.85.0 million, decreasing an equivalent number of shares, Note 2(c). The split and reduction took place on November 1, 2012.

The General Shareholders Meetings held on March 31, 2014, March 26, 2013 and March 30, 2012, approved the capitalization of 2013, 2012 and 2011 retained earnings for an amount of S/.970.1 million, S/.649.7 million and S/.630.2 million, respectively.

(b) Legal reserve -

Pursuant to legislation in force, the Bank must reach a legal reserve of at least 35 percent of its paid-in capital. This reserve is to be funded through an annual appropriation of at least 10 percent of its net income. As of December 31, 2014, the Bank covered such legal request.

The General Shareholders Meeting held on August 21, 2012, approved the split of an equity block in favor of Credicorp Capital Perú S.A.A. and a reduction of legal reserves by approximately S/.29.8 million, see Note 2(c). The split and reduction took place on November 1, 2012.

The General Shareholders Meeting, held on March 31, 2014, March 26, 2013 and March 30, 2012, approved the increase of the legal reserve in approximately S/.339.5 million, S/.227.4 million and S/.220.6 million, from the 2013, 2012 and 2011 net income, respectively.

The Bank's Subsidiaries established in Peru and Bolivia must also record a legal reserve in their individual financial statements, which percentages varies depending on applicable laws and economic activity. As of December 31, 2014, 2013 and 2012, the Subsidiaries' legal reserves amounted to approximately S/.201.0 million, S/.104.2 million and S/.80.4 million, respectively.

(c) Special reserve -

The special reserve has been funded through the appropriation of accumulated results.

Notes to the consolidated financial statements (continued)

(d) Unrealized results -

The caption "Unrealized results" includes the net unrealized gain (loss) from available-for-sale investments and from cash flow hedge. The movement of the unrealized results during 2014 and 2013, net of deferred income tax is as follows:

	Unrealized results	
	Available-for-sale investment reserve S/.(000)	Cash flow hedges reserve S/.(000)
Balances as of January 1, 2012	311,154	(1,548)
Net unrealized gain from available-for-sale investments	216,352	
Transfer of realized gain from available-for-sale investments to the income statement, net of realized loss	(60,982)	
Net unrealized gain on cash flow hedge	-	11,000
Transfer of realized gain from cash flow hedge to the income statement, net of realized loss	-	(16,000)
Split of an equity block, Note 2(c)	(23,257)	
Foreign currency translation	-	
Deferred income tax	(45,848)	(1,000)
Balances as of December 31, 2012	397,419	(7,548)
Net unrealized loss from available-for-sale investments	(114,716)	
Transfer of realized gain from available-for-sale investments to the income statement, net of realized loss	(10,482)	
Net unrealized gain on cash flow hedge	-	59,000
Transfer of realized loss from cash flow hedge to the income statement, net of realized gain	-	8,000
Foreign currency translation	-	
Deferred income tax	46,625	(15,000)
Balances as of December 31, 2013	318,846	45,000
Net unrealized gain from available-for-sale investments	49,618	
Transfer of realized gain from available-for-sale investments to the income statement, net of realized loss	(39,100)	
Net unrealized loss on cash flow hedge	-	(25,000)
Transfer of realized loss from cash flow hedge to the income statement, net of realized gain	-	21,000
Foreign currency translation	-	
Deferred income tax	6,130	(1,000)
Balances as of December 31, 2014	335,494	41,000

As of December 31, 2014, the Bank and its Subsidiaries maintain a net deferred income tax liability for S/.149.1 million. The net unrealized losses of investments available-for-sale and cash flow hedges (S/.154.2 million, as of December 31, 2013).

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Notes to the consolidated financial statements (continued)

During 2014, the Bank revoked certain cash flow hedge derivatives due to the change in Credicorp's functional currency to Nuevos Soles, as a result, the net unrealized gain from the fair value of derivatives amounting to S/.16.4 million, previously recognized in the consolidated statement of changes in equity, will be recognized in the consolidated statements of income during the remaining term of the underlying items.

(e) Components of other comprehensive income

The consolidated statement of comprehensive income includes other comprehensive income from available-for-sale investments and from derivatives financial instruments used as cash flow hedges; its movement is as follows:

	2014 S/.(000)	2013 S/.(000)	2012 S/.(000)
Available-for-sale investments:			
Unrealized gain (loss) from available-for-sale investments	55,748	(68,091)	170,504
Transfer of realized gain from investments available-for-sale to the consolidated statements of income, net of realized loss	(39,100)	(10,482)	(60,982)
Sub total	16,648	(78,573)	109,522
Non-controlling interest	925	157	(210)
Income tax	(6,130)	(46,625)	45,848
	<u>11,443</u>	<u>(125,041)</u>	<u>155,160</u>
Cash flow hedges:			
Net unrealized (loss) gain from cash flow hedges	(26,365)	44,354	9,999
Transfer of net realized loss (gain) from cash flow hedges to the consolidated statements of income	21,910	8,922	(16,087)
Sub total	(4,455)	53,276	(6,088)
Non-controlling interest	-	-	-
Income tax	1,016	15,586	1,085
	<u>(3,439)</u>	<u>68,862</u>	<u>(5,003)</u>
Foreign currency translation reserve:			
Exchange differences on translation of foreign operations	1,200	52,202	(29,218)
Non-controlling interest	(194)	155	(4,649)
	<u>1,006</u>	<u>52,357</u>	<u>(33,867)</u>

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Notes to the consolidated financial statements (continued)

(f) Dividend distribution -

The General Shareholders Meetings held on March 31, 2014, March 26, 2013 and March 30, 2012, agreed to distribute dividends for approximately S/.337.7 million, S/.620.6 million and S/.588.3 million from the 2013, 2012 and 2011 net income, respectively. In this sense, during the years 2014, 2013 y 2012, the cash dividends per share were S/.0.09, S/.0.20 and S/.0.23, respectively.

Under current legislation, there is no restriction for overseas remittance of dividends or repatriation of foreign investment. Individuals and enterprises not domiciled in Peru must pay an additional tax of 4.1 percent on dividends received, which must be retained and paid by the entity that distributes the dividends.

However, through Law N°30296, published on December 31, 2014, the rate of additional tax on dividends will be gradually increased according to the following terms:

Rate for the profits generated in the years	%
2015 and 2016	6.8
2017 and 2018	8
From 2019 onward	9.3

(g) Equity for legal purposes (Regulatory capital) -

According to Legislative Decree N°1028, regulatory capital must be equal to or more than 10 percent of total risk weighted assets and contingent operations, represented by the sum of: the regulatory capital requirement for market risk multiplied by 10, the regulatory capital requirement for operational risk multiplied by 10 and assets and contingent credits weighted by credit risk.

As of December 31, 2014 and 2013, pursuant to legislative Decree N°1028 and amendments, the Bank maintains the following amounts related to weighted assets and contingent credits by total risk and regulatory capital (basic and supplementary), in millions of Nuevos Soles:

	2014	2013
Total risk weighted assets and credits	87,938.92	74,379.37
Regulatory capital	12,703.77	10,753.97
Regulatory capital - basic	8,642.94	7,193.79
Regulatory capital - supplementary	4,060.82	3,560.18
Global regulatory capital ratio	14.45%	14.46%

As of December 31, 2014 and 2013, the Bank and its Subsidiaries have fulfilled the requirements of Resolutions N°2115-2009, N°6328-2009 and N°14354-2009, Regulations for the Requirement of Regulatory Capital by Operational Risk, Market Risk and Credit Risk Regulations, respectively, and amendments. Those resolutions establish, mainly, the methodology to be applied by financial entities in order to calculate assets and credits weighted for each type of risk.

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On July 20, 2011, the SBS issued Resolution N°8425-2011 requiring an additional regulatory capital, which is the summatory of each of the following components: economic cycle risk, concentration risk, market concentration risk, interest rates risk and others. Likewise, it established a gradual adoption period of five years starting in July 2012. As of December 2014, the level of adoption established by SBS is 70 percent, as a result, the additional required estimated regulatory capital amounts to approximately S/.2,008.2 million (S/.1,260.7 million equivalent to an adaptation level of 55 percent, which was established by SBS as of December 31, 2013).

In Management's opinion, the Bank and its Subsidiaries are carrying out the requirements established by the resolution mentioned above.

Resolution SBS N°11823-2010, "Regulations on consolidated supervision of financial and mixed conglomerates" establishes that the economic group subject to consolidation must have a regulatory equity destined to cover the risks arising from the operations and activities of the bank, which shall not be lower than the minimum equity required to the group subject to consolidation. As of December 31, 2014 and 2013, the minimum requirement amounted to US\$4,004.8 million, equivalent to S/.12,077.8 million and US\$4,222.0 million, equivalent to S/.11,800.4 million, respectively. As of December 31, 2014 and 2013, the regulatory equity of the financial group subject to consolidation amounted to US\$4,957.8 million, equivalent to S/.14,803.9 million and US\$4,420.3 million, equivalent to S/.12,354.9 million, respectively.

15. Tax situation

- (a) The Bank and its Subsidiaries are subject to corporate taxation on income of the country where they are established.

The income tax rate for subsidiaries in Peru is 30 percent on taxable income after calculating the distribution of benefits workers', determined using a 5 percent rate. Through Law N°30296, published on December 31, 2014, the income tax rate was reduced according to the following terms:

Effective for years	%
2015 and 2016	28
2017 and 2018	27
From 2019 onward	26

Enterprises and individuals not domiciled in Peru must pay a tax of 4.1 percent on dividends received from enterprises domiciled in Peru.

As of December 31, 2014 and 2013, the statutory income tax rate was 25 percent on taxable income for the Subsidiaries established in Bolivia.

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- (b) Since 2011, the Income Tax Law was amended by Law No. 29645, stating that interest and other income generated by foreign loans granted to the Peruvian National Public Sector, must also be included as an item exempted from the Income Tax.

For that purpose, it must be considered that there is an indirect sale when capital stock or representatives capital stock of a legal entity not domiciled in Peru is sold and; at the same time, said entity is owner, directly or through one or more entities, of capital stock or representatives capital stock of an entity domiciled in Peru, provided that certain conditions are met. In this regard, it also defines the circumstances in which the issuer is jointly liable.

Finally, through Law No. 29966, the exemption of the value added tax over the interest resulting from securities issued through public offer by legal entities established in Peru, as long as the issuance is made in accordance to the Securities Market Law, approved by Legislative Decree N°861, or by the Investment Fund Law, approved by legislative Decree No. 862, was extended until December 31, 2015.

However, through amendments introduced by Promotion of Stock Exchange Law (Law No. 30050), starting July 2013, interests earned by securities issued through public or private auctions are not considered for income tax purposes, as well as, interests earned by securities (non-issued by public auction) that were acquired through an exchange market.

- (c) For income tax purposes, the transfer prices agreed in transactions between related parties and with entities located in tax havens, require the presentation of supporting documentation and information on the valuation methods and criteria applied for the agreed price. Based on the analysis of the Bank and its Subsidiaries operations, Management and its internal legal advisors consider that no significant contingencies will result for the Bank and its Subsidiaries as a consequence of the application of such provisions for fiscal year 2014 and 2013.
- (d) The Peruvian and Bolivian Tax Authority is entitled to review and, if applicable, amend the annual income tax returns of the Bank and its Subsidiaries established in such countries up to four years after their submission.

The income tax returns which are pending to be reviewed by the Tax Authority are the following:

Banco de Crédito del Perú	2010-2014
Mibanco	2014
Empresa Financiera Edyficar	2010,2012-2014
Banco de Crédito de Bolivia	2011-2014

As of December 31, 2014, the Peruvian Tax Authority is conducting a review of the 2009 income tax return of the Bank and the 2012 and 2013 income tax return of Mibanco.

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The Bolivian Tax Authority is conducting a review of the 2008, 2009 and 2010 income tax returns of Banco de Credito de Bolivia.

The Bolivian statutory Income Tax rate is 25 percent. The tax base is the income reported in the financial statements of each entity, prepared in accordance with general accepted accounting principles in Bolivia, subject to adjustments for tax purposes. In general, all expenses required to produce and maintain the source of each company are deductible.

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

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

Due to tax regulations are subject to interpretation by the Tax Authorities it is not possible to determine up to date whether the reviews will generate additional liabilities for the Bank and its Subsidiaries. Therefore, any unpaid tax, penalties or interests that might result from said reviews will be expensed in the year in which they are determined. Nevertheless, Management of the Bank and its Subsidiaries and their legal advisors consider that any additional tax assessments would not have a significant impact on the 2014 and 2013 consolidated financial statements.

16. Share-based payments

(a) Stock appreciation rights of Credicorp Ltd. -

As indicated in Note 3(r), the Bank and its Subsidiaries appreciation rights granted in the form of options over Credicorp's stock (SARs) to certain executives who had at least one year working for the Bank and its Subsidiaries. During 2014, all SAR's expired.

As of December 31, 2013, Management estimated the SARs' fair value using the binomial option pricing model, considering the following main assumptions: (i) Expected volatility was 30.17 percent, (ii) Risk free interest rate was 1.19 percent, (iii) Expected lifetime was 0.25 years; and (iv) Quoted price of Credicorp shares at year-end was US\$132.73.

The expected life of the SARs was based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflected the assumption that the historical volatility over a period similar to the life of the SARs is indicative of future trends, which may also not necessarily be the actual outcome.

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Notes to the consolidated financial statements (continued)

The movements of the SAR's for the years ended December 31, 2014 and 2013, are as follows:

	2014			2013		
	Outstanding SARs	Vested SARs		Outstanding SARs	Vested SARs	
	Number	Number	Amount S/.(000)	Number	Number	Amount S/.(000)
Balances as of						
January 1	94,817	94,817	30,396	108,068	108,068	34,668
Granted and vested	-	-	-	-	-	-
Exercised	(94,817)	(94,817)	(28,997)	(13,251)	(13,251)	(7,978)
Decrease (Increase)						
in fair value	-	-	(1,399)	-	-	3,706
Balance as of						
December 31	-	-	-	94,817	94,817	30,396

As of December 31, 2013, the liability recorded for this plan and the income tax assumed by the Bank and its Subsidiaries (equivalent to 30 percent of the amount paid) amount to S/.30.4 million and S/.9.0 million, respectively, which are included in "Share-base payments" and "Tax payable", respectively, in the caption "Other liabilities" of the consolidated statements of financial position, Note 9(a).

Additionally, the valuation of the plan at such date resulted in a gain, net of income tax assumed by the Bank and its Subsidiaries, amounting to S/.2.0 million (loss, net of income tax for S/.0.6 million as of December 31, 2013), which has been recorded in the caption "Salaries and employee's benefits" of the consolidated statements of income; Note 23.

The Bank has signed contracts with Citigroup and Calyon whereby it acquired certificates linked to the performance of the action of Credicorp Ltd., Note 9(c).

(b) Payments through Credicorp shares

As indicated in Note 3(r), in March or April of each year, the Bank and its Subsidiaries grant Credicorp shares ("stock awards") to certain executives, which are settled through delivery of Credicorp shares ("share-based payment plan settled in equity instruments"). The delivered rights vest in three years starting the grant date. In order to execute the plan, at the date the plan is communicated, all shares required to settle the plan are purchased and legally delivered to the beneficiaries. However, they are held as restricted until their vesting.

During 2014, 2013 and 2012, the Bank and its Subsidiaries have legally delivered 89,810, 85,904 and 108,859 Credicorp Ltd. Shares, respectively, of which 183,366, 158,477 and 108,859 are as pending delivery as December 31, 2014, 2013 and 2012, respectively.

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As of December 31, 2014, the liability recorded for the 2013 and 2014 plans amounts to S/.51.7 million (S/.40.0 million for the 2012 and 2013 plans, as of December 31, 2013), which is included as "Share-based payments" in the caption "Other liabilities" of the consolidated statements of financial position, Note 9(a).

All vested shares were delivered to the beneficiaries. Also, the first and second third of shares related to 2012 plan (72,573 shares) and the first third of shares related to 2013 plan (28,635 shares) was legally delivered in April 2014.

The expense related to this plan recorded during 2014 and 2013 amounted to S/.45.8 million and S/.42.2 million, respectively, which are included in the caption "Salaries and employee benefits" of income, Note 23.

17. Commitments and contingencies

(a) Commitments -

- The Bank's Panamanian Branch holds several agreements with a foreign related party, CCR Inc., whereby it guarantees the collection of future inflows from electronic messages sent to the Bank through the Society for Worldwide Interbank Financial Telecommunications ("SWIFT") and utilized the network to instruct correspondent banks to make a payment of a certain amount to a non-financial institution which qualifies as a beneficiary.

For these transactions the related party obtained several loans, which are secured by the above mentioned future inflows; the amounts of the loans received are the following:

Year of issuance	Loan amount US\$ (million)	Maturity
2006 - Serie A	9.2	2016
2008 - Series A and B	40.1	2015
2010 - Serie B	17.3	2016
2010 - Serie C	187.9	2017
2012 - Series A and B	124.2	2017
2012 - Serie C	313.0	2022
	691.7	

As of December 31, 2014 and 2013, the funds obtained by CCR Inc. were transferred to the Panamanian branch through loans; see Note 11(c).

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Notes to the consolidated financial statements (continued)

- On November 2009, a contract with a foreign related party was entered into, whereby it is guaranteed, through a promissory note signed by the Bank, the payment of principal to the holders of bonds issued in Unidades de Fomento Chilenas - UF through the Santiago de Chile Stock Exchange, by the foreign related party. The bonds issued, named "Bonos Desmaterializados al Portador - Serie A", amounted to 2.7 million Unidades de Fomento Chilenas - UF, with were settled on October 2014, see Note 11(c).

The loans obtained and the bonds issued by the related parties include covenants which, in Management's opinion, have been fulfilled as of December 31, 2014 and 2013.

(b) Contingencies -

As of December 31, 2014 and 2013, the Bank and its Subsidiaries have several pending legal claims, related to their normal course of business. According to Management and its internal legal advisors, no additional liabilities will result from these legal claims; therefore, Management has not considered necessary to record an additional allowance for these contingencies, Note 9(g).

18. Off-balance sheet accounts

- (a) This item is made up as follows:

	2014 S/.(000)	2013 S/.(000)
Contingent operations (indirect loans) (b) -		
Guarantees and stand-by letters of credit	15,870,966	11,230,734
Import and export letters of credit	1,648,405	1,645,162
Due from bank acceptances	167,653	189,187
	<u>17,687,024</u>	<u>13,065,083</u>
 Responsibilities under credit line agreements (c)	 17,039,176	 11,771,285
Other contingent operations	189,062	12,891
	<u>17,228,238</u>	<u>11,784,176</u>
 Total contingent operations	 <u>34,915,262</u>	 <u>24,849,259</u>

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Notes to the consolidated financial statements (continued)

- (b) In the normal course of its business, the Bank and its Subsidiaries perform contingent operations (indirect loans). These operations expose them to credit risk in addition to the amounts recognized in the consolidated statements of financial position. The Bank's exposure to losses under commitments to extend credit, provide export and import letters of credit and guarantees (indirect loans) is represented by the contractual amounts specified in the related contracts.

The Bank and its Subsidiaries apply the same credit policies in making commitments and conditional obligations as they do for direct loans, including the requirement to obtain collateral to support off-balance sheet financial instruments when it is deemed necessary. Collateral held varies, but it may include deposits held in financial institutions, securities or other assets.

Because most of the contingent operations are expected to expire without any performance being required, the total committed amounts do not necessarily represent future cash requirements.

Export and import letters of credit are mainly issued as credit enhancements for overseas trade transactions. The related credit risk is reduced by the participation of third parties.

Due from bank on acceptances represent collection rights for the Bank and its Subsidiaries that arise at the time of negotiation of the letters of credit; a collection right from the local importer (in the case of imports) or a collection right from the correspondent bank (in the case of exports).

- (c) Responsibilities under credit lines agreements do not correspond to commitments to grant credits and include lines of credit of consumer credit, micro-business, small business, medium and corporate business, that are cancellable upon notification to the client.

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Notes to the consolidated financial statements (continued)

- (d) As of December 31, 2014 and 2013, transactions with derivatives are recorded off-balance sheet at its notional and expressed in the committed currency. This item is made up as follows:

	2014 S/.(000)	2013 S/.(000)
Derivative instruments, Note 9(b) -		
Derivatives held for trading -		
Foreign currency forward contracts on Nuevo Sol, see Note 29.3(b)(ii):		
Foreign currency purchases	4,957,495	7,181,380
Foreign currency sales	8,262,926	5,527,818
Foreign currency forward contracts on currencies, other than Nuevo Sol	1,163,959	766,697
Interest rate swap contracts	4,444,288	3,913,659
Currency swap contracts, see Note 29.3(b)(ii):		
Foreign currency delivery/ Nuevo Sol reception	2,389,666	1,409,076
Nuevo Sol delivery/ Foreign currency reception	4,464,851	1,655,126
Foreign currency delivery/ Foreign currency reception	846,669	486,030
Foreign currency options	1,980,405	1,333,669
 Derivatives held as hedge -		
Interest rate swap contracts	9,293,924	2,619,473
Cross currency swap contracts on Nuevo Sol, see Note 29.3 (b)(ii)		
Nuevo Sol reception / Foreign currency delivery	209,020	238,036
Foreign currency delivery/ Nuevo Sol reception	25,413	-
Cross currency and interest rate swap contracts in respect with Foreign currency, see Note 29.3(b)(ii)	238,880	-
Cross currency and interest rate swap contracts in respect with Nuevo Sol, see Note 29.3(b)(ii)	-	91,423
Cross currency swap contracts on currencies other than Nuevo Sol	-	451,587
	<u>38,277,496</u>	<u>25,673,974</u>

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Notes to the consolidated financial statements (continued)

19. Financial income and expenses

These items are made up as follows:

	2014 S/.(000)	2013 S/.(000)	2012 S/.(000)
Financial income			
Interest from loan portfolio	7,531,096	6,029,470	4,998,967
Interest from trading, available-for-sale and held-to-maturity investments, net	423,877	438,007	431,980
Interest from cash and due from banks and inter-bank funds	38,188	88,344	103,298
Net fluctuation from derivative financial instruments position			
- swaps	30,129	-	56,040
Net result from hedging derivatives instruments	22,202	-	-
Commissions on loan portfolio and other transactions	17,418	10,947	23,998
Other	9,866	6,686	5,906
	<u>8,072,776</u>	<u>6,573,454</u>	<u>5,620,189</u>
Financial expenses			
Interest and commissions on deposits and obligations	(756,703)	(726,005)	(622,448)
Interest on bonds and subordinated notes issued	(638,236)	(680,186)	(572,929)
Interest on due to banks and correspondents and other entities	(498,212)	(407,459)	(350,653)
Net fluctuation from derivative financial instruments position			
- forwards and options	(123,628)	(2,084)	(24,166)
Deposit Insurance Fund fee	(97,693)	(89,494)	(79,831)
Net result from hedging derivatives instruments	-	(15,164)	(16,087)
Net fluctuation from derivative financial instruments position			
- swaps	-	(49,977)	-
Other	(37,581)	(26,466)	(33,218)
	<u>(2,152,053)</u>	<u>(1,996,835)</u>	<u>(1,699,332)</u>
Gross financial margin	<u>5,920,723</u>	<u>4,576,619</u>	<u>3,920,857</u>

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Notes to the consolidated financial statements (continued)

20. Banking services commissions, net

This item is made up as follows:

	2014 S/.(000)	2013 S/.(000)	2012 S/.(000)
Banking services commissions			
Transfer and collection services	681,422	560,104	511,506
Maintenance of accounts	324,712	350,321	243,335
Commissions from parties affiliated to the credit/debit card network	236,133	205,811	192,191
Credit and debit card services	219,549	177,536	158,965
Commissions from contingent operations	189,023	161,482	150,032
Commission from Credipago	151,265	129,987	105,439
Fees from consulting and technical studies	92,349	83,314	54,351
Insurance commissions	74,046	68,254	57,783
Withholding and collection services	47,871	44,342	40,566
Commissions from transfers abroad and others	26,125	24,467	21,347
Commission from salary in advance and payment of services	24,139	16,524	15,675
Checks issuances	9,561	10,321	10,913
Trust services (assets management)	6,230	1,895	66,702
Fees related to leasing transactions	5,394	3,611	6,142
Brokerage services	383	221	13,510
Other	52,129	79,080	88,239
	<u>2,140,331</u>	<u>1,917,270</u>	<u>1,736,696</u>
Expenses related to banking services commissions			
Credit and debit card services	(112,549)	(95,074)	(71,145)
Credit/debit card network	(16,147)	(16,788)	(11,693)
Expenses related with assets under leasing contracts	(3,878)	(6,140)	(6,469)
Check issuances	(4,366)	(4,389)	(2,418)
Contingent expenses	(461)	(2,279)	(2,080)
Other	(49,023)	(36,937)	(19,492)
	<u>(186,424)</u>	<u>(161,607)</u>	<u>(113,297)</u>
Balance, net	<u>1,953,907</u>	<u>1,755,663</u>	<u>1,623,399</u>

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Notes to the consolidated financial statements (continued)

21. Net gain (loss) on securities

This item is made up as follows:

	2014 S/.(000)	2013 S/.(000)	2012 S/.(000)
Net gain from purchase and sale of securities	39,100	10,482	60,982
Net gain (loss) from valuation of investments at fair value through profit or loss (trading)	15,113	(98,798)	29,887
Participation in income of investments in associates	8,047	9,030	11,804
Other	961	532	1,963
Total	63,221	(78,754)	104,636

22. Other non-financial income and other operating expenses

These items are made up as follows:

	2014 S/.(000)	2013 S/.(000)	2012 S/.(000)
Other non-financial income			
Technical support - Outsourcing	21,892	31,250	21,489
Gain from indexed certificates, Note 9(c)	-	-	30,236
Net gain from sales of seized assets	1,550	9,905	8,243
Recovery of previous years interest	1,001	2,187	6,940
Other	26,743	38,006	43,762
Total	51,186	81,348	110,670
Other operating expenses			
Provision for legal claims	(63,501)	(35,163)	(24,801)
Loan waiver	(27,329)	(5,903)	(4,938)
Provision for uncollectable receivables	(4,021)	(23,114)	(14,489)
Expenses related to assets acquired in connection with leasing operations	(2,849)	(7,121)	(3,287)
Maintenance of seized assets	(948)	(1,378)	(1,514)
Loss from indexed certificates, Note 9(c)	(2,671)	(5,353)	-
Other	(34,484)	(44,338)	(16,041)
Total	(135,803)	(122,370)	(65,070)

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Notes to the consolidated financial statements (continued)

23. Salaries and employees' benefits

This item is made up as follows:

	2014 S/.(000)	2013 S/.(000)	2012 S/.(000)
Salaries	1,028,653	834,540	747,455
Vacations, medical assistance and others	335,180	282,442	310,245
Legal gratifications	178,141	138,450	135,571
Employees' bonuses	146,304	107,464	125,668
Workers' profit sharing	144,385	111,742	93,944
Social security	128,631	109,115	93,564
Severance indemnities	99,951	80,499	72,125
Share-based payment plans			
SARs (first plan), Note 16(a)	(2,010)	589	23,336
Shares (second plan), Note 16(b)	45,756	42,167	24,855
Total	2,104,991	1,707,008	1,626,763
 Number of employees	 27,750	 22,657	 22,330

24. General and administrative

This item is made up as follows:

	2014 S/.(000)	2013 S/.(000)	2012 S/.(000)
Repair and maintenance	317,573	281,265	225,424
Marketing	236,433	199,779	173,430
Transport and communications	175,635	152,039	123,260
Leases	169,274	132,101	109,815
Advisory and professional fees	120,242	85,957	70,611
Other services rendered by third parties	108,816	73,252	48,117
Sundry supplies	45,737	39,814	35,040
Other (*)	242,165	245,963	249,629
Total	1,415,875	1,210,170	1,035,326

(*) As of December 31, 2014 and 2013, this category includes, among others, judicial expenses, insurance expenses, expenses for commissions, cleaning expenses, notary expenses, subscription expenses and expenses for RENIEC and INFOCORP.

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Notes to the consolidated financial statements (continued)

25. Earnings per share

As of December 31, 2014, 2013 and 2012, the weighted average of outstanding shares was calculated as follows:

	Outstanding shares (in thousands)	Shares for the calculation (in thousands)	Effective days before year end	Weighted outstanding average of shares (in thousands)
2012				
Balances as of January 1, 2012	2,557,738	2,557,738	365	2,557,738
Capitalization of income in 2012	630,159	630,159	365	630,159
Reduction due to split of an equity block, Note 2(c)	(85,000)	(85,000)	61	(14,205)
Capitalization of income in 2013	-	649,720	365	649,720
Capitalization of income in 2014	-	970,135	365	970,135
Balances as of December 31, 2012	<u>3,102,897</u>	<u>4,722,752</u>		<u>4,793,547</u>
2013				
Balances as of January 1, 2013	3,102,897	3,102,897	365	3,102,897
Capitalization of income in 2013	649,720	649,720	365	649,720
Capitalization of income in 2014	-	970,135	365	970,135
Balances as of December 31, 2013	<u>3,752,617</u>	<u>4,722,752</u>		<u>4,722,752</u>
2014				
Balances as of January 1, 2014	3,752,617	3,752,617	365	3,752,617
Capitalization of income in 2014	970,135	970,135	365	970,135
Balances as of December 31, 2014	<u>4,722,752</u>	<u>4,722,752</u>		<u>4,722,752</u>

Notes to the consolidated financial statements (continued)

26. Financial information by geographical area

As of December 31, 2014 and 2013, segment information by geographical area is as follows (amounts expressed in million)

	2014				Total assets
	Total income (*)	Gross financial margin	Depreciation and amortization	Property, furniture and equipment, net	
Peru	9,427	5,634	333	1,783	98,04
Panama	724	57	-	-	10,84
Bolivia	411	214	11	11	5,25
United States of America	37	15	-	-	1,50
	<u>10,599</u>	<u>5,920</u>	<u>344</u>	<u>1,794</u>	<u>115,65</u>

(*) Includes the total financial and non-financial income.

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Notes to the consolidated financial statements (continued)

27. Transactions with related parties

- (a) During the years 2014 and 2013, the Bank and its Subsidiaries have acquired bonds, loans granted, supplied and received several services, correspondent relationships and other operations with Credicorp' Subsidiaries, which balances are shown below:

	2014 S/.(000)	2013 S/.(000)
Assets -		
Cash and due from banks	18,685	3,651
Loans, net	175,836	197,863
Investments available-for-sale (stock the Credicorp' shares), Note 5(a)	75,708	65,250
Other assets	65,640	42,099
Liabilities -		
Deposits and obligations	533,962	403,655
Due to banks, correspondents and other entities	2,078,741	2,838,405
Bonds and subordinated notes issued	51,773	226,814
Other liabilities	15,597	8,282
Off-balance sheet items		
Contingent operations	340,303	198,169
Income -		
Financial income	12,651	14,349
Financial expenses	120,461	162,216
Other income	263,896	266,465
Expenses operating	89,514	88,086

Loans and other contingent credits (indirect loans) with related entities, not Credicorp's Subsidiaries, are as follows:

	2014 S/.(000)	2013 S/.(000)
Direct loans	1,240,841	1,025,938
Indirect loans	177,408	141,631
Derivatives, market value	904	357
Deposits	217,934	273,448

Likewise, as of December 31, 2014 and 2013, the Bank and its Subsidiaries hold debt or equity instruments, presented as investments available-for-sale and investments at fair value through profit or loss, in by related entities for an amount of S/.9.1 million and S/.4.7 million, respectively.

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Notes to the consolidated financial statements (continued)

The Bank has contracted insurance coverage with El Pacífico-Peruano Suiza Compañía de Seguros y Reaseguros (PPS), a Credicorp subsidiary; the related premiums amounted to S/.67.9 million in 2014 (S/.58.0 million in 2013); the accrued part is recorded in the caption "General and administrative" of the consolidated statements of income.

The Bank also receives fees from Pacífico Vida S.A., a Credicorp subsidiary, for selling life insurance coverage through its offices to customers who have saving accounts; fees received amounted to approximately S/.124.0 million and S/.75.2 million in 2014 and 2013, respectively.

According to Peruvian legislation, loans to related parties cannot be granted on terms more favorable than those that would have been offered to the general public. Management considers that the Bank and its Subsidiaries have complied with all legal requirements for transactions with related parties. Loans granted to related parties are secured by guarantees and collaterals. Loans granted to related parties as of December 31, 2014, have maturities between January 2015 and October 2022 and accrued interest at interest rates that ranged between 1.2 and 35.7 percent (maturities between January 2014 and July 2021 and interest rates between 0.6 and 33.1 percent, as of December 31, 2013). As of December 31, 2014 and 2013, the Bank and its Subsidiaries have an allowance for loans granted to related parties for S/.1.2 million and S/.0.6 million, respectively.

- (b) As of December 31, 2014 and 2013, the Bank and its Subsidiaries have participations in different mutual and hedge funds managed by Credicorp Capital S.A. Sociedad Administradora de Fondos. The detail is the following:

	2014 S/.(000)	2013 S/.(000)
Available-for-sale investments -		
Mutual Funds - Credicorp Capital S.A. Sociedad Administradora de Fondos - Bolivianos	39,738	28,675
Mutual Funds - Credicorp Capital S.A. Sociedad Administradora de Fondos - U.S. Dollars	39,097	47,054
Total	<u>78,835</u>	<u>75,729</u>

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(c) Loans to employees and their families -

The Bank and its Subsidiaries grant loans to their employees and families in terms that depend on the different types of loans granted to third parties. Loans granted to employees and their families are mainly mortgage loans and are included under the caption "Loans, net" of the consolidated statements of financial position. Generally, interest rates applied are lower than market interests rates; however, others terms are similar to those prevailing in the market. As of December 31, 2014 and 2013, the balance of loans and other facilities granted to employees, family members, directors and key executives of the Bank and its Subsidiaries amounted to S/.773.2 million and S/.740.0 million, respectively.

(d) The Bank's key executive's compensation for the years 2014 and 2013, considering all payments made, is as follows:

	2014 S/.(000)	2013 S/.(000)
Salaries	10,070	15,776
Directors compensation	<u>5,027</u>	<u>4,798</u>
Total	<u>15,097</u>	<u>20,574</u>

Also, key executives compensation includes share based payments as explained in more detail in Note 16. The valuation of SARs granted in 2014 and 2013 resulted in a gain amounting to S/.1.4 million and a loss amounting to S/.2.6 million, respectively.

During 2014, all the vested SARs were executed for approximately S/.23.8 million (during 2013, there were no executed SARs). Additionally, S/.11.1 million and S/.11.2 million stock awards vested in the years 2014 and 2013, respectively. The related income tax is assumed by the Bank.

Notes to the consolidated financial statements (continued)

28. Financial instruments classification

The following are the carrying amounts of the financial assets and liabilities captions in the consolidated statements of financial position as of December 31, 2014

	As of December 31, 2014				
	Financial assets and liabilities designated at fair value				
	Held for trading or hedging S/.(000)	At inception S/.(000)	Loans and receivables S/.(000)	Available-for-sale investments S/.(000)	Investments held-to-maturity S/.(000)
Assets					
Cash and due from banks	-	-	24,788,760	-	-
Interbank funds	-	-	30,223	-	-
Investments at fair value through profit or loss and available for sale	1,968,298	-	-	7,087,111	-
Investments held-to-maturity	-	-	-	-	2,667,663
Loans, net	-	-	74,117,331	-	-
Other assets, net, Note 9(a)	758,494	-	300,742	-	-
	<u>2,726,792</u>	<u>-</u>	<u>99,237,056</u>	<u>7,087,111</u>	<u>2,667,663</u>
Liabilities					
Deposits and obligations	-	-	-	-	-
Interbank funds	-	-	-	-	-
Payables from repurchase agreements	-	-	-	-	-
Due to banks, correspondents and other entities	-	-	-	-	-
Bonds and Subordinated notes issued (*)	7,349,760	-	-	-	-
Other liabilities, net, Note 9(a)	556,153	-	-	-	-
	<u>7,905,913</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

(*) As of December 31, 2014, bonds and subordinated designated at fair value are amortized cost amounting to S/7,100,000, value hedges, see Note 9(b).

Notes to the consolidated financial statements (continued)

29. Financial risk management

The Bank and its Subsidiaries activities involve principally the use of financial instruments, including derivatives. The Bank and its Subsidiaries accept deposits from customers at both fixed and floating rates, for various periods, and seek to earn above-average interest margins by investing these funds in high-quality assets. The Bank and its Subsidiaries seek to increase these margins by consolidating short-term funds and lending for longer periods at higher rates, while maintaining sufficient liquidity to meet all claims that might fall due.

The Bank and its Subsidiaries also seek to raise its interest margins by obtaining above-average market margins, net of allowances, through lending to commercial and retail borrowers with a range of credit products. Such exposures involve not just on-balance sheet loans and advances; the Bank and its Subsidiaries also enter into guarantees and other commitments such as letters of credit and performance.

The Bank and its Subsidiaries also trade in financial instruments where it takes positions in traded and over-the-counter instruments, including derivatives, to take advantage of short-term market movements in equities, bonds, currencies and interest rates.

In this sense, risk is inherent in the Bank and its Subsidiaries activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Bank and its Subsidiaries continuing profitability and each individual within the Bank and its Subsidiaries is accountable for the risk exposures relating to his or her responsibilities. The Bank and its Subsidiaries are exposed to operating risk, credit risk, liquidity risk and market risk, the latter being subdivided into trading and non-trading risks.

The independent risk control process does not include business risks such as changes in the environment, technology and industry. They are monitored through the Bank and its Subsidiaries strategic planning process.

(a) Risk management structure -

The Bank and its Subsidiaries Board of Directors and of each Subsidiary is ultimately responsible for identifying and controlling risks; however, there are separate independent bodies in the major Subsidiaries responsible for managing and monitoring risks, as further explained bellow:

(i) Board of Directors

The Board of Directors of each major Subsidiary is responsible for the overall risk management approach and for the approval of the policies and strategies currently in place. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments.

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Notes to the consolidated financial statements (continued)

(ii) Risk Management Committee

The Risk Management Committee of each major Subsidiary is responsible for the strategy used for mitigating risks as well as setting forth the overall principles, policies and limits for the different types of risks; it is also responsible for monitoring fundamental risk issues and manages and monitors the relevant risk decisions.

In addition, in order to effectively manage all the risks, the Risk Management Committee is divided into the following tactical committees which report on a monthly basis all changes or issues in the managed risks:

Credit Risk Committee -

The Credit Risk Committee is responsible for reviewing the tolerance level, limits of exposure, the objective, guidelines and policies for managing credit risk, the delegation of authority and the supervision and establishment of autonomy for taking credit risks and the metrics for measuring the performance incorporating new risk variables. Also, it is responsible for approving the methodologies, models, parameters, scenarios, processes, stress tests and manuals to identify, measure, treat, monitor, control and report all the market risks to which the Bank and its Subsidiaries are exposed. Furthermore, it proposes the approval of any change to the functions described above and reports any finding to the Risk Management Committee.

The Credit Risk Committee is mainly composed by the Chief Risk Executive, the Manager of the Credit Division and the Manager of the Risk Management Area.

Treasury and ALM Risk Committee -

The Treasury and ALM Risk Committee is responsible of reviewing the tolerance level, limits of exposure, the objective, guidelines and policies for managing market risks, the delegation of authority and the supervision and establishment of autonomy for taking market risks, and the metrics for measuring performance incorporating risk variables. Also, it is responsible for approving the methodologies, models, parameters, processes and manuals to identify, measure, treat, monitor, control and report all the market risks to which the Bank and its Subsidiaries are exposed. Furthermore, it proposes the approval of any changes of the functions described above and reports any finding to the Risk Management Committee.

The Treasury and ALM Risk Committee is mainly composed by the Chief Risk Executive, the Manager of the Risk Management Area, the Manager of the Treasury Risk Area and the Manager of the Treasury Division.

Notes to the consolidated financial statements (continued)

Operational Risk Committee -

The Operational Risk Committee is responsible for reviewing the tolerance level, limits of exposure, the objective, guidelines and policies for managing operational risks and the mechanisms for implementing corrective actions. Also, it is responsible for approving: (i) the standard methodology for measuring operational risks, (ii) the taxonomy of operational risks and controls and (iii) all the critical processes of the Bank and its Subsidiaries. Furthermore, it proposes the approval of any changes to the functions described above and reports any finding to the Risk Management Committee.

The Credit Risk Committee is mainly composed by the Chief Risk Executive, the Manager of the Risk Management Area, the Manager of the Operational Risk Management Department, the Manager of the Internal Audit Division.

(iii) Chief Risk Office

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

The Chief Risk Office is divided into the following areas:

Risk Management Division

The Risk Management Area is responsible for ensuring that policies and risk management policies established by the Board of Directors are complied with and monitored. The Risk Management Area is composed by the Credit Risk Management Department, Market Risk Management Department, and the Operational Risk Management Department.

Treasury Risk Area

The Treasury Risk Area is responsible for planning, coordinating and monitoring the compliance of the Treasury Division with risk measurement methodologies and limits approved by the Risk Management Committee. Also, it is responsible to assess the effectiveness of hedge derivatives and the valuation of investments.

Credit Risk Division

The Credit Risk Division established the overall credit policies for each operation in which the Bank and its Subsidiaries decide to participate. These policies are set forth based on the guidelines established by the Board of Directors and following the statutory financial laws and regulations in force. Its main activities are establishing the client credit standards and guidelines (evaluation, authorization and control) in order to follow the guidelines established by the Board of Directors and General Management, as well as those established by the SBS to reviewing and authorizing of credit applications, up to the

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limit established and within the scope of its responsibilities; and submitting to upper hierarchies those credit applications that exceed the established limits in order to monitor credit-granting activities within the different autonomous entities, among others.

Consumer and Micro-business Risk Division

The Consumer and Micro-business Risk Area is responsible for ensuring the quality of the retail loans portfolio and developing credit standards in line with the guidelines and risk levels defined by the Board of Directors.

(iv) Treasury Division

Treasury Division is responsible for managing the Bank and its Subsidiaries assets and liabilities and the overall financial structure. It is also primarily responsible for the Bank and its Subsidiaries management of funding and liquidity risks; as well as the investment and derivative portfolios, assuming the related liquidity, interest rate and exchange rate risks under the policies and limits currently effective.

(v) Internal Audit Division

Risk management processes throughout the Bank and its Subsidiaries are monitored by the internal audit function, which examines both the adequacy of the procedures and the compliance of them. Internal Audit discusses the results of all assessments with Management, and reports its findings and recommendations to Bank and its Subsidiaries Audit Committee and Board of Directors.

(b) Risk measurement and reporting systems -

Monitoring and controlling risks are primarily performed based on limits established by the Bank and its Subsidiaries. These limits reflect the business strategy and market environment of the Bank and its Subsidiaries as well as the level of risk that the Management is willing to accept. In addition, the Bank and its Subsidiaries run worse case scenarios that would arise in the event that extreme events which are unlikely to occur do, in fact, occur.

Information compiled from all the Bank and its Subsidiaries is examined and processed in order to analyze, control and identify early any risks. This information is presented and explained to the Board of Directors, the Risk Management Committee, the Audit Committee, and all relevant members of the Bank and its Subsidiaries. The report includes aggregate credit exposure, credit metric forecasts, hold limit exceptions, VaR (Value at Risk), liquidity ratios and risk profile changes. Management assesses the fair value of the investments and the appropriateness of the allowance for credit losses periodically.

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(c) Risk mitigation -

As part of its overall risk management, the Bank and its Subsidiaries use derivatives and other instruments to manage exposures resulting from changes in interest rates, foreign currencies, equity risk and credit risk.

The risk profile is assessed before entering into hedge transactions, which are authorized by the appropriate level of seniority within the Bank and its Subsidiaries. The effectiveness of hedges is assessed by the Treasury Risk Area. The effectiveness of all the hedge relationships is monitored monthly. In situations of ineffectiveness, the Bank and its Subsidiaries enter into a new hedge relationship to mitigate risk on a continuous basis.

The Bank and its Subsidiaries actively use collateral to reduce its credit risks.

(d) Risk concentration -

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic, political or other conditions. Concentrations indicate the relative sensitivity of the Bank and its Subsidiaries performance to developments affecting a particular industry or geographical location.

In order to avoid excessive concentrations of risk, the Bank and its Subsidiaries policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

29.1 Credit risk -

- (a) The Bank and its Subsidiaries take on exposure to credit risk, which is the risk that counterparty causes a financial loss by failing to discharge an obligation. Credit risk is the most important risk for the Bank and its Subsidiaries business; therefore, Management carefully manages its exposure to credit risk. Credit exposures arise principally in lending activities that lead to loans and receivables from security borrowings, and investment activities that bring debt securities and other bills into the Bank and its Subsidiaries asset portfolio. There is also credit risk in off-balance sheet financial instruments, such as contingent credits (indirect loans), which expose the Bank and its Subsidiaries to similar risks to loans (direct loans); they are both mitigated by the same control processes and policies. Likewise, credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values.

The Bank and its Subsidiaries structure the levels of credit risk they undertake by placing limits on the amount of risk accepted in relation to one borrower or groups of borrowers, and to geographical and industry segments. Such risks are monitored on a revolving basis and subject to frequent reviews. Limits in the level of credit risk by product, industry sector and by geographic segment are approved by the Board of Directors.

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Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and principal repayment obligations and by changing these lending limits where appropriate. Some other specific control and mitigation measures are outlined below:

(i) Collateral

The Bank and its Subsidiaries use a range of policies and practices to mitigate credit risk. The most traditional of these is taking of collateral for loans granted. The Bank and its Subsidiaries implement guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The main types of collateral obtained are as follows:

- For repurchase agreements, collaterals are securities and cash.
- For loans and advances, collaterals include, among others, mortgages over residential properties; liens over business assets such as premises, inventory and accounts receivable; and liens over financial instruments such as debt securities and equities. Likewise, collaterals are used for longer-term finance and lending to corporate entities.
- Loans to micro entrepreneurs are generally unsecured. In addition, in order to minimize credit loss, the Bank and its subsidiaries seek additional collateral from the counterparty as soon as impairment indicators arise.

Collaterals are classified in self-liquidating preferred, highly liquid preferred and preferred in accordance with SBS Resolution No 11356-2008, see more detail in Note 3(g).

Collateral held as security for financial assets other than loans is determined by the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured, with the exception of assets back securities and similar instruments, which are secured by portfolios of financial instruments.

Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral obtained during its review of the adequacy of the allowance for impairment losses. It is a Bank and its Subsidiaries policy to dispose off repossessed properties in an orderly manner. The proceeds are used to reduce or repay the outstanding claim. In general, the Bank and its Subsidiaries do not use repossessed properties for its own business.

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Notes to the consolidated financial statements (continued)

(ii) Derivatives

The Bank and its Subsidiaries maintain strict control limits on net open derivative positions (for example, the difference between purchase and sale contracts), by both amount and term. The subject amount to credit risk is limited to the current fair value of instruments that are favorable to the Bank and its Subsidiaries (for example, an asset when fair value is positive), which in relation to derivatives is only a small fraction of the contract, or notional amount used to express the volume of instruments outstanding. This credit risk exposure is managed as part of the overall lending limits with customers, together with potential exposures from market movements. Collateral or other security is not usually obtained for credit risk exposures on these instruments.

Settlement risk arises in any situation where a payment in cash, securities or equity is made in the expectation of a corresponding receipt in cash, securities or equity. Daily settlement limits are established for each counterparty in order to cover the aggregate of all settlement risk arising from the Bank and its Subsidiaries market transactions on any single day.

(iii) Credit-related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit have the same credit risk as loans. Documentary and commercial letters of credit - which are written undertakings by the Bank and its Subsidiaries on behalf of a customer authorizing a third party to draw drafts on the Bank and its Subsidiaries up to a stipulated amount under specific terms and conditions - are collateralized by the underlying shipments of goods to which they relate and therefore have less risk than a direct loan. The Bank and its Subsidiaries have not mandatory commitments to extend credit.

In order to manage credit risk, as part of the Bank and its Subsidiaries risk management structure, see Note 29(a), there is a Credit Risk Management Department whose major functions are implementing methodologies and statistical models for measuring credit risk exposures, developing and applying methodologies for the calculation of risk-ratings, both at the corporate and business unit levels, performing analysis of credit concentrations, verifying that credit exposures are within the established limits and suggesting global risk exposures by economic sector, time term, among others.

At the same time, the Bank and its Subsidiaries has a Credit Division, which establishes the overall credit policies for each and all the businesses in which the Bank and its Subsidiaries decides to take part in Note 29(a)(iii).

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- (b) The maximum exposure to credit risk as of December 31, 2014 and 2013, before the effect of mitigation through any collateral, is the book value of each class of financial assets indicated in Note 28 and the contingent credits detailed in Note 18(a).

Management is confident in its ability to continue to control and sustain minimal exposure of credit risk to the Bank and its Subsidiaries resulting from both its loan portfolio and investments based on the following:

- 96.1 percent of the gross loan portfolio is categorized in the top two grades of the internal rating system as of December 31, 2014 (96.4 percent as of December 31, 2013);
 - 95.9 percent of the loan portfolio is considered neither past due nor impaired as of December 31, 2014 (96.2 percent as of December 31, 2013).
 - 83.7 percent of the investments have at least investment credit rating (BBB- or higher) or are debt securities issued by BCRP (unrated) as of December 31, 2014 (86.1 percent as of December 31, 2013);
 - 17.5 percent and 71.2 percent of the cash and due from banks represent amounts deposited in the Bank and its Subsidiaries or in the BCRP, respectively, as of December 31, 2014 (15.5 percent and 65.4 percent, respectively, as of December 31, 2013).
- (c) Credit risk management for loans -
- The Bank and its Subsidiaries classified their loan portfolio into one of five risk categories, depending upon the degree of risk of non-payment of each borrower. The categories used are: (i) normal - A, (ii) potential problems - B, (iii) substandard - C, (iv) doubtful - D and (v) loss - E, which have the following characteristics:

Normal (Class A): Non-retail borrowers are classified into this category, when their financial situation is liquid, their debt-to-equity ratio is low and their ability to generate benefits and cash flows allow to fulfill their obligations timely. On the other hand, retail and mortgage borrowers are included into this category when payments are current or up to 8 days past due and are current or up to 30 days past due.

Potential problems (Class B): Non-retail borrowers are classified into this category, when their financial situation is solid, their debt-to-equity ratio is moderate and their cash flows are sufficient to pay off notional and interest, however, such cash flows could fall off in the following twelve months. On the other hand, retail and mortgage borrowers are included into this category when payments are between 9 and 30 days past due and 31 and 60 days past due, respectively.

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Substandard (Class C): Non-retail borrowers are classified into this category, when their financial situation is weak and their cash flows do not allow to pay off neither notional nor interest and payments are between 60 and 120 days past due. On the other hand, retail and mortgage borrowers are included into this category when payments are between 31 and 60 days past due and 61 and 120 days past due, respectively.

Doubtful (Class D): Non-retail borrowers are classified into this category, when the financial situation does not allow them to pay off neither notional nor interest, their debt-to-equity ratio is high and they are forced to sell their significant assets or payments are between 120 and 365 days late. On the other hand, retail and mortgage borrowers are included into this category when payments are between 61 and 120 days past due and 121 and 365 days past due, respectively.

Loss (Class E): Non-retail borrowers are classified into this category, when the financial situation does not allow them to deal with refinancing agreements the entity is not in operation or is in liquidation or payments are more than 365 days past due. On the other hand, retail and mortgage borrowers are included into this category when payments are more than 120 days past due and more than 365 days past due, respectively.

Regarding the assessment of loan portfolios, the Bank and its Subsidiaries classified borrowers into the risk categories established by SBS and according to the classification criteria set out for each loan type, that is, for the borrowers belonging to the commercial, small and micro-business, consumer and mortgage portfolio. The classification of borrowers into their corresponding categories is determined by following the criteria set out by SBS Resolution No. 11356-2008 "Regulation for the evaluation and classification of the borrower and the requirement of provisions", Note 3(g).

When a loan is uncollectible, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary legal procedures have been completed and the write-off have been approved by the Board of Directors, in accordance with the SBS Resolution No. 11356-2008. Subsequent recoveries of amounts previously written off decrease the amount of the provision for loan impairment in the consolidated statements of income.

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The following is a summary of the direct loans classified in three major groups:

- (i) Loans neither past due nor impaired, comprising those direct loans having presently no delinquency characteristics ii) Impaired loans, comprising past due loans of clients classified as normal or with potential problems and iii) Impaired loans presented net of the provision for loan losses for each of the loan classifications:

	As of December 31, 2014					
	Commercial loans S/.(000)	Residential mortgage loans S/.(000)	Micro- business loans S/.(000)	Consumer loans S/.(000)	Total S/.(000)	%
Neither past due nor impaired -						
Normal	40,097,474	11,874,532	10,156,336	10,050,444	72,178,786	98
Potential problem	1,086,153	71,163	323,715	88,763	1,569,794	2
Past due but not impaired -						
Normal	68,865	313	-	-	69,178	-
Potential problem	48,022	64,518	10,539	8,171	131,250	-
Impaired -						
Substandard	171,472	115,151	251,835	196,255	734,713	1
Doubtful	255,274	150,814	323,782	324,670	1,054,540	1
Loss	296,722	221,703	511,304	189,857	1,219,586	2
Gross	<u>42,023,982</u>	<u>12,498,194</u>	<u>11,577,511</u>	<u>10,858,160</u>	<u>76,957,847</u>	<u>104</u>
Less: Allowance for loan losses	<u>1,100,194</u>	<u>362,950</u>	<u>1,210,454</u>	<u>662,135</u>	<u>3,335,733</u>	<u>4</u>
Total, net	<u>40,923,788</u>	<u>12,135,244</u>	<u>10,367,057</u>	<u>10,196,025</u>	<u>73,622,114</u>	<u>100</u>

As of December 31, 2014 and 2013, refinanced loans amounted to approximately S/647.8 million and S/359.6 million, respectively. As of December 31, 2014 and 2013, loans classified as neither past due nor impaired, S/167.6 and S/93.1 million past due but not impaired, and S/243.8 and S/143.8 million, respectively.

As of December 31, 2014 and 2013, past due but not impaired loans are between 30 and 60 days.

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The breakdown of the gross amount of impaired loans by class, along with the fair value of related collateral and the

	As of December 31, 2014				
	Commercial loans S/.(000)	Residential mortgage loans S/.(000)	Micro-business loans S/.(000)	Consumer loans S/.(000)	
Impaired loans	<u>723,469</u>	<u>487,667</u>	<u>1,086,921</u>	<u>710,782</u>	<u>3,0</u>
Fair value of collateral	<u>469,081</u>	<u>374,310</u>	<u>232,605</u>	<u>133,494</u>	<u>1,2</u>
Allowance for loan losses	<u>321,673</u>	<u>225,966</u>	<u>704,227</u>	<u>433,100</u>	<u>1,6</u>

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- (d) Credit risk management on investments in trading securities, available-for-sale and held-to-maturity -

The Bank and its Subsidiaries evaluates the credit risk identified of each of the financial instruments in these categories, considering the risk rating granted to them by a risk rating agency. For investments traded in Peru, the risk ratings used are those provided by the three most prestigious Peruvian rating agencies (authorized by the Peruvian government regulator) and for investments traded abroad, the risk-ratings used are those provided by the three most prestigious international rating agencies.

The following table shows the analysis of the risk-rating of investments at fair value through profit or loss (trading) available-for-sale and held-to-maturity, provided by the institutions referred to above:

	As of December 31, 2014		As of December 31, 2013	
	S/.(000)	%	S/.(000)	%
Instruments rated in Peru:				
AAA	269,652	2.3	322,986	2.6
AA- to AA+	152,877	1.3	156,260	1.3
A- to A+	13,317	0.1	4,339	-
BB- a BB+	-	-	2,467	-
Unrated				
BCRP certificates of deposit	4,607,895	39.3	6,297,209	50.9
Listed and non-listed securities	8,253	0.1	38,838	0.3
Mutual funds	29,257	0.2	53,451	0.4
Subtotal	5,081,251	43.3	6,875,550	55.5
Instruments rated abroad:				
AAA	-	-	17,082	0.1
AA- to AA+	2,888	-	57,525	0.5
A- to A+	3,024,815	25.9	244,499	2.0
BBB- to BBB+	1,737,698	14.8	3,547,300	28.7
BB- to BB+	22,632	0.2	53,223	0.4
B- a B+	44,475	0.4	37,731	0.3
Unrated				
Listed and non-listed securities	707,261	6.0	765,563	6.2
Central Bank of Bolivia				
certificates of deposit	453,857	3.9	365,376	3.0
Participation in RAL's funds	542,921	4.6	351,546	2.8
Mutual funds	49,578	0.4	36,462	0.3
Other instruments	55,696	0.5	28,171	0.2
Subtotal	6,641,821	56.7	5,504,478	44.5
Total	11,723,072	100.0	12,380,028	100.0

Notes to the consolidated financial statements (continued)

(e) Concentration of financial instruments exposed to credit risk:

As of December 31, 2014 and 2013, financial instruments with exposure to credit risk were distributed considering

	2014			
	Designated at fair value through profit for loss			
	Held for trading and hedging S/.(000)	At inception S/.(000)	Loans and receivables S/.(000)	Investments available-for- sale S/.(000)
Central Reserve Bank of Perú	1,556,221	-	17,876,889	3,064,610
Financial services	596,112	-	7,797,551	1,799,965
Manufacturing	10,041	-	12,935,554	70,601
Micro-business loans	-	-	4,533,523	-
Commerce	14,789	-	11,228,817	18,909
Electricity, gas and water	110,099	-	3,820,483	447,808
Government and public administration	267,671	-	33,369	1,608,637
Leaseholds and real estate activities	6,690	-	4,826,633	2,129
Communications, storage and transportation	60,999	-	3,436,470	4
Mining	19,108	-	2,408,915	72,136
Community services	-	-	3,251,400	-
Construction	34,855	-	1,545,655	989
Agriculture	7,267	-	1,456,189	1,323
Education, health and other services	10,433	-	991,562	-
Insurance	4,707	-	519,907	-
Fishing	3,312	-	289,300	-
Other	24,488	-	1,508,581	-
Sub - Total	2,726,792	-	78,460,798	7,087,111
Residential montage loans	-	-	11,507,804	-
Revolving and non-revolving loans	-	-	9,268,454	-
Total	2,726,792	-	99,237,056	7,087,111

Notes to the consolidated financial statements (continued)

As of December 31, 2014 and 2013, the financial instruments with exposure to credit risk were distributed by the f

	2014			
	Designated at fair value through profit or loss			
	Held for trading and hedging S/.(000)	At inception S/.(000)	Loans and receivables S/.(000)	Investments available-for-sale S/.(000)
Peru	2,053,106	-	92,047,722	4,359,851
Bolivia	2,432	-	3,867,316	1,120,219
United States of America	71,874	-	2,403,243	182,679
Chile	10,902	-	148,820	763,921
Panama	-	-	10,346	46,750
Colombia	38,713	-	100,476	234,427
Brazil	101,941	-	368,274	132,342
Canada	22,129	-	32,541	-
Mexico	-	-	3,203	58,873
Europe:				
United Kingdom	373,865	-	2,992	20,947
France	51,594	-	-	-
Spain	-	-	111,757	-
Switzerland	236	-	150	-
Holland	-	-	-	-
Other Europe	-	-	72,590	61,257
Other	-	-	67,626	105,845
Total	2,726,792	-	99,237,056	7,087,111

Notes to the consolidated financial statements (continued)

	2013				
	Designated at fair value through profit or loss				
	Held for trading and hedging S/.(000)	At inception S/.(000)	Loans and receivables S/.(000)	Investments available-for- sale S/.(000)	Invest to- S
Peru	1,302,889	-	76,244,320	7,678,603	
Bolivia	71	-	3,404,896	857,198	
United States of America	136,865	29,570	1,004,818	234,735	
Chile	7,940	-	34,146	852,841	
Panama	-	-	657,779	57,604	
Colombia	170	-	106,432	472,208	
Brazil	19,382	-	27,747	206,654	
Canada	6,279	-	28,535	-	
Mexico	22,077	-	17,491	47,862	
Europe:					
United Kingdom	149,727	-	1,453	-	
France	4,403	25,494	-	-	
Spain	-	-	8,240	-	
Switzerland	-	-	908	5,742	
Holland	-	-	118	-	
Other Europe	534	-	38,783	-	
Other	5,467	-	177,889	71,650	
Total	1,655,804	55,064	81,753,555	10,485,097	

Notes to the consolidated financial statements (continued)

29.2. Liquidity risk -

The Bank and its Subsidiaries are exposed to daily calls on, among others, their available cash resources from overnight deposits, current accounts, maturing deposits, loans draw-downs, guarantees and other calls. Likewise, the Management of the Bank and its Subsidiaries set limits on the minimum amount of high quality liquid assets to meet such calls and on the minimum level of inter-bank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demands.

The process used for matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Bank and its Subsidiaries. It is unusual for banks to be completely matched, as transacted business is often based on uncertain terms and of different types. An unmatched position potentially enhances profitability, but also increases the risk of losses.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature are important factors in assessing the liquidity of the Bank and its Subsidiaries and their exposure to changes in interest rates and exchange rates.

In the notes to the consolidated financial statements an analysis of the relevant liabilities of the Bank and its Subsidiaries based on contractual maturity are included.

Notes to the consolidated financial statements (continued)

The table below presents the cash flows payable by the Bank and its Subsidiaries by remaining contractual maturities (including the table are the contractual undiscounted cash flows:

	As of December 31, 2014				
	Up to a month S/.(000)	From 1 to 3 months S/.(000)	From 3 to 12 months S/.(000)	From 1 to 5 years S/.(000)	Over 5 years S/.(000)
Financial liabilities by type -					
Deposits and obligations and interbank funds	26,964,709	7,024,101	11,379,014	28,316,148	864,6
Payables from repurchase agreements	971,365	230,100	3,622,265	1,542,576	447,9
Due to banks, correspondents and other entities	639,023	1,729,680	3,845,680	4,463,720	2,256,0
Bonds and subordinated notes issued	74,132	159,558	664,672	6,040,154	9,973,4
Other liabilities	284,121	315,944	1,111,317	3,181	
Total liabilities	28,933,350	9,459,383	20,622,948	40,365,779	13,542,0
Derivatives financial liabilities (*) -					
Contractual amounts receivable (Inflow)	12,598	26,106	245,402	435,544	129,2
Contractual amounts payable (outflow)	13,464	27,850	251,141	436,903	127,2
Total derivatives	866	1,744	5,739	1,359	(1,9)

(*) Included derivatives contracts designated as hedge accounting.

The table below shows the contractual maturity of the Bank and its Subsidiaries contingent credits at the date of the conso

	As of December 31, 2014				
	Up to a month S/.(000)	From 1 to 3 months S/.(000)	From 3 to 12 months S/.(000)	From 1 to 5 years S/.(000)	Over 5 years S/.(000)
Contingent credits (indirect loans)	2,235,077	4,445,494	7,792,449	3,132,524	81,

The Banks and its Subsidiaries expect that not all of the contingent liabilities or commitments will be drawn before expiration

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29.3. Market risk -

The Bank and its Subsidiaries take on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices and

the level of volatility of prices such as interest rates, foreign exchange rates, commodities and equity prices; all of which are exposed to general and specific market movements. Due to the nature of the Bank and its Subsidiaries current activities, commodity price risk is not applicable.

The Bank and its Subsidiaries separate exposures to market risk into two groups: (i) those that arise from value fluctuation of trading portfolios due to movements of market rates or prices (Trading Book) and (ii) those that arise from changes in the structural positions of non-trading portfolios due to movements of the interest rates, prices and foreign exchange ratios (ALM Book).

Trading portfolio includes liquid positions arising from market-making transactions, in which the Bank and its Subsidiaries act as a principal with the clients or with the market. Portfolios which do not qualify as trading portfolios include: (a) relative illiquid positions, mainly deposits and loans, and (b) non-trading investments (available-for-sale).

The risks that trading portfolios and foreign exchange risk of the structured monetary position are managed through Value at Risk (VaR); while non-trading portfolios are managed using Asset and Liability Management (ALM).

(a) Trading Book -

The trading book is characterized for having liquid positions in equities, bonds, foreign currencies and derivatives, arising from market-making transactions where the Bank and its Subsidiaries act as a principal with the clients or with the market. This portfolio includes investments and derivatives classified by Management as held for trading.

(i) Value at Risk (VaR) -

The Bank and its Subsidiaries apply the VaR approach to their trading portfolio to estimate the market risk of positions held and the maximum losses that are expected, based upon a number of assumptions for various changes in market conditions, as well as it is applied to estimate the foreign exchange risk of the structured monetary position.

Daily calculation of VaR is a statistically-based estimate of the potential loss on the current portfolio from adverse market movements.

The VaR expresses the "maximum" amount the Bank and its Subsidiaries might lose, but only to a certain level of confidence (99 percent). There is therefore a specified statistical probability (1 percent) that actual loss could be greater than

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the VaR estimate. The VaR model assumes a certain "holding period" until positions can be closed (1 - 10 days).

The time horizon used to calculate VaR is one day; however, the one-day VaR is amplified to a 10-day time frame and calculated multiplying the one-day VaR times the square root of 10. This adjustment assumes that the changes in the portfolio in the following days have a normal distribution identical and independent. Thus, the result is multiplied by an adjustment factor of non-normality.

The assessment of past movements has been based on historical one-year data and 36 market risk factors, which are composed as follows: 16 market curves, 18 foreign exchange, 1 stock price and 1 volatility series. The Bank and its Subsidiaries apply these historical changes in rates directly to its current positions (a method known as historical simulation). Management believes that market risk factors incorporated into the VaR model are adequate to measure the market and foreign exchange risk of the trading book and the structured monetary position, respectively, are exposed.

The use of this approach does not prevent losses outside of these limits in the event of more significant market movements. Losses exceeding the VaR figure should occur, on average under normal market conditions, not more than once every hundred days.

VaR limits have been established to control and keep track of all the risks taken. These risks arise from the size of the positions and/or the volatility of the risk factors embedded in each financial instrument. Regular reports are prepared for the Treasury and ALM Risk Committee, the Risk Management Committee and Senior Management.

As of December 31, 2014 and 2013, the Bank and its Subsidiaries VaR by type of asset is as follows:

	2014 S/.(000)	2013 S/.(000)
Equity investments	1,184	9,450
Debt investments	5,219	6,846
Swaps	3,106	22,868
Forwards	19,606	10,049
Options	490	1,607
Structured monetary position	21,819	60,184
Diversification effect	(14,283)	(39,882)
Consolidated VaR by asset type	37,141	71,122

Translation of consolidated financial statements originally issued in Spanish - See Note 31

Notes to the consolidated financial statements (continued)

As of December 31, 2014 and 2013, the Bank and its Subsidiaries VaR by risk type is as follows:

	2014 S/.(000)	2013 S/.(000)
Interest rate risk	22,575	26,932
Price risk	1,184	9,450
Volatility risk	110	67
Exchange rate risk	37,788	65,447
Diversification effect	(24,516)	(30,774)
Consolidated VaR by risk type	37,141	71,122

(b) ALM Book -

Non-trading portfolios which comprise the ALM Book are exposed to different sensitivities that can bring about a deterioration in the value of the assets compared to its liabilities and hence to a reduction of its net worth.

(i) Interest rate risk -

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. Cash flows interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Bank and its Subsidiaries take on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flows risks. Interest margins may increase as a result of such changes but may also be reduced in the event that unexpected movements arise.

The Board of Directors sets limits on the level of mismatch of interest rate re-pricing that may be undertaken, which is monitored by the Bank and its Subsidiaries Chief Risk Office.

Re-pricing gap -

Gap analysis comprises aggregating re-pricing timeframes into buckets and checking if each bucket nets to zero. Different bucketing schemes might be used. An interest rate gap is simply a positive or negative net re-pricing timeframe for one of the buckets.

Notes to the consolidated financial statements (continued)

The table below summarizes the Bank and its Subsidiaries' exposure to interest rate risks. It includes the Bank and its Subsidiaries' exposure to interest rate risks categorized by the earlier of contractual re-pricing or maturity dates:

	Up to 1 month S/.(000)	1 to 3 months S/.(000)	3 to 12 months S/.(000)
Assets			
Cash, due from banks and interbank funds	15,962,579	954,399	1,076,399
Loans, net	9,301,995	12,619,512	17,800,399
Investments	1,446,846	1,124,719	2,312,399
Other assets	-	-	-
Total assets	<u>26,711,420</u>	<u>14,698,630</u>	<u>21,190,399</u>
Liabilities			
Deposits and obligations and interbank funds	22,214,447	6,319,490	11,385,399
Payables from repurchase agreements	1,233,116	815,315	3,618,399
Due to banks, correspondents and other entities	194,515	2,405,525	2,896,399
Bonds and subordinated notes issued	10,345	22,984	109,399
Other liabilities	-	-	-
Equity	-	-	-
Total liabilities and equity	<u>23,652,423</u>	<u>9,563,314</u>	<u>18,009,399</u>
Off-balance sheet items			
Derivatives assets	426,817	1,724,532	297,399
Derivatives liabilities	<u>1,356,238</u>	<u>3,835,727</u>	<u>2,381,399</u>
	<u>(929,421)</u>	<u>(2,111,195)</u>	<u>(2,084,399)</u>
Marginal gap	<u>2,129,576</u>	<u>3,024,121</u>	<u>1,097,399</u>
Accumulated gap	<u>2,129,576</u>	<u>5,153,697</u>	<u>6,251,399</u>

Notes to the consolidated financial statements (continued)

	Up to 1 month S/.(000)	1 to 3 months S/.(000)	3 to 12 months S/.(000)
Assets			
Cash, due from banks and interbank funds	15,053,072	275,831	143,
Loans, net	7,124,287	15,775,252	11,599,
Investments	1,982,354	2,078,016	3,590,
Other assets	-	-	-
Total assets	<u>24,159,713</u>	<u>18,129,099</u>	<u>15,333,</u>
Liabilities			
Deposits and obligations and interbank funds	20,762,106	4,166,632	22,500,
Payables from repurchase agreements	950,691	-	300,
Due to banks, correspondents and other entities	372,561	2,253,021	3,714,
Bonds and subordinated notes issued	253,551	20,727	252,
Other liabilities	-	-	-
Equity	-	-	-
Total liabilities and equity	<u>22,338,909</u>	<u>6,440,380</u>	<u>26,768,</u>
Off-balance sheet items			
Derivatives assets	498,085	1,893,908	755,
Derivatives liabilities	11,147	500,955	511,
	<u>486,938</u>	<u>1,392,953</u>	<u>244,</u>
Marginal gap	<u>2,307,742</u>	<u>13,081,672</u>	<u>(11,190,</u>
Accumulated gap	<u>2,307,742</u>	<u>15,389,414</u>	<u>4,199,</u>

Translation of consolidated financial statements originally issued in Spanish - See Note 31

Notes to the consolidated financial statements (continued)

Sensitivity to changes in interest rates -

The following table presents the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the Bank and its Subsidiaries consolidated statements of income and consolidated statements of comprehensive income; before income tax.

The sensitivity of the consolidated statements of income is the effect of the assumed changes in interest rates on the net financial income before income tax for one year, based on the floating rate of non-trading financial assets and financial liabilities held at December 31, 2014 and 2013, including the effect of derivatives instruments. The sensitivity in the consolidated statement of comprehensive income is calculated by revaluing interest rate from fixed income available-for-sale and held to maturity financial assets, before income tax, including the effect of any associated hedges, and derivatives instruments designated as cash flow hedges, as of December 31, 2014 and 2013 for the effects of the assumed changes in interest rates:

	As of December 31, 2014					
Currency	Changes in basis points		Sensitivity of net income S/.(000)		Sensitivity of comprehensive income S/.(000)	
U.S. Dollar	+/-	50	+/-	52,915	+/-	5,126
U.S. Dollar	+/-	75	+/-	79,372	+/-	7,688
U.S. Dollar	+/-	100	+/-	105,830	+/-	10,521
U.S. Dollar	+/-	150	+/-	158,745	+/-	15,377
Peruvian Currency	+/-	50	-/+	25,983	+/-	62,848
Peruvian Currency	+/-	75	-/+	38,974	+/-	94,271
Peruvian Currency	+/-	100	-/+	51,965	+/-	127,785
Peruvian Currency	+/-	150	-/+	77,948	+/-	191,678

	As of December 31, 2013					
Currency	Changes in basis points		Sensitivity of net income S/.(000)		Sensitivity of comprehensive income S/.(000)	
U.S. Dollar	+/-	50	+/-	50,489	+/-	34,940
U.S. Dollar	+/-	75	+/-	75,733	+/-	52,410
U.S. Dollar	+/-	100	+/-	100,978	+/-	69,880
U.S. Dollar	+/-	150	+/-	151,466	+/-	104,820
Peruvian Currency	+/-	50	+/-	2,950	+/-	36,768
Peruvian Currency	+/-	75	+/-	4,425	+/-	55,152
Peruvian Currency	+/-	100	+/-	5,900	+/-	74,128
Peruvian Currency	+/-	150	+/-	8,850	+/-	111,191

Translation of consolidated financial statements originally issued in Spanish - See Note 31

Notes to the consolidated financial statements (continued)

The interest rate sensitivities set out in the table above are illustrative only and are based on simplified scenarios. The figures represent the effect of the pro-forma movements in the net financial income based on the projected yield curve scenarios and the Bank and its Subsidiaries current interest rate risk profile. This effect, however, does not incorporate actions that would be taken by Management to mitigate the impact of this interest rate risk.

In addition, the Bank and its Subsidiaries seek proactively to change the interest rate risk profile to minimize losses and optimize net revenues. The projections above also assume that interest rate of all maturities move by the same amount and, therefore, do not reflect the potential impact on net financial income of some rates changing while others remain unchanged. The projections consider other simplifying assumptions too, including that all positions run to maturity.

Equity securities and mutual funds, classified as available-for-sale investments, are not considered as part of the investment securities for interest rate sensitivity calculation purposes; however, a 10, 25 and 30 percent of changes in market prices is conducted to these price-sensitivity securities and the effect on expected unrealized gain or loss in comprehensive income, before income tax, as of December 31, 2014 and 2013 is presented below:

Market price sensitivity	Changes in market prices %	2014 S/.(000)	2013 S/.(000)
Equity securities	+/-10	70,801	69,417
Equity securities	+/-25	177,003	173,543
Equity securities	+/-30	212,403	208,252
Mutual funds	+/-10	7,884	8,991
Mutual funds	+/-25	19,709	22,478
Mutual funds	+/-30	23,651	26,974

(ii) Foreign exchange risk -

The Bank and its Subsidiaries are exposed to foreign currency exchange rates on their financial position and cash flows. Management sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily.

The foreign currency transactions are made at the free market exchange rates.

Translation of consolidated financial statements originally issued in Spanish - See Note 31

Notes to the consolidated financial statements (continued)

As of December 31, 2014, the weighted average market exchange rate published by the SBS for transactions in U.S. Dollars was S/.2.981 for buying and S/.2.989 for selling (S/.2.794 for buying and S/.2.796 for selling, as of December 31, 2013). As of December 31, 2014, the exchange rate established by the SBS to record assets and liabilities in foreign currencies was S/.2.986 for each U.S. Dollar and S/.0.435278 for each Boliviano (S/.2.795 for each U.S. Dollar, S/.0.407436 for each Boliviano, as of December 31, 2013). As of December 31, 2014 and 2013, the Bank and its Subsidiaries assets and liabilities by currencies were as follows:

	2014		2013	
	U.S. Dollars US\$(000)	Other currencies US\$(000)	U.S. Dollars US\$(000)	Other currencies US\$(000)
Monetary assets -				
Cash, due from banks and interbank fund	6,842,635	210,566	5,540,456	215,397
Investments at fair value through profit or loss and available-for-sale, net	632,259	187,008	1,266,162	246,802
Investments held-to-maturity	174,681	708	144,334	-
Loans, net	10,308,523	1,136,788	10,198,375	888,735
Other assets	59,373	8,744	142,837	77,574
	<u>18,017,471</u>	<u>1,543,814</u>	<u>17,292,164</u>	<u>1,428,508</u>
Monetary liabilities -				
Deposits and obligations	(10,856,571)	(1,518,095)	(10,576,930)	(1,133,918)
Payables from repurchase agreements	(300,000)	-	(423,679)	-
Due to bank, correspondents and other entities	(2,572,077)	(10,497)	(2,410,637)	(121,066)
Bonds and subordinated notes issued	(3,548,647)	(10,405)	(3,335,013)	(10,309)
Other liabilities	(124,171)	(52,455)	(163,265)	(31,194)
	<u>(17,401,466)</u>	<u>(1,591,452)</u>	<u>(16,909,524)</u>	<u>(1,296,487)</u>
Net forward position overbought (oversold), Note 18(d)	(1,102,015)	(4,961)	588,046	3,568
Net currency swap position, Note 18(d)	694,972	-	97,694	(9,662)
Net cross currency and interest rates swap position, Note 18(d)	150,000	(8,511)	(26,298)	78,753
Foreign currency options, net	31,325	-	(109,757)	-
Net monetary position	<u>390,287</u>	<u>(61,110)</u>	<u>932,325</u>	<u>204,680</u>

Translation of consolidated financial statements originally issued in Spanish - See Note 31

Notes to the consolidated financial statements (continued)

As of December 31, 2014, the Bank and its Subsidiaries have contingents operations (indirect loans) in foreign currency for approximately US\$3,961.3 million, equivalent to approximately S/.11,828.6 million (approximately US\$3,242.6 million, equivalent to approximately S/.9,063.1 million, as of December 31, 2013), see Note 18.

The Bank and its Subsidiaries manage foreign exchange risk by monitoring and controlling the position values due to changes in exchange rates. The Bank and its Subsidiaries measure their performance in Peruvian currency, so if the net foreign exchange position (e.g. U.S. Dollar) is an asset, any depreciation of the Peruvian currency with respect to this currency would affect positively the Bank and its Subsidiaries consolidated statements of financial position. The current position in a foreign currency comprises exchange rate-linked assets and liabilities in that currency. An institution's open position in individual currencies comprises assets, liabilities and off-balance sheet items denominated in the respective foreign currency for which the institution itself bears the risk; any appreciation/depreciation of the foreign exchange would affect the consolidated statements of income.

The Bank and its Subsidiaries net foreign exchange balance is the sum of its positive open non-Peruvian currency positions (net long position) less the sum of its negative open non-Peruvian currency positions (net short position); and any devaluation/valuation of the foreign exchange position would affect the consolidated statements of income. A currency mismatch would leave the Bank and its Subsidiaries consolidated statements of financial position vulnerable to a fluctuation of the foreign currency (exchange rate shock).

The table below shows the sensitivity analysis of the U.S. Dollar, the currency to which the Bank and its Subsidiaries had significant exposure as of December 31, 2014 and 2013 on its non-trading monetary assets and liabilities and its forecast cash flows. The analysis calculates the effect of a reasonably possible movement of the currency rate against the Peruvian currency, with all other variables held constant on the consolidated statements of income, before income tax. A negative amount in the table reflects a potential net reduction in consolidated statements of income, while a positive amount reflects a net potential increase:

Translation of consolidated financial statements originally issued in Spanish - See Note 31

Notes to the consolidated financial statements (continued)

Sensitivity Analysis	Change in currency rates %	2014 S/.(000)	2013 S/.(000)
Devaluation -			
U.S. Dollar	5	(55,495)	(124,088)
U.S. Dollar	10	(105,945)	(236,895)
Revaluation -			
U.S. Dollar	5	61,337	137,150
U.S. Dollar	10	129,489	289,539

29.4. Fair values -

- (a) Financial instruments recorded at fair value and fair values hierarchy -

The following table analyses financial instruments measured at fair value at the reporting date, by the level in the fair value as of December 31, 2014 and 2013 hierarchy into which the fair value measurement is categorized. The amounts are based on the values recognized in the statement of financial position:

As of December 31, 2014	Note	Level 1 S/.(000)	Level 2 S/.(000)	Level 3 S/.(000)	Total S/.(000)
Financial assets					
Derivative financial instruments:					
Forward exchange contracts		-	110,840	-	110,840
Interest rate swaps		-	313,656	-	313,656
Cross currency swaps		-	34,309	-	34,309
Currency swaps		-	284,369	-	284,369
Options		-	15,320	-	15,320
	9(b)	-	758,494	-	758,494
Investments at fair value through profit or loss (trading)	5(a)	327,105	1,641,193	-	1,968,298
Investments available-for-sale:					
Debt securities					
BCRP Certificates of deposit		-	3,064,609	-	3,064,609
Corporate, leasing and subordinated bonds		847,691	461,513	-	1,309,204
Government's treasury bonds		398,631	189,243	-	587,874
Other instruments		10,548	1,328,030	-	1,338,578
Equity securities		702,642	5,369	-	708,011
Mutual funds		1,248	77,587	-	78,835
	5(a)	1,960,760	5,126,351	-	7,087,111
Total financial assets		2,287,865	7,526,038		9,813,903

Translation of consolidated financial statements originally issued in Spanish - See Note 31

Notes to the consolidated financial statements (continued)

As of December 31, 2014	Note	Level 1 S/.(000)	Level 2 S/.(000)	Level 3 S/.(000)	Total S/.(000)
Financial liabilities					
Derivative financial instruments:					
Forward exchange contracts		-	206,196	-	206,196
Interest rate swaps		-	56,032	-	56,032
Cross Currency Swaps		-	-	-	-
Currency swaps		-	274,648	-	274,648
Options		-	19,277	-	19,277
	9(b)	-	556,153	-	556,153
Bonds and subordinated notes issued	12(a)	-	7,349,760	-	7,349,760
Total financial liabilities		-	7,905,913	-	7,905,913
As of December 31, 2013					
	Note	Level 1 S/.(000)	Level 2 S/.(000)	Level 3 S/.(000)	Total S/.(000)
Financial assets					
Derivative financial instruments:					
Forward exchange contracts		-	165,305	-	165,305
Interest rate swaps		-	113,126	-	113,126
Cross currency swaps		-	66,847	-	66,847
Currency swaps		-	85,267	-	85,267
Options		-	7,304	-	7,304
	9(b)	-	437,849	-	437,849
Investments at fair value through profit or loss					
(trading)		506,725	711,230	-	1,217,955
Indexed certificates		-	55,064	-	55,064
Investments available-for-sale:					
Debt securities					
BCRP Certificates of deposit		-	5,324,385	-	5,324,385
Corporate, leasing and subordinated bonds		888,246	674,893	-	1,563,139
Government's treasury bonds		867,950	839,876	-	1,707,826
Other instruments		34,003	1,071,659	-	1,105,662
Equity securities		691,000	3,172	-	694,172
Mutual funds participations		-	89,913	-	89,913
	5(a)	2,481,199	8,003,898	-	10,485,097
Total financial assets		2,987,924	9,208,041	-	12,195,965

Translation of consolidated financial statements originally issued in Spanish - See Note 31

Notes to the consolidated financial statements (continued)

As of December 31, 2013	Note	Level 1 S/.(000)	Level 2 S/.(000)	Level 3 S/.(000)	Total S/.(000)
Financial liabilities					
Derivative financial instruments:					
Forward exchange contracts		-	117,607	-	117,607
Interest rate swaps		-	61,882	-	61,882
Currency swaps		-	5,887	-	5,887
Cross currency swaps		-	130,658	-	130,658
Options		-	24,321	-	24,321
	9(b)	-	340,355	-	340,355
Total financial liabilities		-	340,355	-	340,355

Financial instruments included in the Level 1 category are those that are measured on the basis of quotations obtained in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Financial instruments included in the Level 2 category are those that are measured on the basis of observed markets factors. This category includes instruments valued using: quoted prices for similar instruments, either in active or less active markets and other valuation techniques (models) where all significant inputs are directly or indirectly observable based on market data.

Following is a description of how fair value is determined for the main Bank and its Subsidiaries financial instruments where valuation techniques were used with inputs based on market data which incorporate the Bank and its Subsidiaries's estimates on the assumptions that market participants would use for measuring these financial instruments:

- Valuation of derivatives financial instruments
Interest rate swaps, currency swaps and forward exchange contracts are evaluated by using valuation techniques where inputs are based on market data. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs, including the credit quality of counterparties, foreign exchange, forward rates and interest rate curves. Options are valued using well-known, widely accepted valuation models.

Translation of consolidated financial statements originally issued in Spanish - See Note 31

Notes to the consolidated financial statements (continued)

- Valuation of debt securities available for sale
Valuation of BCRP certificates of deposit, corporate, leasing, subordinated bonds and Government's treasury bonds are estimated calculating their Net Present Values (NPV) through discounted cash flows, using appropriate and relevant zero coupon rate curves to discount cash flows in its respective currency and considering observable current market transactions. Other debt instruments are valued using valuation techniques based on assumptions supported by prices from observable current market transactions, obtained via pricing services. Nevertheless, when prices have not been determined in an active market, fair values are based on broker quotes and assets that are valued using models whereby the majority of assumptions are market observable.

Notes to the consolidated financial statements (continued)

(b) Financial instruments not measured at fair value -

Set out below is the disclosure of the comparison between the carrying amounts and fair values of the financial instruments by level of the fair value hierarchy:

	As of December 31, 2014			
	Level 1 S/.(000)	Level 2 S/.(000)	Level 3 S/.(000)	Fair value S/.(000)
Assets				
Cash and due from banks	-	24,788,760	-	24,788,760
Interbank funds	-	30,223	-	30,223
Investments held-to-maturity	2,662,164	-	-	2,662,164
Loans, net	-	74,117,331	-	74,117,331
Other assets	-	300,742	-	300,742
Total	<u>2,662,164</u>	<u>99,237,056</u>	<u>-</u>	<u>101,899,220</u>
Liabilities				
Deposits and obligations	-	72,749,718	-	72,749,718
Interbank funds	-	334,834	-	334,834
Payables from repurchase agreements	-	6,790,872	-	6,790,872
Due to banks, correspondents and other entities	-	12,948,229	-	12,948,229
Bonds and subordinated notes issued	-	5,738,412	-	5,738,412
Other liabilities	-	1,149,062	-	1,149,062
Total	<u>-</u>	<u>99,711,127</u>	<u>-</u>	<u>99,711,127</u>

The methodologies and assumptions used to determine fair values depend on the terms and risk characteristics of the financial instruments.

- (i) Assets for which fair values approximate their carrying value - For financial assets and financial liabilities that are measured at amortized cost, the carrying amounts approximate to their fair values. This assumption is also applied to demand deposits, savings accounts and time deposits.
- (ii) Financial instruments at fixed rate - The fair value of the financial liabilities at fixed rate and at amortized cost is determined by discounting the future cash flows at current market rates related to similar financial instruments. In the case of listed debt, the fair value is determined by the market price. For the remaining financial instruments, the discounted cash flow model is used based on a current interest rate yield curve appropriate for the remaining term of the instrument. Multiple Official Letter N°1575-2014, correspond to its book value.

Translation of consolidated financial statements originally issued in Spanish - See Note 31

Notes to the consolidated financial statements (continued)

30. Subsequent events

On February 12, 2015, the Edyficar's Board of Directors approved the project of merger between Edyficar and Solución which states that Solución will assume the assets and liabilities of Edyficar, as well as all rights, obligations and legal relationships of Edyficar; after the spin off process of this entity according to the spin off project between Edyficar and Mibanco approved by the board of Directors meeting of both entities held on November 27, 2014.

31. Explanation added for translation into English

The accompanying translated consolidated financial statements were originally issued in Spanish and are presented on the basis of accounting principles generally accepted in Peru for financial entities, as described in Note 3. Certain accounting practices applied by the Bank and its Subsidiaries that conform to generally accepted accounting principles in Peru for financial entities may not conform in a significant manner with generally accepted accounting principles applied in other countries. In the event of a discrepancy, the Spanish language version prevails.



(Free translation from the original in Spanish)

INDEPENDENT AUDITOR'S REPORT

To the shareholders
Banco de Crédito del Perú

February 24, 2016

We have audited the accompanying consolidated financial statements of **Banco de Crédito del Perú** (a subsidiary of **Credicorp Ltd.** incorporated in Bermuda) **and subsidiaries**, which comprise the consolidated statement of financial position as of December 31, 2015 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information included in notes 1 to 30.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

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 application in Peru by the Board of Deans of Institutes of Peruvian Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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 auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's 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.

Gaveglío Aparicio y Asociados Sociedad Civil de Responsabilidad Limitada.

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February 24, 2016
Banco de Crédito del Perú

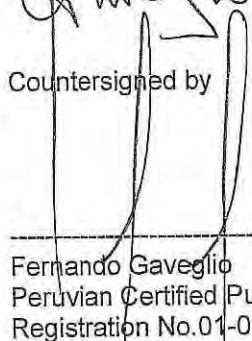
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Banco de Crédito del Perú and subsidiaries as of December 31, 2015 and their financial performance and their cash flows for the year then ended in accordance with Generally Accepted Accounting Principles in Peru applicable for Financial Institutions.

Other matter

The consolidated statement of financial position of Banco de Crédito del Perú and subsidiaries for the year ended December 31, 2014 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the years ended December 31, 2014 and 2013, were audited by another firm of independent auditors whose report, dated February 24, 2015 expressed an unqualified opinion on those financial statements. Our opinion is not qualified in respect of this matter.

Gavaglio Aparicio y Asociados
Countersigned by

(partner)
Fernando Gavaglio
Peruvian Certified Public Accountant
Registration No. 01-019847

(Free translation from the original in Spanish)

BANCO DE CREDITO DEL PERU AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2015 AND 2014**

	<u>Note</u>	<u>2015</u> <u>S/000</u>	<u>2014</u> <u>S/000</u>	
Assets				Liabilities and shareholders' equity
Cash and due from banks	4			Deposits and obligations
Cash and clearing		3,806,604	4,363,606	Interbank funds
Deposits in Peruvian Central Bank		13,953,844	14,003,756	Payables from repurchase agreements
Deposits in local and foreign banks		3,246,757	2,547,718	Due to banks, correspondents and other entities
Restricted funds		10,425,587	3,873,133	Bonds and subordinated notes issued
Accrued interest on cash		2,778	547	Other liabilities
		<u>31,435,570</u>	<u>24,788,760</u>	Total liabilities
Interbank funds		105,715	30,223	Shareholders' equity
Investments:				Attributable to Banco de Crédito del Perú equity holders
At fair value through profit or loss	5(a)	1,513,525	1,968,298	Capital stock
Available-for-sale	5(a)	8,642,331	7,087,111	Legal reserve
Held-to-maturity	5(b)	<u>3,585,392</u>	<u>2,667,663</u>	Special reserve
		13,741,248	11,723,072	Unrealized results
Loans, net	6	84,193,957	74,117,331	Retained earnings
Investments in associates		47,631	46,617	Non-controlling interest
Property, furniture and equipment, net	7	1,719,345	1,793,662	Total shareholders' equity
Goodwill	8	276,321	276,321	
Other assets, net	9	<u>3,983,652</u>	<u>2,874,519</u>	
Total assets		<u>135,503,439</u>	<u>115,650,505</u>	Total liabilities and shareholders' equity
Risks and Commitments	18	<u>42,205,033</u>	<u>34,915,262</u>	Risks and Commitments

The accompanying notes in pages 8 to 100 are an integral part of these consolidated financial statements.

(Free translation from the original in Spanish)

BANCO DE CREDITO DEL PERU AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013**

	Note	2015 S/000	2014 S/000	2013 S/000
Financial income and expenses				
Financial income	19	9,338,845	8,072,776	6,573,454
Financial expenses	19	(2,393,623)	(2,152,053)	(1,996,835)
Gross financial margin		6,945,222	5,920,723	4,576,619
Allowance for loan losses, net of recoveries	6(f)	(1,931,842)	(1,754,963)	(1,239,943)
		5,013,380	4,165,760	3,336,676
Net gain for exchange difference		17,516	245,406	155,072
Net financial margin		5,030,896	4,411,166	3,491,748
Non-financial income				
Banking services commissions, net	20	2,155,447	1,953,907	1,755,663
Net gain on sale of securities	21	415,760	63,221	(78,754)
Net gain on foreign exchange transactions		741,553	457,489	515,562
Other non-financial income	22	78,170	51,186	81,348
		3,390,930	2,525,803	2,273,819
Operating expenses				
Salaries and employees' benefits	23	(2,357,258)	(2,104,991)	(1,707,008)
General and administrative	24	(1,529,838)	(1,415,875)	(1,210,170)
Depreciation and amortization	7(a) y 9 (d)	(349,986)	(344,314)	(289,718)
Provision for seized assets		(1,661)	(4,404)	(7,325)
Taxes and contributions		(165,678)	(148,953)	(135,904)
Other operating expenses	22	(113,892)	(135,803)	(122,370)
		(4,518,313)	(4,154,340)	(3,472,495)
Income before income tax		3,903,513	2,782,629	2,293,072
Income tax	13 (b)	(1,096,151)	(875,540)	(650,638)
Net income from continuing operations		2,807,362	1,907,089	1,642,434
Net income from discontinued operations		-	-	6,865
Net Income		2,807,362	1,907,089	1,649,299
Attributable to:				
Shareholders' equity of Banco de Crédito del Perú		2,797,362	1,914,519	1,647,418
Non-controlling interest		10,000	(7,430)	1,881
		2,807,362	1,907,089	1,649,299
Basic and diluted earnings per share (in Peruvian Soles)		0.4796	0.3258	0.2817
Weighted average number of ordinary shares for basic	25	5,854,051	4,722,752	4,722,752

The accompanying notes in pages 8 to 100 are an integral part of these consolidated financial statements.

(Free translation from the original in Spanish)

BANCO DE CREDITO DEL PERU AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013**

	Note	2015 S/000	2014 S/000	2013 S/000
Net income for the year		2,807,362	1,907,089	1,649,299
Other comprehensive income				
Net gain (loss) on available-for-sale investments	14(e)	(234,402)	11,443	(125,041)
Net movement of cash flow hedges	14(e)	(2,180)	(3,439)	68,862
Exchange difference on translation of foreign operations	14(e)	95,007	1,006	52,357
Income tax	14(e)	(141,168)	5,114	31,039
Other comprehensive income for the year, net of income tax		<u>(282,743)</u>	<u>14,124</u>	<u>27,217</u>
Total comprehensive income for the year, net of income tax		<u>2,524,619</u>	<u>1,921,213</u>	<u>1,676,516</u>
Attributable to:				
Shareholders' equity of Banco de Crédito del Perú		2,515,592	1,927,912	1,674,323
Non-controlling interest		<u>9,027</u>	<u>(6,699)</u>	<u>2,193</u>
		<u>2,524,619</u>	<u>1,921,213</u>	<u>1,676,516</u>

The accompanying notes in pages 8 to 100 are an integral part of these consolidated financial statements.

(Free translation from the original in Spanish)

BANCO DE CREDITO DEL PERU AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013**

	Attributable to shareholders' equity of Banco de Crédito del Perú						
	Number of outstanding shares (in thousands of units)	Capital stock S/000	Legal reserve S/000	Special reserve S/000	Available-for- sale investments reserve S/000	Cash flow hedges reserve S/000	Translation results S/000
Balances as of January 1, 2013	3,102,897	3,102,897	1,086,014	1,108,814	397,419	(7,668)	(43,893)
Changes in shareholders' equity for 2013							
Net income	-	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	(78,573)	53,276	52,202
Total comprehensive income	-	-	-	-	(78,573)	53,276	52,202
Capitalization of income, Note 14(a)	649,720	649,720	-	-	-	-	-
Transfer to Legal Reserve, Note 14(b)	-	-	227,402	-	-	-	-
Dividend distribution, Note 14(f)	-	-	-	-	-	-	-
Subsidiary dividends	-	-	-	-	-	-	-
Transfer of Subsidiary - Correal	-	-	-	-	-	-	-
Balances as of December 31, 2013	3,752,617	3,752,617	1,313,416	1,108,814	318,846	45,608	8,309
Balances as of January 1, 2014	3,752,617	3,752,617	1,313,416	1,108,814	318,846	45,608	8,309
Changes in shareholders' equity for 2014							
Net income	-	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	16,648	(4,455)	1,200
Total comprehensive income	-	-	-	-	16,648	(4,455)	1,200
Capitalization of income, Note 14(a)	970,135	970,135	-	-	-	-	-
Transfer to Legal Reserve, Note 14(b)	-	-	339,547	-	-	-	-
Dividend distribution, Note 14(f)	-	-	-	-	-	-	-
Dividends of Subsidiaries	-	-	-	-	-	-	-
Acquisition of subsidiary - Mibanco, note 2a	-	-	-	-	-	-	-
Acquisition of non-controlling interest	-	-	-	-	-	-	-
Balances as of December 31, 2014	4,722,752	4,722,752	1,652,963	1,108,814	335,494	41,153	9,509
Balances as of January 1, 2015	4,722,752	4,722,752	1,652,963	1,108,814	335,494	41,153	9,509
Changes in shareholders' equity for 2015							
Net income	-	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	(379,434)	(223)	97,887
Total comprehensive income	-	-	-	-	(379,434)	(223)	97,887
Capitalization of income, Note 14(a)	1,131,299	1,131,299	-	-	-	-	-
Transfer to Legal Reserve, Note 14(b)	-	-	395,955	-	-	-	-
Dividend distribution, Note 14(f)	-	-	-	-	-	-	-
Dividends of Subsidiaries	-	-	-	-	-	-	-
Other	-	-	174	-	-	-	-
Balances as of December 31, 2015	5,854,051	5,854,051	2,049,092	1,108,814	(43,940)	40,930	107,396

The accompanying notes in pages 8 to 100 are an integral part of these consolidated financial statements.

(Free translation from the original in Spanish)

BANCO DE CREDITO DEL PERU AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013**

	Note	2015 S/000	2014 S/000	2013 S/000
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income for the year		2,807,362	1,907,089	1,642,434
Adjustments to reconcile net income to net cash provided by operating activities:				
Provision for loan losses	6(f)	2,149,710	1,951,651	1,374,668
Depreciation and amortization	7(a) y 9(c)	349,986	344,314	289,718
Deferred income tax	13(b)	(78,099)	(132,623)	(16,547)
Impairment		2,303	-	-
Provision for seized assets		1,661	4,404	7,325
Provision for uncollectable receivables	22	3,172	4,021	23,114
Loss (gain) from valuation of indexed certificate	22	-	2,671	5,353
Loss from share-based compensation plan	23	54,666	43,746	42,756
Net (gain) loss from sale of securities	21	(415,760)	(63,221)	78,754
Net gain from sale of seized assets	22	(4,590)	(1,550)	(9,905)
Net variation in assets and liabilities				
Net increase (decrease) in assets				
Loans		(8,288,587)	(14,037,339)	(7,806,837)
Investment at fair value with changes in profit or loss		454,773	(493,811)	(804,454)
Available-for-sale		(890,679)	3,592,483	868,936
Other assets		(7,656,274)	(1,254,032)	312,857
Net increase (decrease) of liabilities				
Deposits and obligations		6,536,607	5,955,738	4,103,103
Payables for repurchase agreements		5,778,313	718,052	649,910
Due to banks, correspondent and financial institutions and interbank funds		(2,752,763)	943,741	(550,604)
Bonds and notes issued		533,045	809,093	1,343,718
Other liabilities		1,481,565	1,212,406	329,255
Income tax paid		(790,366)	(656,807)	(492,384)
Net cash flows from operating activities		(723,955)	850,026	1,391,170
NET CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of Mibanco, net of received cash		-	773,405	-
Transfer of Correal		-	-	189,625
Income for the sale of property, furniture and equipment	7	35,684	918	953
Income for the sale of seized assets		-	1,147	11,898
Additions of property, furniture and equipment	7	(127,607)	(289,974)	(472,230)
Additions of intangibles	9(c)	(174,797)	(147,408)	(151,354)
Held-to-maturity investment		(1,139,532)	(1,960,221)	21,234
Net cash flows from investing activities		(1,406,252)	(1,622,133)	(399,874)
NET CASH FLOWS FROM FINANCING ACTIVITIES				
Collection of dividends, net of decrease of investment in associates		9,699	2,768	6,962
Dividends paid	14(f)	(387,265)	(337,736)	(620,579)
Bonds and subordinated notes issued		(551,010)	89,993	7,564
Acquisition of non-controlling interest		-	(162,181)	-
Net cash flows from financing activities		(928,576)	(407,166)	(606,053)
Net (decrease) increase in cash and cash equivalents before the effect of variations in exchange rate				
		(3,058,783)	(1,179,273)	385,243
Effect of variations in exchange rate of cash and cash equivalents		3,153,139	937,179	1,126,211
Cash and cash equivalents at the beginning of year		20,915,627	21,157,721	19,646,267
Cash and cash equivalents at the end of year		21,009,983	20,915,627	21,157,721
Additional information on cash flows				
Interest received		9,277,248	7,910,005	6,520,816
Interest paid		(2,351,255)	(2,104,626)	(1,941,232)
Non-cash flows transactions				
Repurchase agreements - BCRP	4	10,207,200	3,639,009	-
Others restricted funds	4	218,387	234,124	151,302

The accompanying notes in pages 8 to 100 are an integral part of these consolidated financial statements.

BANCO DE CREDITO DEL PERU AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2015 AND 2014

1 OPERATIONS

Banco de Crédito del Perú (hereinafter “the Bank” or “BCP”) is a corporation (“sociedad anónima”) incorporated in 1889, and is a subsidiary of Credicorp Ltd. (a holding incorporated in Bermuda in 1995), which as of December 31, 2015 owns directly and indirectly 97.68 per cent of its capital stock (97.66% as of December 31, 2014).

The Bank’s registered office is Calle Centenario No. 156, La Molina, Lima, Perú. As of December 31, 2015, the Bank had 460 branches and agencies in Peru and 2 branches abroad (437 branches and agencies in Peru and 2 branches abroad as of December 31, 2014).

The Bank, whose operations are governed by the “Ley General del Sistema Financiero y de Seguros y Orgánica de la Superintendencia de Banca, Seguros y AFP” (General Law of the Financial and Insurance Systems and Organic of the SBS - Law 26702), hereinafter the “Banking Law”, is authorized by the Superintendencia de Banca, Seguros y AFP - SBS (Peruvian Banking and Insurance Authority, hereinafter “SBS” for its Spanish acronym) to operate as a universal bank, in accordance with the prevailing Peruvian legislation.

The consolidated financial statements as of December 31, 2014 and for the year then ended were approved by the General Shareholders Meeting dated March 31, 2015 without modifications. The consolidated financial statements as of December 31, 2015 and for the year then ended were approved by the Audit Committee and Management on February 24, 2016, and will be submitted for their final approval by the Board of Directors and the General Shareholders’ Meeting within the period established by law. In Management’s opinion, the consolidated financial statements will be approved by the Board of Directors and the General Shareholders’ Meeting without modifications.

2 ACQUISITION AND SALE OF SUBSIDIARIES

a) Acquisition of Mibanco, Banco de la Microempresa S.A. -

On February 8, 2014, the Bank, through its subsidiary Empresa Financiera Edyficar S.A. (hereinafter “Edyficar”), signed an agreement with Grupo ACP Corp S.A.A. to acquire the 60.68 percent of Mibanco, Banco de la Microempresa S.A. (hereinafter “Mibanco”), a local banking entity oriented to micro and small entities sector, for approximately US\$179.5 million (equivalent to approximately S/504.8 million) in cash consideration. This acquisition was approved by means of SBS Resolution No. 1490-2014 dated March 7, 2014 and completed on March 20, 2014, effective date of the purchase and payment.

As a consequence of the above indicated, on April 2014, International Finance Corporation, a minority shareholder of Mibanco, executed a tag-along right, for which it sold to Edyficar 1.5 percent of the capital stock of Mibanco for approximately S/12.5 million, equivalent to US\$4.4 million; the same price per share paid by Grupo ACP Corp. S.A.A.

Also, in accordance with acquisition strategy and in compliance with the Peruvian stock exchange requirements, the Bank, through Edyficar, carried out the following additional acquisitions of the share capital of Mibanco, which were paid in cash:

- In July 2014 acquired 18.56 percent for approximately S/153.6 million.
- In September 2014 acquired 1.19 percent for approximately S/10.0 million.

Considering these acquisitions, as of December 31, 2014, Edyficar holds 81.93 percent of Mibanco. Additionally, on April 8, 2014 Grupo Crédito, a subsidiary of Credicorp Ltd., holds 5.0 percent of the capital stock of Mibanco for an amount of approximately S/41.6 million.

Considering these purchases at the date of acquisition, fair values of the identified assets and liabilities were as follows:

	<u>Carrying amount</u> S/000	<u>Fair value adjustment</u> S/000	<u>Fair value recognized in acquisition</u> S/000
Assets			
Cash and due from banks	1,290,673	-	1,290,673
Interbank funds	144,605	-	144,605
Investments	530,938	-	530,938
Loans, net	4,047,923	(204,000)	3,843,923
Property, furniture and equipment, net	118,437	26,086	144,523
Deferred income tax asset	36,575	75,732	112,307
Intangible assets, Note 9 (d):			
Brand name	-	170,700	170,700
Client relationships	-	84,200	84,200
Core deposits intangibles	-	21,100	21,100
Intangibles	28,769	(1,006)	27,763
Other assets	88,154	(1,864)	86,290
Liabilities			
Deposits, obligations and interbank funds	4,463,091	-	4,463,091
Due to banks, correspondent and financial institutions	730,939	11,675	742,614
Bonds	338,187	(11,231)	326,956
Deferred income tax liability	-	96,864	96,864
Provision for sundry risks	2,082	41,921	44,003
Other liabilities	90,591	(2,000)	88,591
Total identifiable net assets at fair value	<u>661,184</u>	<u>33,719</u>	<u>694,903</u>
Non-controlling interest at fair value			(309,115)
Goodwill arising on acquisition, Note 8 (a)			<u>131,480</u>
Total purchase consideration			<u>517,268</u>

The acquisition of Mibanco was recorded using the purchase method, in accordance with IFRS 3, "Business Combinations", applicable at the date of the transaction. Assets and liabilities were recorded at their estimated fair values at the acquisition dates, including the identified intangible assets unrecorded in Mibanco's statement of financial position.

Acquisition costs incurred for approximately S/1.0 million were included in the caption "General and administrative expenses" of the consolidated statements of income.

The Bank has elected to measure the non-controlling interests in Mibanco at fair value; which has been estimated by applying an international valuation technique (discounted cash flows). The fair value is based on the following significant inputs that are not observable in the market:

- An assumed discount rate of 13.8 percent.
- A terminal value, calculated based on long-term sustainable growth rates for the industry of 5.0 percent.
- A reinvestment ratio of 40.0 percent of earnings.

The fair values of identifiable intangible assets as of the acquisition dates were determined using the income approach, based on the present value of the profits attributable to the asset or costs avoided as a result of owning the asset. Under this approach, the fair value of the intangible assets are determined by discounted future cash flows using the return rates which considers the relative risk of achieving the cash flows and the time value of money.

The following methods based on the income approach were used by Bank's Management to estimate the fair values of identifiable intangible assets as of the acquisition dates:

- For core deposits intangible valuation, the "Cost savings" method was applied, which estimates the fair value of deposits acquired compared with the cost associated to these deposits, discounted to present value at a rate that reflects the opportunity cost of the Bank regarding the best financing alternative.
- For brand name valuation, the "Relief from Royalty" method was applied, which estimates the cash flows saved from owning the brand or relief from royalties that would be paid to the brand owner.
- For client relationship valuation, the "Multi-Period-Excess-Earnings-Method" was applied, which estimates residual cash flow derived from an intangible asset after deducting portions of the cash flow that can be attributed to supporting assets that contributed to the generation of the cash flow.

In management's opinion these methods are generally accepted for measurement of identifiable intangible assets in business combinations processes.

On March 2, 2015 a business combination between Mibanco and Edyficar's assets and liabilities was made effective. These transactions were entered into at the carrying amount of all assets and liabilities of Edyficar except for operating licenses, mortgages loans of Mivivienda and cash, which continued to be owned by Edyficar.

	<u>Merged Mibanco</u>	<u>Edyficar unmerged balances</u>
Assets		
Cash and interbank funds	1,558,540	21,037
Investments: At fair value through profit or loss	1,258,184	-
Investments: Available for Sale	241,423	-
Loans (net)	6,978,180	5,392
Property, furniture and equipment, net	185,510	-
Other assets	380,471	-
Total assets	<u>10,602,308</u>	<u>26,429</u>
Carried forward:	<u>10,602,308</u>	<u>26,429</u>

	Merged Mibanco	Edyficar unmerged balances
Brought forward:	<u>10,602,308</u>	<u>26,429</u>
Liabilities		
Deposits and obligations	5,599,574	-
Due to banks, correspondents and financial institutions	3,220,235	4,988
Bonds, and subordinated notes issued	446,874	-
Other liabilities	<u>175,398</u>	<u>8,133</u>
Total liabilities	<u>9,442,081</u>	<u>13,121</u>
Equity		
Capital stock	481,338	12,875
Additional capital	619,127	125
Reserves	79,176	-
Unrealized earnings	1,725	-
Retained earnings	(21,139)	<u>308</u>
Total equity	<u>1,160,227</u>	<u>13,308</u>
Total liabilities and equity	<u>10,602,308</u>	<u>26,429</u>

As of December 31, 2015, BCP holds a direct interest of 93.598 percent in the merged entity and holds 99.947 percent in the portion of the entity that was not merged of Edyficar,

b) Sale of BCI shares, capital reduction of Inversiones BCP and merger.-

On January 19, 2015 Inversiones BCP sold Credicorp Ltd. 100% of its capital stock in BCI at S/338.0 million.

At the extraordinary Board meeting of the subsidiary, the decision was made to distribute the preliminary dividends with a charge to profits for the current year for 72,919.9 million Chilean pesos, after withholdings amounting to 59,269.4 million Chilean pesos equivalent to S/303.4 million, which were cashed on June 18, 2015.

Subsequently, at the Extraordinary Shareholders' Meeting, hereinafter ESM, of BCP, held on July 1, 2015 the decision was made to distribute preliminary dividends with a charge to profits for the year for 6,500.0 million Chilean pesos, after withholdings amounted to 5,451.6 million equivalent to S/25.8 million. These dividends were paid out on August 24, 2015.

At the following ESM of the subsidiary held on July 15, 2015 in Santiago the decision was made to decrease the capital of Inversiones BCP amounting to 22,341,783,253 Chilean pesos from the approval of the balance sheet as of December 31, 2014. Capital stock divided by 1,000,000 shares would be decreased by 200 million pesos without reducing the number of shares currently outstanding.

This capital reduction by 22,341.8 million Chilean pesos was made effective on October 13 by a refunding to shareholders; BCP obtained S/106.1 million, which after withholdings totaled S/ 92.3 million.

Finally at the ESM of the subsidiary held on November 3, 2015 the decision was made to merge with BCP Emisiones Latam 1 S.A. by which the latter absorbs the assets and liabilities of Inversiones BCP.

3 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting principles and practices applied in the preparation of the Bank and its Subsidiaries' consolidated financial statements are set out below:

(a) Basis for presentation, use of estimates and accounting changes -

(i) Basis of presentation and use of estimates -

The accompanying consolidated financial statements have been prepared from the Bank and its Subsidiaries' accounting records, which are maintained in nominal Peruvian currency (Peruvian Soles), in accordance with SBS regulations and, supplementary, with International Financial Reporting Standards - IFRS approved by the Consejo Normativo de Contabilidad (Peruvian Accounting Council, hereinafter "CNC" for its Spanish acronym) in force in Peru as of December 31, 2015 and 2014, see paragraph (bb.i).

These accounting principles are consistent with those used in 2014.

The preparation of consolidated financial statements requires Management to make estimates that affect the reported amounts of assets, liabilities, revenue and expenses and the disclosure of significant events in the notes to the consolidated financial statements because actual results may differ from those projected using such estimates and assumptions.

Estimates are continually evaluated and are based on historical experience and other factors. The final results could differ from those estimates; however, management expects that the variations, if any, will not have a material impact on the consolidated financial statements. The most significant estimates comprised in the accompanying consolidated financial statements are related to the allowance for loan losses, the valuation of investments, impairment of goodwill evaluation, the valuation of derivative financial instruments and the share based payments; likewise, management performs other estimates such estimated useful life and the recoverable value of intangible assets, property, furniture and equipment and the deferred income tax assets and liabilities. The accounting criteria used for such estimates are described in this note.

Also, the consolidated financial statements of Subsidiaries and branch offices have been standardized to the accounting standards of the SBS.

(b) Consolidation -

The consolidated financial statements include the financial statements of the Bank and its Subsidiaries for all the years presented.

Subsidiaries are all entities over which the Bank has control, meaning the power to govern their financial and operating policies. This is generally evidenced by a shareholding of more than one half of the voting rights. Subsidiaries are consolidated from the date on which effective control is transferred to the Bank and are no longer consolidated from the date that control ceases.

All transactions, balances, gains and losses between the Bank and its Subsidiaries have been eliminated in the consolidation process.

(i) Transactions with non-controlling interest -

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

The consolidated financial statements include the financial statements of the Bank and its Subsidiaries in which it holds more than 50 percent, directly and indirectly. Below is the main data of the Bank and its Subsidiaries engaged in the process of consolidation as of December 31, 2015 and 2014, before eliminations made in such process:

Entity	Activity and country	Percentage of interest (direct and indirect)		Assets		Liabilities	
		2015 %	2014 %	2015 S/000	2014 S/000	2015 S/000	2014 S/000
Banco de Crédito del Perú	Banking, Peru	-	-	120,785,210	102,200,300	108,839,482	92,482,482
Mibanco, Banco de la Microempresa (a)	Financiera de Microcredits, Peru	93.60	-	10,807,757	-	9,624,326	-
Banco de Crédito de Bolivia y Subsidiarias	Banking, Bolivia	95.85	95.90	7,225,993	5,230,020	6,664,580	4,664,580
Financiera Edyficar S.A. y Subsidiarias (a)	Microcredits, Peru	99.95	99.90	32,650	5,210,448	12,253	4,210,448
Inversiones BCP S.A. (b)	Investments, Chile	-	99.90	-	628,508	-	-
Solución Empresa Administradora Hipotecaria S.A.	Mortgage loans, Peru	100.00	100.00	377,876	458,343	270,960	-
Inversiones Credicorp Bolivia S.A.,	Holding, Bolivia	95.84	95.89	39,676	25,316	1,675	-
BCP Emisiones Latam 1 S.A. (b)	Investments, Chile	84.93	-	3,553	-	7,115	-

- (a) From March 2, 2015, BCP holds a direct interest in Mibanco as a result of the merger between Mibanco and Banco de la Microempresa (See Note 2 a). As of December 31, 2014 Mibanco was a subsidiary of Financiera Edyficar and its company information of Financiera Edyficar S.A. and Subsidiaries. As of December 31, 2015 the balances shown are the assets left in that entity and that were related to Mivivienda mortgage loans.
- (b) As mentioned in the above Note 2 b), Inversiones BCP S.A. was liquidated and its assets and liabilities were transferred to BCP Emisiones Latam 1 S.A.; the effective date of this merger was November 12, 2015 and as a result of this exchange of

(c) Foreign currency -

Functional and presentation currency -

The Bank and its Subsidiaries consider Peruvian Sol as its functional and presentation currency, because it reflects the nature of economic events and relevant circumstances, since its main operations and/or transactions such as loans granted, obtained financing, financial income, financial expenses, and a significant percentage of purchases; are established and settled in Soles.

Banco de Crédito de Bolivia, Inversiones Credicorp Bolivia, BCP Emisiones Latam 1 S.A. and overseas branches have a functional currency different from Peruvian Sol, therefore their balances were translated to Peruvian Sol for consolidation purposes as follows:

- Assets and liabilities were translated to the free market exchange rate prevailing at the date of the consolidated statement of financial position.
- Income and expenses, were translated to the average exchange rates on a monthly basis.

All differences resulting from the translation were included in the caption "Translation results" of the consolidated statements of changes in shareholders' equity.

Transactions in foreign currency -

Assets and liabilities in foreign currencies are recorded at the exchange rate prevailing at the date the transactions are performed. Monetary assets and liabilities denominated in foreign currency are translated into Peruvian Sol at the closing of each corresponding month by using the exchange rate set by SBS; see Note 29.3(b)(ii). Gains or losses resulting from the translation of foreign currency monetary assets and liabilities at the exchange rates prevailing at the date of the consolidated statements of financial position are included in the caption "Net gain for exchange difference" of the consolidated statements of income.

(d) Discontinued operations -

Gain or loss related to discontinuing operations is presented separately in the caption "Net income from discontinued operations" in the consolidated statements of income. Also, cash flows from operating, investing and financing activities generated by discontinued operations have been excluded from the accompanying consolidated cash flows statements.

(e) Financial instruments -

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

As established under IAS 39 all financial assets and liabilities, including derivative financial instruments should be recognized in the Statement of changes in equity and measured as per classification.

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

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

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, for example the date that the Group commits to purchase or sell the asset. Derivatives are recognized on a trade date basis.

Financial assets and liabilities presented in the consolidated statements of financial position correspond to cash and due from banks, interbank funds, investments at fair value through profit or loss, available-for-sale and held-to-maturity, derivative financial instruments at fair value, loans, accounts receivable (presented in the caption "Other assets, net", Note 9(a)) and liabilities in general, except for the liabilities identified as non-financial instruments presented in the caption "Other liabilities", Note 9(a). In addition, all indirect loans are considered to be financial instruments. The specific accounting policies on recognition and measurement of these items are disclosed in the accounting policies described in this note.

(f) Recognition of revenue and expenses -

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

Interest income is suspended when collection of loans become doubtful, when loans are overdue more than 90 days or when the borrower or securities issuer defaults, if earlier than 90 days; such income is excluded from interest income until collected. Uncollected income on such loans is provisioned. When Management determines that the debtor's financial condition has improved, the recording of interest thereon is reestablished on an accrual basis.

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

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

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

(g) Loans and allowance for loan losses -

Direct loans are recorded when disbursement of funds to the client is made. Operations with credit cards are recorded as loans for the amount consumed and/or withdrawn. Indirect loans (contingent) are recorded when documents supporting such facilities are issued. Loans considered as refinanced are loans or direct financing whose original contractual terms and/or amounts have been modified due to difficulties in the payment capacity of the debtor. Loans considered as restructured are those subject to reprogramming of approved installments under a restructuring process in accordance to Law No 27809 - General Law of the Insolvency System.

Leasing operations are registered as financial leases, recording as loans the principal of the installments pending collection.

Financial revenues are based on a pattern that reflects a constant interest rate over the net loan.

As of December 31, 2015 and 2014, the allowance for loan losses was determined following guidelines established by SBS Resolutions N°11356-2008 "Regulation for the evaluation and classification of the debtor and the requirement of provisions" and N°6941-2008 "Regulation for Managing the Risk of

Retail Debtors with High Leverage Levels". In accordance to SBS Resolution N°11356-2008, the loan portfolio is separated in retail and non-retail borrowers, who could be individuals or legal entities. Retail borrowers have direct or indirect loans, classified as consumer (revolving and none revolving), micro-business, small business or mortgage loans. Non-retail borrowers have direct or indirect loans with corporate, large business or medium business loans.

In general, these guidelines includes the following three components: (i) the provision for loan losses which results from the classification of the loan portfolio, (ii) the pro-cyclical provision which was deactivated in November 2014 by SBS based on the behavior of local macro-economic variables, see Note 3(a)(ii.a), and (iii) the over-indebtedness provisions for retail borrowers, when applicable.

In this sense, Management periodically reviews and analyzes the loan portfolio, classifying it in the following categories: normal, potential problem, substandard, doubtful or loss, depending on the degree of risk of default of payment of each debtor.

For non-retail loans, the classification into one of each of the categories mentioned above considers, among others, the following factors: the payment history of the specific loan, the Bank's dealing history with the debtor's management, the debtor's: operating history, repayment capability and availability of funds, the status of any collateral or guarantee received, the analysis of the debtor's financial statements, the risk classification given by other financial institutions; plus other relevant factors. For retail loans, the classification is based, mainly, on how long payments are overdue.

As of December 31, 2015 and 2014, the allowance rate for indirect loans can be 0, 25, 50 and 100 percent, depending on the type of credit and is determined over the basis of a loan conversion factor.

The provision is computed considering the risk classifications assigned and using specific percentages, which vary depending on whether the loans are or not secured by self-liquidating preferred guarantees (mainly cash deposits and rights on credit certificates); highly liquid preferred guarantees (treasury bonds issued by the Peruvian Government, financial instruments of the Peruvian Central Bank - BCRP, debit instruments issued by governments and central banks traded on a stock exchange, among others) or preferred guarantees (primary pledge on financial instruments, machinery, property, agriculture products or mineral, insurance credit on exports, among others), considered at their net realizable value as determined by independent appraisers. Likewise, for credits subject to counterparty substitution by a financial or insurance entity (CAC), the provision requirement for the secured amount depends on the risk classification of the counterparty, regardless of the risk classification of the customer debtor.

The provisions for customers classified as doubtful or loss for more than 36 months or 24 months, respectively, is computed without considering the value of the guarantees.

For past due loans over 90 days, the expected loss is estimated and, if it is greater than the provision recorded, the Bank must record additional provisions.

The provision for loan losses on indirect loans based on the "Exposure equivalent to credit risk" is established accordingly to the credit conversion factor.

In the case of debtors operating in countries where there is a higher risk of difficulties in servicing external debt, an assessment of the political and economic situation is made, and an additional country risk allowance is recorded.

Pro-cyclical provisions was calculated for loans classified as normal and according to the percentages established by the SBS. However, as of December 31, 2015, pro-cyclical component of the provision was deactivated and at that date the Bank and its subsidiaries maintain pro-cyclical provision amounted to S/381.2 million, classified as voluntary general provisions, as established by the Circular Letter SBS N°2224-2014, see Note3(a)(ii.d).

The administration of risk of over-indebtedness of retail borrowers is required by SBS Resolution No. 6941-2008, issued on August 25, 2008, "Regulation for managing the risk of over-indebtedness of retail borrowers". This rule requires that financial entities establish an over-indebtedness risk management system that will enable them to reduce risk, prior to and after granting the loan; as well as constant monitoring of the loan portfolio to identify over-indebted debtors, in order to determine if additional provisions are required. For provisioning purposes, the financial entities that fail to comply with this rule to the satisfaction of the SBS, must calculate the exposure equivalent to the credit risk by applying a 20 percent factor to the unused amount of revolving credit lines for micro-business and consumer loans, and on the basis of said amount, compute the provision according to the debtor's classification.

In Management's opinion, as of December 31, 2015 and 2014, the Bank has complied with the requirements of SBS Resolution No. 6941-2008 so it was not necessary to record additional general provisions relating to the improper administration risk of debt distress.

The allowance for direct loans is presented as an asset deduction, while the allowance for indirect loans is presented as a liability; see Note 9(a).

(h) Derivative financial instruments -

Derivate financial instruments are recorded in accordance with accounting criteria established by SBS Resolution N° 1737-2006 "Regulation for Trading and Accounting of Derivatives for Financial Entities" and amendments, as explained below:

Trading -

Trading derivate financial instruments are initially recognized in the consolidated statements of financial position at fair value recognizing an asset or liability in the consolidated statements of financial position, and the related gains and losses arising from changes in fair values are recorded in the consolidated statements of income. Also, derivative transactions are recorded as risks and contingent commitments at their reference values in the committed currency, note 18(d).

Fair values are estimated based on the market exchange and interest rates.

Hedging -

A derivative financial instrument that seeks to achieve a financial hedge for a given risk is designated as for hedge purposes if, at its negotiation, it is foreseen that changes in fair value or cash flows are expected to be highly effective in offsetting the fair value or cash flow changes of the hedged item attributable to the hedged risk at inception, which must be documented when the financial derivative is negotiated and during the period that the hedge relation exists. A hedge is considered as highly effective if changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated are expected to offset in a range of 80 to 125 percent.

If the SBS considers the documentation to be unsatisfactory or finds weaknesses in the methodologies applied, it may require the immediate termination of the hedge relationship and the recording of the derivative financial instrument as trading.

For cash flow hedges, the effective portion of gain or loss over the hedge instrument is recognized directly in equity, in the caption "Unrealized gains (losses)" as a cash flow hedges reserve. The ineffective portion of gain or loss of the hedged instrument is recognized in the consolidated statements of income. When the cash flow hedge affects the consolidated statements of income, the gain or loss in the hedge instrument is recorded in the corresponding caption of the consolidated statements of income or when a forecast transaction occurs.

For fair value hedges, changes in fair value of the derivative are recognized in the consolidated statements of income. Changes in fair value of the hedged item attributed to the hedged risk are recorded as part of the balance of the hedged item and recognized in the consolidated statements of income.

If the hedge instrument expires, is sold, terminated or exercised, or when the hedge does not fulfill the hedging accounting criteria, the hedge relationship is prospectively terminated and the balance recorded in the consolidated statements of financial position is transferred to the consolidated statements of income during the term the hedged item is kept.

Following the SBS permission, certain derivative financial instruments maintained by the Bank and its Subsidiaries have been designated as hedging operations considering the functional currency of Credicorp Ltd., the U.S. Dollar, until December 31, 2013. From January 1, 2014 Credicorp Ltd. changed its functional currency to Peruvian Sol, see Note 9(b).

Embedded derivatives -

Certain derivatives embedded in other financial instruments (host contract) are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not carried at fair value through profit or loss. These embedded derivatives are separated from the host instrument and recognized at fair value in the consolidated statements of income, unless the Bank and its Subsidiaries choose to designate the hybrid contracts (host and embedded derivative) at fair value through profit and loss.

As of December 31, 2013, in accordance with SBS Resolution N°1737-2006, the Bank had Indexed Certificates to Credicorp Ltd. stock price that will be settled in cash, which were hybrid instruments with embedded derivatives that were not closely related to the risk of the host contract. In this regard, the Bank decided to classify these instruments at inception at fair value through profit and loss. Therefore, the separation of the embedded derivative was not required; see Note 9(c).

(i) Investments at fair value through profit or loss, (trading), available-for-sale and held-to-maturity -

As of December 31, 2015 and 2014, investment are valued in accordance with Resolution SBS N° 7033-2012.

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

- Investments at fair value through profit or loss - Initial recognition is at fair value, considering the transaction costs associated with such investments as expenses. Subsequent measurement is at fair value and any gain or loss arising from changes in the initial cost and subsequent fair value is recognized directly in the consolidated statements of income.
- Investments available-for-sale - Initial recognition is at fair value, including the transaction costs that are directly associated to their acquisition. Gains or losses originated by changes between the initial cost and fair value are recognized directly in equity, unless a permanent impairment in its value exists. When an instrument is realized or sold, the unrealized gains or losses previously recognized as part of equity are recognized in the consolidated statements of income.

In the case of debt securities, before their subsequent measurement at fair value, the amortized cost is updated applying the effective interest rate; considering this amortized cost, unrealized gains or losses due to changes in fair value are recognized.

- Investments held-to-maturity - Initial recognition is at fair value, including the transaction costs that are directly associated to their acquisition; subsequent measurement is at amortized cost, using the effective interest rate method.

Transactions are recorded at the date of negotiation, that is, the date of the assumption of the reciprocal obligations that must be complied with, within terms established by regulations and practices of the market on which the transaction is performed.

Interests are recognized using the effective interest rate, which includes both interest receivables and premium or discount amortization.

Gains or losses on exchange differences regarded to amortized cost of debt instruments affect the consolidated statements of income; gain or losses on exchange differences regarded to fair value valuation are recorded as part of the unrealized gains or losses in the consolidated equity.

Equity instruments are considered non-monetary items, therefore, the original cost in local currency is not modified, and the exchange difference is part of the valuation and is recognized as unrealized results in the consolidated equity.

The difference between the revenues received from the sale of an investments and their book value is recognized in the consolidated statements of income.

Impairment evaluation -

SBS Resolution No. 7033-2012 establishes a standard methodology for the identification of the impairment of financial instruments classified as available-for-sale and held-to-maturity. Said methodology comprises a two-filter analysis, as described below:

(i) First filter:

The following conditions on the entire portfolio of debt and equity investments are assessed quarterly:

- a) Significant decrease of fair value: In case the fair value at the date of the financial statements has decreased below 50 percent of the purchasing cost.
- b) Prolonged decrease of fair value: In case the monthly average fair value decreases consecutively during the last 12 months, and the cumulative fall of the fair value in said period is at least 20 percent.

The aforementioned assessment is performed in the original currency of the instrument in order to isolate the exchange rate difference.

(ii) Second filter:

For the instruments that passed the first filter, the following circumstances related to qualitative aspects of the issuer are assessed:

- a) Impairment of the financial position or financial ratios of the issuer or its economic group.
- b) Adverse conditions of the investment and the issuer. Adverse conditions include unfavorable changes in the economic, technological and market environment in which the investment or issuer operates.
- c) Downgrading of the risk classification as consequence of factors additional to the aforementioned.
- d) Interruption of the interest or capital payments due to financial difficulties of the issuer.
- e) Interruption of transactions or of an active market due to financial difficulties of the issuer.
- f) Forced renegotiation of the contractual conditions of the instrument due to legal or economic factors involving the issuer.
- g) Evidence that the issuer is to enter into a forced restructuring or bankruptcy process.
- h) Decrease in value due to legislation changes (taxes, regulatory or other governmental).
- i) The entity does not have both the intention and capacity to maintain the investment with losses up until the recovery of its value. In such case, it will be necessary to perform a forecast of the estimated time needed to recover the value and an assessment of the evidence that show, on the basis of historical information and the financial position of the entity, whether there is the intention and capacity to maintain the investment all through that period of time.

In accordance with what is established in said Resolution, if at least two of the analyzed factors are affirmative, then impairment exists. Once a loss due to impairment is recognized, the posterior assessments are performed over the book value of the instruments, net of the losses due to previously recognized impairment.

In the other hand, when the SBS considers it necessary to establish any additional provision for any type of investment, this provision shall be determined on the basis of each individual instrument, and must be recorded in the consolidated statements of income of the period in which the SBS requires such provision.

(j) Investments in associates -

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the entity, but is not control over those policies.

The considerations taken into consideration to determining significant influence are similar to those necessary to determine control over subsidiaries.

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

(k) Property, furniture and equipment and depreciation -

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

Work in progress and in transit units are accounted at their acquisition cost. These goods are not depreciated until they are received or finished and placed into service.

Land is not depreciated. Depreciation is computed on a straight-line basis over the following estimated useful lives:

	<u>Years</u>
Buildings and other constructions	33
Installations	10
Furniture and fixtures	10
Computer hardware	4
Equipment and vehicles	5

The residual value, the useful live assigned and the selected depreciation method is periodically reviewed to ensure that they are consistent with the economic benefit and useful live expectations of property, furniture and equipment items.

Gains and losses on disposals of property, furniture and equipment are stated in the statement of income within non-financial income from sale of fixed assets.

(l) Seized assets, assets received as payment and realizable assets -

Realizable assets include assets purchased specifically for granting them as part of financial leasing operations and are recorded initially at their acquisition cost; realizable assets not granted in leasing operations are recorded at cost or market value, the lower.

Received as payment and seized assets (which include assets from terminated financial leasing contracts) are initially recorded at the value assigned to them, through a legal proceeding, out-of-court settlement, market value or at the unpaid value of the debt, the lower. At the time of initial recognition, a provision equivalent to 20 percent of the above determined value must be recorded; for this purpose it is permitted to reclassify the allowance for loan losses that was originally provided for the related loan.

Thereafter, additional provisions should be recorded using the following guideline:

- Assets that are not real state - a uniform monthly provision in a term of twelve months, until providing for one hundred percent of the net seized or recovered value.
- Real estate - uniform monthly provisions over the net book value obtained at the twelfth month. In addition, SBS Resolution N°1535-2005 allows a term extension of six months, in such case; a uniform monthly provision must be made over the net book value obtained in the eighteenth month. On both situations, provisions must be made until providing for one hundred percent of the net book value in a term of three years and a half, starting the date monthly provisions began to be provided.

The annual update of the seized assets' fair value, determined by an independent appraiser, involves, if necessary, the recording of an impairment provision.

(m) Business combination -

Business combinations are accounted for using the acquisition method according to IFRS 3 "Business Combination". The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interest in the acquire. For each business combination, the Bank and its Subsidiaries elects whether to measure the non-controlling interest in the acquired business at fair value or at the proportionate share of the acquirer's identifiable net assets. Acquisition costs incurred are expensed and included in the caption "General and administrative" of the consolidated statements of income.

When the Bank acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquired business.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in the consolidated statements of income or as a change in the consolidated statements of comprehensive income. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

Acquisition of non-controlling interest is recorded directly in the consolidated statements of changes in shareholders' equity; the difference between the amount paid and the share of the net assets acquired is recorded as an equity transaction. Therefore, no additional goodwill is recorded upon purchase of non-controlling interest nor a gain or loss is recognized upon disposal of a non-controlling interest.

(n) Finite useful live intangible assets -

The intangible assets are included in the caption "Other assets, net" of the consolidated statements of financial position and are stated at historical acquisition cost less accumulated amortization and accumulated impairment losses, if applicable; see following paragraph (s). These assets are composed principally by acquisition and development of software used by the Bank and its Subsidiaries in their operations, which are recorded at cost; brand rights of use, which are recorded considering the related contract; as well as finite useful live intangible assets identified in the acquisition of Edyficar in 2009, which were recognized on the consolidated statements of financial position at their fair values determined at their acquisition date, corresponding to the brand name and customer relationship, see Note 9(d). Also, as part of the acquisition of Mibanco, the Bank and its Subsidiaries recognized brandname, client relationships and core deposits, see Note 2(a).

The Bank and its Subsidiaries' finite useful lives intangible assets are amortized using the straight-line method, based in their estimated useful lives (five years), see Note 9 (d).

(o) Indefinite useful live intangible assets - Goodwill -

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, then the gain is recognized in the consolidated statements of income.

The indefinite useful live assets, such as goodwill, registered before January 1, 2010, are amortized following regulations in force on the date of initial recognition, considering a period of no more than five years. Goodwill generated after January 1, 2010, after initial recognition, is measured its cost less any impairment loss. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (CGU) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquire are assigned to those units.

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

(p) Bonds and subordinated notes issued -

Includes the liabilities from the issuance of different types of bonds and subordinated notes, which are initially recorded at their fair value plus the incremental costs related to the transaction that are directly attributable to the instrument's issuance. Upon initial recognition, they are measured at their amortized cost applying the effective interest rate method. The amortized cost is calculated taking into account any issuance discount or premium, as well as the costs that are an integral part of the effective interest rate. Likewise, accrued interests are recognized in the consolidated statements of income in the "Interest on bonds and subordinated notes issued" caption of the "Financial expenses" account, according to the contractual terms.

(q) Income tax -

Current Income tax is calculated on the basis of taxable income determined for tax purposes, which is determined using principles that differ from accounting principles used by the Bank and its Subsidiaries.

Therefore, the Bank and its Subsidiaries record deferred income taxes, considering the guidelines of IAS12 - Income Tax. The deferred income tax reflects the effects of temporary differences between the carrying amounts of assets and liabilities for accounting purposes and the amounts determined for tax purposes. Deferred assets and liabilities are measured using the tax rates expected to be applied to taxable income in the years in which temporary differences are expected to be recovered or settled. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences which arise from the way in which the Bank and its Subsidiaries expect to recover or eliminate the carrying amount of its assets and liabilities at the consolidated statements of financial position dates.

The carrying amount of deferred tax assets and deferred tax liabilities may change even though there is no change in the amount of temporary differences, due to a change in the rate of income tax. The effect of the change in deferred tax, corresponding to the tax rate change shall be recognized in the consolidated statements of income, except for items previously recognized outside consolidated statements of income (either in other comprehensive income or directly in equity).

Deferred tax assets and liabilities are recognized without taking into consideration the time in which it is estimated that temporary differences will be written off. Deferred assets are recognized when sufficient future tax benefits are probable to exist for applying the deferred assets. As at the date of the consolidated statements of financial position, Management evaluates the non-recognized deferred assets and the balance of the recognized assets, recording deferred assets not previously recognized to the extent that probable future tax benefits will allow their recovery, or reducing the deferred assets to the extent that it is not likely that sufficient future tax benefits will be available to use part or all of the deferred assets previously recognized.

In accordance with IAS 12, the Bank and its Subsidiaries determines its deferred tax considering the tax rate applicable to its non-distributed earnings; any additional tax on dividends distribution is recorded on the date a liability is recognized.

(r) Share-based payment transactions -

The Bank and its Subsidiaries have two share-based payment plans.

The first share-based payment plan was granted until 2008 and consisted of rights/options granted in the form of stock appreciation rights (SARs) over a number of Credicorp Ltd. shares to certain executives who had at least one year of service. According to the conditions of the plan, a fixed settlement price of the rights/options was established at the grant date, allowing the executive to obtain as benefit the difference between the market price at the moment in which the rights/options are exercised and the agreed settlement price, Note 16. The related expense is recorded considering the accrued services at the date of the consolidated statements of financial position, multiplied by the difference between the estimated market price of the rights/options at the date of the consolidated statements of financial position and the agreed settlement price. As of December 31, 2014, this first plan has been settled in full, see Note 16.

The second share-based payment plan was implemented in 2009 to replace the plan explained above and consists on the granting of a number of Credicorp Ltd. shares. For that purpose, the Bank and its Subsidiaries purchase each year Credicorp Ltd. shares, which are legally given to the executives, although they vest in 3 years from the date of grant (March or April of each year).

The Bank is responsible for settling the transaction and the transaction is settled with equity instruments of Credicorp Ltd.; and it is recorded as if it were a cash-settled transaction.

The fair value of the shares and rights / options is estimated using a binomial method. The fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The liability is re-measured at each reporting date up to and including the settlement date, recognizing changes in fair value under "Compensation and benefits" in the consolidated statements of income.

When the price or terms of the plans change, the effect of the change is recognized in the consolidated statements of income.

(s) Impairment -

When changes or certain events indicate that the value of an asset may not be recovered, the Bank and its Subsidiaries review the value of property, furniture and equipment, goodwill and intangible assets (including brand name and client relationship) in order to verify if there is no permanent impairment in their values. When the book value of the asset exceeds its recoverable value, a loss for impairment is recognized in the consolidated statements of income for each caption mentioned above. The recoverable value is the highest between the net sale price and its value in use. The net sale price is the amount that can be obtained from the sale of an asset in a free market, while the value in use is the present value of the estimated future cash flows provided by the continuous use of an asset and its disposal at the end of its useful life. The recoverable amounts are estimated for each asset or, if not possible, for each cash generating unit.

(t) Fiduciary activities -

Assets and cash flows from fiduciary operations in which there is a commitment to return such assets and cash flows to a client and in which the Bank and its Subsidiaries participate as a fiduciary, have been excluded from these consolidated financial statements, because the Bank and its Subsidiaries are not owners of such assets and cash flows and they do not assume the risks and rewards that arise from their ownership. The commissions for these activities are included in the caption "Other non-financial income".

(u) Provisions -

Provisions are only recognized when the Bank and its Subsidiaries have a present (implicit or legal) obligation as a result of past events, it is probable that an outflow of resources will be required to settle such obligation, and the amount has been reliably estimated. Provisions are reviewed in each period and are adjusted to reflect their best estimate as of the consolidated statements of financial position date. When the effect of the time value of money is significant, the amount recorded as a provision is the present value of future payments required to settle the obligation.

(v) Contingencies -

Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed in notes to the consolidated financial statements, unless the possibility of an outflow of economic resources is remote.

Contingent assets are not recognized in the consolidated financial statements; however, they are disclosed when their contingency degree is probable.

(w) Earnings per share -

Basic and diluted earnings per share are calculated by dividing the net income by the weighted average number of shares outstanding at the consolidated balance sheets dates. Shares that are issued due to the capitalization of retained earnings are deemed to be stock splits; thus, for the computation of the weighted average number of shares; they are considered as if they had always been issued.

As of December 31, 2015 and 2014, the Bank and its Subsidiaries do not have financial instruments with dilutive effects; therefore, basic and diluted earnings per share are the same.

(x) Repurchase agreements -

Through SBS Resolution No. 5790-2014, which took effect since September 3, 2014, the SBS approved the new "Regulations for repo transactions applicable to financial entities " which replacement the "Regulation for repo transaction and repurchase agreements" approved by Resolution No. 1067-2005 SBS and its amendment.

The Resolution allows the development of sales operations with repurchase agreements, simultaneous sale and purchase of securities and operations of temporary transfer of securities; also establishes accounting treatment of such transactions.

The rules laid down in this Regulation are in accordance with the criteria in IAS 39 "Financial Instruments: Recognition and Measurement".

Securities sold under agreements to repurchase at a specified future date are not derecognized from the consolidated statements of financial position as the Bank and its Subsidiaries retains substantially all of the risks and rewards of ownership. The related cash received is recognized in the consolidated statements of financial position as an asset with a corresponding obligation to return it, including accrued interest as a liability in the caption "Payables from repurchase agreements", reflecting the transaction's economic substance as a loan to the Bank and its Subsidiaries. The difference between the sale and repurchase prices is recorded in the caption "Financial expenses" of the consolidated statements of income and is accrued over the life of agreement using the effective interest rate.

Conversely, securities purchased under agreements to resell at a specified future date are not recognized in the consolidated statements of financial position. The consideration paid, including accrued interest, is recorded in the consolidated statements of financial position, in the caption "Receivables from reverse repurchase agreements", reflecting the transaction's economic substance as a loan by the Bank and its Subsidiaries. The difference between the purchase and resale prices is recorded in the caption "Financial income" of the consolidated statements of income and is accrued over the life of the agreement using the effective interest rate.

If securities purchased under agreement to resell are subsequently sold to third parties, the obligation to return the securities is recorded as a short sale in the caption "Financial liabilities designated at fair value through profit or loss" of the consolidated statements of financial position, and measured at fair value, with any gains or losses included in the caption "Other non-financial income" of the consolidated statements of income".

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

(y) Purchase operation and repurchase agreement of foreign currency -

On April 4, 2014, the SBS issued the Multiple Official Letter No. 11479-2014, which established the accounting treatment for the initial recognition, subsequent recognition and settlement of purchase transactions and repurchase agreement of foreign currency held with the Peruvian Central Bank (here in after BCRP), under the regulation of Circular Letter No. 024-2009-BCRP or legislation replacing hereinafter.

In this transaction, the Bank receives cash in Peruvian Soles of BCRP that must return at maturity, whereby recognizes a liability in the caption "Payable for repurchase agreements" in the consolidated statement of financial position, including accrued interest computed according to the method of the effective interest rate. Simultaneously, the Bank provides cash in U.S. Dollars to BCRP; whose availability will be restricted until the maturity of the operation, so the Bank records an asset under "Restricted funds" in the consolidated statement of financial position.

The interest generated by the cash received and provided will be recorded in the captions "Financial expenses" and "Financial income", respectively, in the consolidated statements of income.

(z) Cash and cash equivalents -

Cash and cash equivalents presented in the consolidated statements of cash flows correspond to "Cash and due from banks" of the consolidated statements of financial position; which includes cash balances, excluding restricted funds.

(aa) International Financial Reporting Standards (IFRS) -

(aa.i) IFRS issued and in effect in Peru as of December 31, 2015 -

The CNC through Resolution N°059-2015-EF/30 issued on August 7, 2015 endorsed the application of the updated versions for 2015 of International Financial Reporting Standards (IAS, IFRS, IFRIC and SIC), as well as the financial reporting conceptual framework.

Additionally, the CNC, by means of Resolutions N°058-2015-EF/30 dated March 5, 2015, endorsed amendments to IAS 1 "Presentation of financial statements"; IFRS 7 "Financial instruments: disclosures"; IAS 34 "Interim financial information"; IFRS 10 "Consolidated financial statements"; IFRS 12 "Disclosure of interest in other entities" and IAS 28 "Investments in associates and joint ventures".

Their application is in effect from the day following the issuance of the CNC Resolution or after the effective date as stipulated in each specific standard.

Through Resolution N°914-2010, the SBS postponed the effective date for financial institutions of IFRS 8 "Operating Segments". No effective date has been defined by the SBS.

(aa.ii) IFRS issued but not yet effective as of December 31, 2015 -

No other standards have been issued in 2015 by the IASB that remain to be endorsed by the CNC.

Given that the standards detailed solely apply in a supplementary manner to the accounting regulation established by the SBS, they will not have any significant effect on the preparation of the accompanying consolidated financial statements, unless the SBS adopts them in the future through the modification of its Accounting Manual for Financial Entities or the issuance of specific rules thereon. The Bank and its Subsidiaries have not estimated the effect on its consolidated financial statements if such rules were adopted by the SBS.

4 CASH AND DUE FROM BANKS

Cash and due from banks are as follows:

Cash and cash equivalent:

Cash and cash equivalents shown in the consolidated statement of cash flows consist of "cash and deposits with banks" from the consolidated statements of financial position, which include deposits of less than three months, from the acquisition date and cash in hand, time deposits with the Peruvian Central Bank (BCRP), funds with BCRP and overnights, excluding restricted funds.

	<u>2015</u> <u>S/000</u>	<u>2014</u> <u>S/000</u>
Cash and clearing	3,806,604	4,363,606
Deposits with Peruvian Central Bank	13,953,844	14,003,756
Deposits with local and foreign banks	3,246,757	2,547,718
Accrued interest	<u>2,778</u>	<u>547</u>
Total cash and cash equivalents	21,009,983	20,915,627
Restricted funds	<u>10,425,587</u>	<u>3,873,133</u>
Total cash	<u>31,435,570</u>	<u>24,788,760</u>

Cash and clearing and deposits with Peruvian Central Bank

These balances consist of the mandatory reserve that the Bank and its Subsidiaries should keep to be able to honor its obligations with the public, which are within the limits established by current legislation. These reserves consist of the following:

	<u>2015</u> <u>S/000</u>	<u>2014</u> <u>S/000</u>
Mandatory reserve:		
Deposits with Peruvian Central Bank	12,783,871	13,562,168
Cash in vaults of Bank and Subsidiaries	<u>3,289,135</u>	<u>3,979,543</u>
Total mandatory reserve	<u>16,073,006</u>	<u>17,541,711</u>
Non-mandatory reserves:		
Ovenight deposits	1,169,973	441,588
Cash	<u>517,469</u>	<u>384,063</u>
Total non-mandatory reserve	<u>1,687,442</u>	<u>825,651</u>
Total	<u>17,760,448</u>	<u>18,367,362</u>

In 2015 BCRP issued circular No 002-2015-BCRP, by which, banks in Peru are allowed to use the cash and clearing balances and deposits with BCRP to secure repos contracts. Over 2015 the Bank used this mechanism and used effective maintained as deposits with the Peruvian Central Bank as a cash guarantee to secure repos contracts. As of December 31, 2015, the Bank reclassified mandatory reserve deposit balances for S/10,207.2 million to repos transactions (S/ 3,313.1 million as of December 31, 2014).

As of December 31, 2015, cash and deposits appropriated to mandatory reserves in local and foreign currency are subject to an implicit rate of 6.5 percent and 30.53 percent, respectively of the total balance of obligations subject to reserve, as required by the BCRP (9.50 percent and 42.86 percent, respectively, as of December 31, 2014).

Deposits with local and foreign banks -

Balances credited to local and foreign banks mainly consists of balances in soles and U.S. dollars; are cash in hand and earn interest at market rates. As of December 31, 2015 and 2014 the Bank and its Subsidiaries do not maintain significant deposits with any bank in particular.

Restricted funds -

Furthermore, the Bank and its Subsidiaries maintain restricted funds related to:

	<u>2015</u> <u>S/000</u>	<u>2014</u> <u>S/000</u>
Repurchase agreements with BCRP	10,080,794	3,639,009
Repurchase agreements with other entities	126,404	147,085
Derivative financial instruments	211,482	81,428
Other	6,907	5,611
Total	<u>10,425,587</u>	<u>3,873,133</u>

As of December 31, 2015, restricted funds comprise collaterals for US\$ 2,955.4 million, equivalent to S/ 10,080.8 million, securing repurchase agreements for S/ 9,463.8 million with BCRP (Note 5n) (USD 1,218.7 million, equivalent to S/ 3,639 million securing repurchase agreements for S/ 3,567 million with BCRP in 2014).

5 INVESTMENTS

(a) The investments at fair value through profit or loss and available-for-sale investments, are made up as follows:

	<u>2015</u>				<u>2014</u>
	<u>Unrealized gross amount</u>				<u>Unrealized gross amount</u>
	<u>Amortized</u>	<u>Gains</u>	<u>Losses</u>	<u>Estimated</u>	<u>Amortized</u>
	<u>cost</u>	<u>S/000</u>	<u>S/000</u>	<u>fair</u>	<u>cost</u>
	<u>S/000</u>			<u>value</u>	<u>S/000</u>
				<u>S/000</u>	
Investments at fair value through profit or loss (trading) - (i)	-	-	-	1,513,525	-
Investments available-for-sale					
BCR Certificate of deposits (ii)	4,601,110	727 (	8,252)	4,593,585	3,061,110
Corporate and leasing bonds (iii)	1,747,109	14,662 (	26,962)	1,734,809	1,290,109
Participation in RAL funds (iv)	694,915	-	-	694,915	541,915
Peruvian sovereign bonds (v)	711,634	-	(12,366)	699,268	399,634
Treasury notes from the Central Bank of Bolivia (vi)	156,548	534 (	6)	157,076	433,548
Foreign governments bonds (vii)	428,545	2,441 (	9,059)	421,927	98,545
Mutual funds participations	83,241	-	-	83,241	77,241
Trading certificates of deposit	88,403	162	-	88,565	53,403
Peruvian treasury bonds (v)	-	-	-	-	79,403
Listed equity securities - Credicorp Ltd.	81,975	-	-	81,975	79,975
Listed equity securities - Banco de Crédito e	-	-	-	-	-
Investments BCI Chile (viii)	4,243	1,289 (	504)	5,028	173,243
Securitized bonds	25,679	28 (	30)	25,677	218,679
Non-listed equity securities	81	83	-	164	5,081
Bonds of financial institutions	-	-	-	-	43,081
Peruvian Government treasury notes	-	-	-	-	10,081
Other	4,469	-	-	4,469	-
	<u>8,627,952</u>	<u>19,926</u>	<u>(57,179)</u>	<u>8,590,699</u>	<u>6,561,952</u>
Accrued interest				<u>51,632</u>	
Balance of available-for-sale investments				<u>8,642,331</u>	

- (i) As of December 31, 2015, the balance includes 14,346 BCRP certificates of deposit (securities issued at discount through public auctions of BCRP, negotiated in the Peruvian secondary market and settled in Peruvian Sol) amounting to S/1,412.5 million, trading certificates of deposit for S/85.2 million, foreign treasury bonds for S/11.6 million and equity securities listed in Lima Stock Exchange for S/5.0 million (BCRP certificates of deposit for S/1,543.3 million, Peruvian Government sovereign bonds for S/261.8 million, Brazilian, Colombian, Peruvian and Bolivian corporate bonds for S/154 million, equity securities mainly listed in Lima Stock Exchange for S/7.5 million and Bolivian treasury notes for S/1.7 million as of December 31, 2014). As of December 31, 2015 and 2014 balances of fair value investments include accrued interest.
- (ii) As of December 31, 2015, the Bank maintained 40,294 BCRP certificates of deposit (31,248 BCRP certificates of deposit as of December 31, 2014).
- (iii) As of December 31, 2015, the balance includes bonds issued by Peruvian, Colombian, American, Chilean, Brazilian, Mexican and Panamanian entities accounting for 47.2%, 22.2%, 9.7 %, 8.7%, 5.8%, 3.33% and 3.1% of total, respectively (46.4 %, 14.0 %, 13.6 %, 11.6 % and 10.3 % of total, respectively, as of December 31, 2014). As of December 31, 2015 and 2014, 80.65 % and 98.9 %, of such bonds, respectively, kept their "investment grade".
- (iv) As of December 31, 2015, the participation quotas in the fund "Requirement of Cash Assets" (RAL for its Spanish acronym), are denominated in Bolivianos and U.S. Dollars, and amounts approximately to Bolivianos 321 million, equivalent to S/160 million y US\$156.8 million, equivalent to S/535.1 million, respectively (approximately bolivianos 481.5 million, equivalent to S/209.6 million and US\$111.6 million, equivalent to S/333.3 million, respectively as of December 31, 2014). They comprise investments made by Banco de Crédito de Bolivia in the Central Bank of Bolivia as collateral for the deposits maintained with the public. RAL Fund has restrictions for its use and it is required for all banks operating in Bolivia.
- (v) Sovereign bonds are issued in Peruvian Sol and Peruvian treasury bonds correspond to global bonds issued in US dollars and Euros.
- (vi) As of December 31, 2015, it includes mainly treasury notes from the Central Bank of Bolivia, issued at discount in Bolivianos for an amount of Bolivianos 314,370 million, equivalent to S/157,076 million (mainly bolivianos 1,007.0 million, equivalent to S/447.2 million as of December 31, 2014).
- (vii) As of December 31, 2015, foreign government bonds correspond to US\$25.7 million, equivalent to S/87.8 million, issued by the Bolivian Government and US\$74.6 million, equivalent to S/254.3 million, issued by the Colombian Government (US\$18.4 million, equivalent to S/55.0 million, issued by the Colombian Government and US\$14.7 million, equivalent to S/44.0 million, issued by the Bolivian Government, as of December 31, 2014).

As of December 31, 2015, certain foreign governments bonds for a notional amount of S/219.2 million were hedged through CCS, for a notional amount with the same principal and maturity, see note 9(b), through such CCS, these bonds were economically converted to Peruvian Sol at fixed rate.

- (viii) As of December 31, 2014, it comprises 4,239,092 shares hold by Inversiones BCP S.A., a subsidiary of Banco de Crédito del Perú in Chile, accounting for 3.90%. In January 2015, these shares were sold to Credicorp Ltda. for US\$188.9 million, approx. (equivalent to S/644.3 million), generating a pre-tax profit of US\$130.7 million approx. (equivalent to S/ 445.8 million).

During 2014, due to the change in Credicorp's functional currency to Peruvian Sol, the Bank revoked these sovereign bonds cash flow hedges.

In this sense, the net unrealized gain arise from the fair value of CCS, previously recognized in the consolidated statements of changes in shareholders' equity, will be recognized in the consolidated statements of income, over the remaining term of the underlying asset (sovereign bonds).

As of December 31, 2015, the Bank maintained interest rate swaps (IRS), which were designated as fair value hedges of certain bonds issued at fixed rate in U.S. Dollars by the Peruvian Government, corporate entities and multilateral financial entities, for a notional amount of S/819.7 million (S/844.0 million as of December 31, 2014), see note 9(b); through such IRS, these bonds were economically converted to variable interest rate. It should be noted that in July 2015 the Bank redeemed the swap that was hedging the bond issued by Southern Copper Corp. for a nominal amount of S/31.8 million; subsequently, in November and December, the bonds issued by Central Eléctrica Brasileiras S.A. and those by the Peruvian government were redeemed for a nominal amount of S/26.6 million and S/80.7 million, respectively.

As of December 31, 2015 the Bank keeps currency swaps ("Cross Currency Swap" or "CCS"), which were designated as hedges of certain corporate bonds at a nominal amount of S/186.4 million and certain foreign government bonds for a total of S/219.2 million with similar principal and maturity, see note 9(b); by those CCS, bonds were economically converted into soles at a fixed rate (S/25.4 million were hedged with a CCS as of December 31, 2014).

As of December 31, 2015 and 2014 the maturities and the annual market rates of the investments available-for-

	Maturity		Annual interest rates					
			2015		US\$		Other curren	
	2015	2014	S/ Min	Max	Min	Max	Min	Max
			%	%	%	%	%	%
BCRP certificates of deposit	Jan-16/Apr-17	Jan -15 / Jun-16	3.14	4.85	0.27	0.32	-	-
Corporate and leasing bonds	Jan -17/Nov-29	Feb-15 / Nov-24	11.65	11.65	1.87	10.12	9.97	9
Peruvian sovereign bonds	Aug-17/Feb-18	Aug-17 / Feb-18	2.84	5.10	-	-	-	-
Treasury notes from the								
Central Bank of Bolivia	Feb-16/Apr-24	Jan -15 / Aug-16	-	-	2.00	4.78	0.50	1
Securitized bonds	-	Feb-20 / Nov-29	-	-	-	-	3.00	8
Peruvian treasury bonds	Ago-17 / Feb-18	Feb-15 / Dec-15	3.32	4.86	-	-	-	-
Foreign governments bonds	Jan -16/Apr-23	Jan -17 / Aug-23	-	-	2.50	6.25	9.52	10
Bonds of multilateral financial institutions	-	Apr-17	-	-	-	-	-	-
Certificates of deposit	Jan -16/Jun-26	Jan -15 / Aug-16	4.62	4.62	3.04	3.04	0.20	3
Peruvian treasury notes	-	Jan -15 / Dec-15	-	-	-	-	-	-

As of December 31, 2015 and 2014, Management has estimated the fair value of investments at fair value through available-for-sale using market price quotations available in the market or, if the price was not available, by discounting cash flows at an interest rate that reflects the risk classification of the financial instrument.

Management has determined that the unrealized losses of available-for-sale investments as of December 31, 2015 are of a temporary nature. The Bank and its Subsidiaries have decided and have the ability to maintain these investments for a period of time, anticipating a recovery in fair value, which can occur at their maturity in the case of debt instruments.

(b) Held-to-maturity investments -

As of the date of the consolidated statement of financial position, this item is made up as follows:

	<u>2015</u> <u>S/000</u>	<u>2014</u> <u>S/000</u>
Peruvian sovereign bonds	2,805,016	2,098,727
Foreign government bonds	314,247	288,023
Peruvian treasury bonds	248,668	226,192
Certificates of payment on work in progress (i)	<u>137,914</u>	<u>-</u>
	3,505,845	2,612,942
Accrued interest	<u>79,547</u>	<u>54,721</u>
Total	<u><u>3,585,392</u></u>	<u><u>2,667,663</u></u>

As of December 31, 2015, the fair value of held-to-maturity investments amounts to S/3,403,468 million, with maturities between January 2016 and February 2042. These investments bear interest at annual effective interest rates between 5.10 and 7.80 per cent for bonds issued in Peruvian Sol and between 1.82 and 6.51 per cent for bonds issued in US dollars (the estimated fair value of investments at the maturity date amounts to S/2,968.5, with maturities between August 2017 and February 2042. These investments bear interest at annual effective interest rates between 3.98 and 6.79 per cent for bonds issued in Peruvian Sol and between 2.01 and 3.33 per cent at an annual rate for bonds issued in US dollars as of December 31, 2014).

- (i) As of December 31, 2015, a total of 239 certificates of payment on work progress were obtained ("Reconocimiento Anual de Pago por Adelanto de Obra - CRPAO") issued by the Government of Peru to finance projects and concessions, this issuance is a mechanism set forth in the concession agreement signed by the Peruvian Government and the Concessionaire that allows the latter to obtain financing to continue with the committed work. Investment in CRPAOs amounted to S/137 million with maturities from January 2016 to April 2025, bearing interest at an annual effective rate ranging from 2.54 to 6.51 percent.

As of December 31, 2015 and 2014, the Bank's Management and its subsidiaries has determined that the unrealized losses on certain investments held maturity are temporary in nature. Therefore, at such dates, the Bank and its Subsidiaries have not recorded impairment loss.

As of December 31, 2015 and 2014 the Bank and its subsidiaries have repurchase agreements secured with: (i) investments, see note 5 (a) and (iii) held-to-maturity investment as detailed below:

	2015			2014		
	<u>Maturity</u>	<u>Book value</u> <u>S/000</u>	<u>Garanty</u>	<u>Maturity</u>	<u>Book</u> <u>S/000</u>	
Banco Central de Reserva del Perú, see note 4	May-16 / Feb-21	9,329,000	Cash	Feb-15 / Jun-16		
Banco Central de Reserva del Perú	Ene-16 / Mar-16	1,283,840	Available-for-sale investments	Abr-20 / Ene-20		
Commerzbank	Oct-15	-	Available-for-sale investments And cash	Oct-15		
Nomura International PLC, (*)	Mar-19 / Dic-19	511,650	Held-to-maturity investments and cash	Mar-19 / Dic-19		
Credit Suisse Perú	Ago-17	300,000	Held-to-maturity investments and cash	Ago-17		
Natixis	Ag-17 / Ago-20	500,000	Available-for-sale investments And held-to-maturity	Ago-17		
Nomura International PLC, (**)	Ago-20	272,880	Held-to-maturity investments and cash	Ago-20		
Nomura International PLC, (***)	Ago-20	238,770	Held-to-maturity investments	Ago-20		
Citibank	Ago-20	100,000				
Rendimientos		<u>160,545</u>				
		<u>12,696,685</u>				

As of December 31, 2015, the Bank maintained repurchase agreements for approximately S/12,697 guaranteed with cash for approximately S/10,207.2 (see Note 4) and securities (BCRP certificates of deposit, corporate bonds, bonds of multilateral financial institutions, sovereign bonds and global bonds) classified as investments available for sale and held to maturity for approximate value of US\$1,009.2 million, equivalent to S/3,442.4 million (repurchase agreements ascending to S/6,479.7 million guaranteed with cash for approximately S/3,460.2 million and securities (BCRP certificates of deposit, corporate bonds, bonds of multilateral financial institutions, sovereign bonds and global bonds) classified as investments available for sale and held to maturity for a fair value of US\$1,204.5 million, equivalent to S/3,596.4 million, as of December 31, 2014). These transactions accrued interest at a fixed rate between 3 y 7.2 percent and at variable rate between Libor 3M+0.35 percent and Libor L3M + 0.85 percent, respectively, as of December 31, 2015 (between 3.51 per cent and 4.70 percent and between Libor 3M+0.35 percent and Libor 6M+1.70 percent, respectively, as of December 31, 2014).

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

- (*) As of December 31, 2015, the Bank maintained repurchase agreements in U.S. dollars at a variable rate for a notional amount of US\$150 million, equivalent to S/511.7 million (US\$150.0 million, equivalent to S/447.9 million, as of December 31, 2014). By these IRS, these repurchase agreements were economically converted to fixed interest rate, see note 9(b).
- (**) As of December 31, 2015 the Bank maintained repurchase agreements in U.S. dollars at a variable rate for a notional amount of US\$80 million, equivalent to S/272.9 million; these repurchase agreements were secured with IRS, which were designated as cash flow hedges and converted those U.S. dollar repurchase agreements into a fixed interest rate.
- (***) As of December 31, 2015 Bank signed one CCS, which was designated as cash flow hedges of certain U.S. dollar repurchase agreements at a fixed interest rate for a nominal amount of US\$70 million, equivalent to S/238.8 million. Through these CCS these repurchase agreements were economically converted to Peruvian Sol at a fixed rate, see note 9(b).
- (c) The balance of investments at fair value through profit or loss (trading), available-for-sale and held-to-maturity as of December 31, 2015 and 2014, classified by contractual maturity, (accrued interest is not considered) consists of the following:

	<u>2015</u> <u>S/000</u>	<u>2014</u> <u>S/000</u>
Up to 3 months	3,497,933	914,989
From 3 months to 1 year	2,464,169	3,742,353
From 1 to 3 years	2,628,615	2,009,046
From 3 to 5 years	1,865,061	839,435
More than 5 years	2,284,873	2,790,722
Without maturity	869,071	1,337,271
Total	<u>13,609,722</u>	<u>11,633,816</u>

6 LOAN PORTFOLIO, NET

(a) As of December 31, 2015 and 2014 this item includes the following:

	<u>2015</u> <u>S/000</u>	<u>2014</u> <u>S/000</u>
Direct loans		
Loans	35,969,319	27,327,254
Mortgage loans	12,919,489	12,269,652
Leases	9,574,960	9,318,870
Small and micro-business	8,032,717	7,716,256
Credit cards	6,954,298	6,368,740
Consumer loans	4,331,089	5,286,425
Foreign trade loans	3,536,267	2,794,945
Discounted notes	1,794,928	1,661,592
Factoring receivables	1,261,517	1,002,891
Overdrafts and advances on checking accounts	71,828	555,624
Refinanced loans	<u>769,308</u>	<u>647,803</u>
Total loans to fall due	85,215,720	74,950,052
Past due loans and under court collection	<u>2,309,413</u>	<u>2,007,795</u>
Total gross loans	87,525,133	76,957,847
Add (less)		
Accrued interest from performing loans	717,503	620,836
Deferred interest on discounted notes	(202,612)	(125,619)
Allowance for loan losses (f)	(3,846,067)	(3,335,733)
Total direct loans	<u>84,193,957</u>	<u>74,117,331</u>
Indirect loans, note 18(a)	<u>19,251,619</u>	<u>17,687,024</u>

(b) As of December 31, 2015 and 2014 the 51 percent of the direct and indirect loan portfolio corresponded to approximately 292 and 330 clients, respectively.

(c) As of December 31, 2015 and 2014 the distribution of the loan portfolio by segments, according to Resolutions SBS N°11356-2008, Note 3(g), is as follows:

	<u>2015</u> <u>S/000</u>	<u>2014</u> <u>S/000</u>
Non-retail loans		
Corporate	22,226,318	17,673,358
Large-business	13,793,260	13,074,448
Medium-business	<u>12,982,453</u>	<u>11,276,176</u>
Sub total	49,002,031	42,023,982
Retail loans		
Mortgage	13,255,466	12,498,194
Revolving and non-revolving consumer loans	13,588,101	10,858,160
Small-business	8,874,683	8,582,858
Micro-business	<u>2,804,852</u>	<u>2,994,653</u>
Sub total	<u>38,523,102</u>	<u>34,933,865</u>
Total	<u>87,525,133</u>	<u>76,957,847</u>

(d) According to SBS regulations, as of December 31, 2015 and 2014 the Bank and its Subsidiaries loan portfolio credit risk

Risk category	2015						2014					
	Direct loans		Indirect loans		Total		Direct loans		Indirect			
	S/000	%	S/000	%	S/000	%	S/000	%	S/000	%	S/000	%
Normal	81,613,536	93.3	18,379,178	95.5	99,992,714	93.6	72,247,964	93.9	17,010,444	93.9	89,258,408	97.8
Potential problems	2,268,231	2.6	788,831	4.1	3,057,062	2.9	1,701,044	2.2	1,054,540	2.2	2,755,584	3.0
Substandard	864,936	1.0	66,355	0.3	931,291	0.9	734,713	1.0	1,054,540	1.4	1,789,253	1.9
Doubtful	1,252,319	1.4	9,875	0.1	1,262,194	1.2	1,054,540	1.4	1,054,540	1.4	1,054,540	1.4
Loss	1,526,111	1.7	7,380	0.0	1,533,491	1.4	1,219,586	1.5	1,219,586	1.5	1,219,586	1.3
	<u>87,525,133</u>	<u>100.0</u>	<u>19,251,619</u>	<u>100.0</u>	<u>106,776,752</u>	<u>100.0</u>	<u>76,957,847</u>	<u>100.0</u>	<u>19,251,619</u>	<u>100.0</u>	<u>96,209,466</u>	<u>100.0</u>

- (e) As of December 31, 2015 and 2014, financial entities in Peru must constitute their allowance for loan losses based on the risk classification indicated in paragraph (d) and using the percentages indicated on Resolution SBS N°11356-2008, as follows:

- (i) For loans classified as "Normal":

<u>Loan type</u>	<u>Fixed rate</u> %	<u>Pro-cyclical components (*)</u> %
Corporate	0.70	0.40
Large-business	0.70	0.45
Mortgage	0.70	0.40
Medium-business	1.00	0.30
Small-business	1.00	0.50
Revolving consumer	1.00	1.50
Non-revolving consumer	1.00	1.00
Micro-business	1.00	0.50

(*) During 2014, the pro-cyclical rule was deactivated for the determination of the allowance for loan losses.

- (ii) For loans classified as "Potential problems", "Substandard", "Doubtful" and "Loss"; depending if the loans are: Loans Without Guarantees (LWG), Loans With Preferred Guarantees (LWPG) or Loans With Readily Preferred Guarantees (LWRPG) or Loans with Highly Liquid Preferred Guarantees (LWHLPG):

<u>Risk category</u>	<u>CSG</u> %	<u>CGP</u> %	<u>CGPMRR</u> %	<u>CGPA</u> %
Potential problems	5.00	2.50	1.25	1.00
Substandard	25.00	12.50	6.25	1.00
Doubtful	60.00	30.00	15.00	1.00
Loss	100.00	60.00	30.00	1.00

For loans subject to substitution of credit counterparty, Note 3(g), the allowance requirement depends on the classification of the respective counterparty, for the amount covered, regardless of the debtor credit risk classification, using the percentages indicated above.

- (f) The movement of the allowance for loan losses (direct and indirect loans) is shown below:

	<u>2015</u> <u>S/000</u>	<u>2014</u> <u>S/000</u>
Balance as of January 1	3,465,419	2,397,784
Provision, net of recoveries	1,931,842	1,754,963
Recoveries of written-off loans	217,868	196,688
Loan portfolio written-off	(1,551,458)	(1,450,773)
Exchange difference and other	45,717	2,481
Addition from acquisition of Mibanco, see note 2	-	564,276
Balance as of December 31 (*)	<u>4,109,388</u>	<u>3,465,419</u>
Indirect loans (Note 9)	(263,321)	(129,686)
Total direct loans (a)	<u>3,846,067</u>	<u>3,335,733</u>

- (*) The allowance for loan losses includes the allowance for indirect loans for approximately S/263 million and S/129.7 million as of December 31, 2015 and 2014 respectively shown within "Other liabilities" in the consolidated statement of financial position, note 9(a).

In Management's opinion of the Bank and its subsidiaries, the allowance for loan losses recorded as of December 31, 2015 and 2014, has been determined in accordance with SBS regulations in force as of those dates, Note 3(g).

- (g) A portion of the loan portfolio is secured by guarantees received from clients, which are principally conformed by mortgages, stand-by letters, financial instruments, and industrial and commercial pledges.
- (h) Interests accrued on the loan portfolio are determined considering the current interest rates prevailing in the markets where the Bank and its Subsidiaries operate.

Interests, commissions and expenses over loans or installments which are past due, refinanced, under legal collection, or classified in the "Doubtful" or "Loss" categories, are recorded in the consolidated statements of income at when they are effectively collected. The amounts which were not recognized as income amounted to S/502.4 million and S/413.0 million as of December 31, 2015 and 2014, respectively.

- (i) As of December 31, 2015 and 2014 the direct gross loan portfolio classified by maturity, based on the remaining period to repayment date is as follows:

	<u>2015</u> <u>S/000</u>	<u>2014</u> <u>S/000</u>
Outstanding loans:		
Up to 1 month	6,448,886	6,985,722
From 1 to 3 months	10,139,854	8,888,136
From 3 months to 1 year	12,449,898	16,751,967
From 1 to 3 years	18,011,318	17,646,175
From 3 to 5 years	8,735,285	9,496,746
More than 5 years	<u>29,431,271</u>	<u>15,181,306</u>
Sub total	<u>85,216,512</u>	<u>74,950,052</u>
Past due loans:		
Up to 4 months	807,455	643,979
More than 4 months	485,564	666,285
Collection order	<u>1,015,602</u>	<u>697,531</u>
Sub total	<u>2,308,621</u>	<u>2,007,795</u>
TOTAL	<u><u>87,525,133</u></u>	<u><u>76,957,847</u></u>

7 PROPERTY, FURNITURE AND EQUIPMENT, NET

(a) The movement of property, furniture and equipment and accumulated depreciation for the years ended Dec

	<u>Land</u> S/000	<u>Buildings and other construc</u> S/000	<u>Installations</u> S/000	<u>Furniture and fixtures</u> S/000	<u>Computer hardware</u> S/000	<u>Vehicles and equipment</u> S/000	<u>Work prog in-tra units</u> S/000
Cost -							
Balance as of January 1	371,528	1,122,627	860,700	464,921	568,977	163,065	
Additions	6,977	1,723	13,041	14,713	25,374	6,592	
Additions from acquisition of Mibanco, net	-	-	-	-	-	-	
Sales	-	-	-	(190)	(35,128)	(365)	
Transfers	118	25,900	17,189	8,403	25,147	445	(
Write-downs and other	791	242	(11,001)	(4,565)	(8,940)	(5,152)	
Balance as of December 31	<u>379,414</u>	<u>1,150,492</u>	<u>879,929</u>	<u>483,282</u>	<u>575,430</u>	<u>164,585</u>	
Accumulated depreciation -							
Balance as of January 1	-	600,171	521,621	283,913	456,089	94,914	
Depreciation for the year	-	30,800	75,271	28,401	54,598	15,727	
Additions for acquisition of Mibanco	-	(2,100)	-	(487)	(720)	(593)	
Sales	-	-	-	(424)	(35,109)	(365)	
Write-downs and other	-	1,032	(7,861)	(3,934)	(9,810)	(3,224)	
Balance as of December 31	<u>-</u>	<u>629,903</u>	<u>589,031</u>	<u>307,469</u>	<u>465,048</u>	<u>106,459</u>	
Net carrying amount	<u>379,414</u>	<u>520,589</u>	<u>290,898</u>	<u>175,813</u>	<u>110,382</u>	<u>58,126</u>	

- (b) Banks in Peru are not allowed to pledge their fixed assets.
- (c) During 2014 and 2015 the Bank, as part of its annual investment plan in infrastructure, capitalized disbursements related mainly to the purchase, construction and implementation of new agencies and the conditioning and restyling of a variety of agencies and administrative offices.
- (d) The Bank and its Subsidiaries maintain insurance over their main assets, according to policies established by Management.
- (e) Management periodically reviews the fixed assets' residual value, their useful live and the selected depreciation method to ensure that they are consistent with their economic benefits and live expectations. In Management's opinion, there is no evidence of impairment of property, furniture and equipment as of December 31, 2015 and 2014.

8 GOODWILL

Goodwill acquired through business combinations has been allocated to cash-generating units (also identified as a "CGU") for the purposes of impairment testing made by Management which evaluates the results and allocates resources to each CGU. Goodwill has been arisen from the acquisition of the following entities:

	<u>2015</u> <u>S/000</u>	<u>2014</u> <u>S/000</u>
Goodwill -		
Edyficar	144,841	144,841
Mibanco	<u>131,480</u>	<u>131,480</u>
Carrying amount, net	<u><u>276,321</u></u>	<u><u>276,321</u></u>

The recoverable amount of all CGUs has been determined based on value in use calculations, determined by discounting the future cash flows expected to be generated from the continuing use of the CGU.

The table below summarizes the key assumptions used for value in use calculations in 2015 and 2014:

<u>Description</u>	<u>As of December 31, 2015</u>		<u>As of December 31, 2014</u>	
	<u>Perpetual growth rate</u> %	<u>Discount rate</u> %	<u>Perpetual growth rate</u> %	<u>Discount rate</u> %
Edyficar y Mibanco	5.00	14.94	5.00	14.45

9 OTHER ASSETS, NET AND OTHER LIABILITIES

- (a) As of December 31, 2015 and 2014 these items consist of the following as follows:

	<u>2015</u> <u>S/000</u>	<u>2014</u> <u>S/000</u>
Other assets, net		
Financial instruments		
Derivatives receivable (b)	1,426,457	758,494
Accounts receivable, net (f)	756,481	288,787
Operations in process (d)	<u>102,588</u>	<u>11,955</u>
	<u>2,285,526</u>	<u>1,059,236</u>
Non-financial instruments		
Finite live intangible assets, net (c)	753,976	740,622
Deferred income tax asset, Note 13 (a)	501,405	408,559
Value added tax credit	187,432	447,324
Deferred expenses	138,817	121,870
Income tax prepayments, net	32,105	32,913
Realizable, received in payment and seized assets, net	1,994	14,880
Other	<u>82,397</u>	<u>49,115</u>
	<u>1,698,126</u>	<u>1,815,283</u>
Total	<u><u>3,983,652</u></u>	<u><u>2,874,519</u></u>
Other liabilities		
Financial instruments		
Derivatives payable (b)	878,005	556,153
Other accounts payable (f)	638,655	530,615
Salaries and other personnel expenses payable	475,454	405,310
Allowance for indirect loan losses, note 6(f)	263,322	129,686
Operations in process (d)	73,862	31,711
Share based payments, note 16 (b)	<u>54,668</u>	<u>51,740</u>
	<u>2,383,966</u>	<u>1,705,215</u>
Non-financial instruments		
Taxes payable	253,043	211,429
Provision for sundry risks (e)	246,739	146,083
Deposit Insurance fund	28,780	24,551
Deferred income tax liability	(849)	137,057
Other	<u>38,961</u>	<u>11,121</u>
	<u>566,674</u>	<u>530,241</u>
Total	<u><u>2,950,640</u></u>	<u><u>2,235,456</u></u>

- (b) The risk in derivatives contracts arises from the possibility that the counterparty does not fulfill the terms and conditions agreed, and that the reference rates, in which the transaction was made, changes.

The table below presents, as of December 31, 2015 and 2014 the fair value of the derivative financial instruments, recorded as an asset or a liability, together with their notional amounts. The gross notional amount is the amount of a derivative's underlying asset and is the basis upon which changes in fair value of derivatives are measured, note 18(d).

	2015				2014			
	Assets	Liabilities	Nominal	Maturity	Assets	Liabilities	Nominal	Maturity
	S/000	S/000	value		S/000	S/000	value	
			S/000				S/000	
Derivatives held for trading (i) -								
Forward exchange contracts	62,413	148,794	8,829,706	Between January 2016 and November 2017	110,840	206,196	14,384,380	Be
Interest rate swaps	37,085	41,866	4,072,117	Between January 2016 and December 2031	49,886	48,207	4,444,268	Be
Currency swaps	839,086	625,687	16,586,465	Between January 2016 and December 2025	284,369	274,648	7,701,186	Be
Foreign currency options	10,072	24,371	2,135,684	Between January 2016 and December 2016	15,320	19,277	1,980,405	Be
	<u>948,656</u>	<u>840,718</u>	<u>31,623,972</u>		<u>460,415</u>	<u>548,328</u>	<u>28,510,259</u>	
Derivatives held as hedges (ii) -								
Interest rate swaps (IRS) 11(b)(iii)	354	-	341,100	October 2016	-	-	-	Be
Interest rate swaps (IRS) 11(b)(ii)	127	-	102,330	October 2016	153	187	447,900	Be
Interest rate swaps (IRS) 11(b)(i)	401	-	341,100	January 2018	14	-	89,580	Be
Interest rate swaps (IRS) 5(b)	3,256	594	511,650	Between March and December 2019	6,513	27	447,900	Be
Interest rate swaps (IRS) 11(c)	-	71	20,098	March 2016	-	2,154	171,502	Be
Cross currency swaps (CCS) 5(b)	47,217	-	238,770	August 2020	7,645	-	209,020	Be
Cross currency swaps (CCS) 5(a)	3,547	17,869	186,411	Between January 2018 and August 2024	-	-	-	Be
Cross currency swaps (CCS) 5(a)	12,984	13,598	219,217	Between January 2017 and September 2024	4,385	-	25,413	Be
Cross currency swaps and interest rate swaps (CCS and IRS) 5(b)	69,647	-	272,880	August 2020	27,561	-	238,880	Be
Fair value hedge -								
Interest rate swaps (IRS) 12(a)	339,435	-	8,331,098	Between September 2020 and April 2023	247,631	-	7,293,069	Be
Interest rate swaps (IRS) 5(a)	833	5,155	819,677	Between January 2017 and May 2023	4,177	5,457	843,973	Be
	<u>477,601</u>	<u>37,287</u>	<u>11,384,331</u>		<u>296,079</u>	<u>7,825</u>	<u>9,767,237</u>	
	<u>1,426,457</u>	<u>878,005</u>	<u>43,008,303</u>		<u>758,494</u>	<u>556,153</u>	<u>38,277,496</u>	

- (i) Held-for-trading derivatives are mainly negotiated to satisfy clients' needs. On the other hand, the Bank expects the expectation of profiting from favorable movements in prices and rates. Also, this caption includes any requirements. The fair value of the derivative held for trading, classified by maturity is as follows:

	As of December 31, 2015						As of December 31, 2014	
	Up to 3 months S/000	From 3 months to 1 year S/000	From 1 to 3 years S/000	From 3 to 5 years S/000	Over 5 years S/000	Total S/000	Up to 3 months S/000	From 3 months to 1 year S/000
Forward exchange contracts	37,500	24,840	73	-	-	62,413	88,379	15,841
Interest rate swaps	89	184	10,214	1,621	24,977	37,085	280	94
Currency swaps	220,815	24,947	56,615	306,370	230,340	839,086	64,005	9,049
Foreign currency options	6,449	3,623	-	-	-	10,072	10,677	4,643
Total assets	<u>264,853</u>	<u>53,594</u>	<u>66,902</u>	<u>307,991</u>	<u>255,317</u>	<u>948,656</u>	<u>163,641</u>	<u>29,627</u>
Forward exchange contracts	103,650	45,024	120	-	-	148,794	153,365	52,788
Interest rate swaps	61	210	9,313	2,378	29,904	41,866	607	426
Currency swaps	17,092	22,097	191,597	287,496	107,405	625,687	35,013	21,014
Foreign currency option	12,530	11,841	-	-	-	24,371	14,122	6,382
Total liabilities	<u>133,333</u>	<u>79,172</u>	<u>201,030</u>	<u>289,874</u>	<u>137,309</u>	<u>840,718</u>	<u>203,107</u>	<u>80,610</u>

- (ii) The Bank and its Subsidiaries are exposed to movements in future cash flows on assets and liabilities in foreign currency or which bear interest at variable rates. The Bank and its Subsidiaries use derivative financial instruments as cash flow hedges to cover these risks, according to Note 3(h).

A summary indicating the periods when the current cash flow hedges are expected to occur and affect the consolidated statements of income, net of the deferred income tax is as follows:

As of December 31, 2015					
	Up to 1 year S/000	From 1 to 3 years S/000	From 3 to 5 years S/000	More than 5 years S/000	Total S/000
Cash inflows (asset)	521,803	581,120	1,349,653	114,973	2,567,549
Cash outflows (liability)	(526,474)	(595,770)	(1,216,438)	(113,301)	(2,451,983)
Consolidated statements of income	<u>1,209</u>	<u>(31)</u>	<u>18,544</u>	<u>(1,484)</u>	<u>18,238</u>

As of December 31, 2014					
	Up to 1 year S/000	From 1 to 3 years S/000	From 3 to 5 years S/000	More than 5 years S/000	Total S/000
Cash inflows (asset)	168,544	599,548	469,331	655,378	1,892,801
Cash outflows (liability)	(193,482)	(614,456)	(471,256)	(567,705)	(1,846,899)
Consolidated statements of income	<u>(6,594)</u>	<u>3,888</u>	<u>7,757</u>	<u>7,232</u>	<u>12,283</u>

The net unrealized gain from the cash flow hedges which is included as other comprehensive income in the caption "cash flow hedges reserves", results from the current hedges (as of December 31, 2015 and 2014: unrealized gain for approximately S/18.2 million and S/12.3 million, respectively) and the hedges revoked (unrealized gain for approximately S/20.7 million and S/28.9, respectively), which is being recognized in the consolidated statement of income during the remaining term of the underlying financial instrument.

(c) The movement of intangible assets for the years ended December 31, 2015, 2014 and 2013 is as follows:

Description	Brand name S/000	Rights of use (ii) S/000	Client relationship S/000	Core deposits S/000	Software and other developments S/000	Intangibles in progress S/000	2013 S/000
Cost							
Balance at January 1	208,204	55,740	102,935	21,100	977,529	176,084	
Additions (i)	-	-	-	-	60,331	114,466	
Acquisition of Mibanco 2(a)	-	-	-	-	-	-	
Transfers	-	-	-	-	73,725	(73,725)	
Withdrawals and others	-	-	-	(82)	(18,283)	-	
Balance as of December 31	208,204	55,740	102,935	21,018	1,093,302	216,825	
Accumulated amortization							
Balance as of January 1	42,416	37,160	27,756	2,847	690,791	-	
Amortization for the year	5,896	11,148	10,386	3,037	114,721	-	
Withdrawals and others	-	-	-	21	(2,131)	-	
Balance as of December 31	48,312	48,308	38,142	5,905	803,381	-	
Net book value	159,892	7,432	64,793	15,113	289,921	216,825	

- (i) During 2015, the Bank capitalized disbursements related to the implementation and development of several IT projects (increase of ATM channels, financial data model, and implementation of treasury solutions). During 2014, the Bank capitalized disbursements mainly related to the implementation and development of several IT projects (Digital Marketing Outsourcing, financial data model, Basel II Mir, among others).
- (ii) In July 2010, the Bank signed a contract with Telefónica Móviles S.A. by which both parties agreed that the Bank is the exclusive financial institution for the issuance of the co-branded "Movistar BCP" card, which is a payment instrument issued by the Banks and bears certain benefits established by both parties and stipulated in the contract, valid for five years starting at the launching of the card, August 2011.

Management periodically reviews the intangibles' residual value, their useful life and the selected amortization method to ensure that they are consistent with their economic benefits and life expectations. In Management's opinion, there is no evidence of impairment on intangibles as of December 31, 2015 and 2014.

- (d) Operations in process include deposits received, loans disbursed and/or collected, funds transferred and other similar types of transactions, which are made at the end of the month which are reclassified to their final balance sheet account in the following month. The regularization of these transactions do not affect the Bank and its Subsidiaries' consolidated net income.
- (e) As of December 31, 2015 and 2014, the provision for sundry risks comprises the estimated losses due to legal procedures against the Bank and its Subsidiaries, due to operational risk and other similar obligations that were recorded based on Management and its internal legal advisors' best estimates. In Management's and its internal legal advisor's opinion, additional significant liabilities will not result to those already recorded by the Bank and its Subsidiaries.
- (f) Accounts receivable correspond mainly to sales of foreign currency and sales of securities arising from the last days of the month, which have been settled during the early days of the next month. Accounts payable correspond mainly to purchases of securities and foreign currency arising from the last days of the month, which have been settled during the early days of the next month.

10 DEPOSITS AND OBLIGATIONS

- (a) As of December 31, 2015 and 2014, this caption includes:

	<u>2015</u> <u>S/000</u>	<u>2014</u> <u>S/000</u>
Non-interest bearing deposits and obligations -		
In Peru	22,755,878	21,721,062
In other countries	<u>3,874,121</u>	<u>2,019,880</u>
	26,629,999	23,740,942
Interest bearing deposits and obligations -		
In Peru	53,148,267	45,558,134
In other countries	<u>4,145,995</u>	<u>3,218,721</u>
	<u>57,294,262</u>	<u>48,776,855</u>
	83,924,261	72,517,797
Interest payable for deposits and obligations	<u>258,352</u>	<u>231,921</u>
Total	<u>84,182,613</u>	<u>72,749,718</u>

The Bank and its Subsidiaries have established a policy to pay interests on demand deposits and savings deposits according to a sliding interest rate scale, based on the average balance maintained in those accounts. Additionally, according to such policy, it was established that accounts having balances lower than a determined amount for each type of account, do not bear interest.

Interest rates applied to the different deposits and obligations accounts are determined by the Bank and its Subsidiaries considering current interest rates in the markets where they develop their operations.

- (b) As of December 31, 2015 and 2014, the balance of deposits and obligations by product is as follows:

	<u>2015</u> <u>S/000</u>	<u>2014</u> <u>S/000</u>
Demand deposits	26,871,690	23,792,476
Saving deposits	24,905,754	21,214,172
Time deposits (d)	23,665,399	20,002,378
Severance indemnity deposits	7,183,421	6,848,396
Negotiable certificates	<u>1,297,997</u>	<u>660,375</u>
	83,924,261	72,517,797
Interest payable	<u>258,352</u>	<u>231,921</u>
Total	<u><u>84,182,613</u></u>	<u><u>72,749,718</u></u>

- (c) As of December 31, 2015 and 2014, approximately S/25,213.2 million and S/24,681.5 million, respectively of the deposits and obligations balances, are covered by the "Fondo de Seguro de Depósitos" (Deposit Insurance Fund). At those dates, the "Fondo de Seguro de Depósitos" covered up to S/96,246.0 and S/94,182.0, respectively.

- (d) The balance of time deposits classified by maturity is as follows:

	<u>2015</u> <u>S/000</u>	<u>2014</u> <u>S/000</u>
Up to months	14,383,021	13,127,898
From 3 months to 1 year	5,390,330	4,906,994
From 1 to 3 years	2,026,186	1,102,816
From 3 to 5 years	968,751	864,670
Over 5 years	<u>897,111</u>	<u>-</u>
Total	<u><u>23,665,399</u></u>	<u><u>20,002,378</u></u>

11 DUE TO BANKS, CORRESPONDENTS AND OTHER ENTITIES

- (a) As of December 31, 2015 and 2014 this item is made up as follows

	<u>2015</u> <u>S/000</u>	<u>2014</u> <u>S/000</u>
By type:		
Due to banks and correspondents with foreign (b) financial institutions	5,253,110	6,804,700
Due to related parties (c)	1,691,293	2,071,303
Promotional credit lines (d)	<u>1,721,136</u>	<u>1,763,939</u>
	8,665,539	10,639,942
Interest payable	<u>31,113</u>	<u>44,699</u>
Total	<u><u>8,696,652</u></u>	<u><u>10,684,641</u></u>
By due date:		
Short term debt	4,887,816	4,313,571
Long-term debt	<u>3,808,836</u>	<u>6,371,070</u>
Total	<u><u>8,696,652</u></u>	<u><u>10,684,641</u></u>

- (b) As of December 31, 2015 and 2014, it includes loans to finance foreign trade operation and for working capital. This item is made up as follow:

<u>Entity</u>	<u>2015</u> <u>S/0000</u>	<u>2014</u> <u>S/000</u>
Bank of New York Mellon	477,540	238,880
Canadian Imperial Bank of Commerce TORONTO	426,375	-
Corporación Andina de Fomento - CAF	387,785	429,180
HSBC Bank USA	377,347	366,163
Wells Fargo Bank N.A.	341,100	800,248
Bank of America NEW YORK (i)	340,760	-
Deutsche Bank	324,045	-
Sumitomo Mitsui Banking Corporation	272,880	373,250
Cofide	230,072	-
Citibank N.A.	226,400	648,400
Standard Chartered Bank (ii)	211,482	418,040
China Development Bank	204,001	357,062
JP Morgan Chase & Co (iii)	170,338	239,152
The Bank of Tokyo-Mitsubishi UFJ (iii)	170,127	238,880
Toronto-Dominion Bank	102,431	170,873
Préstamos sindicados	-	444,794
Bank of Montreal	-	232,908
Impala Perú S.A.C.	-	184,236
Barclays Bank PLC.	-	179,160
International Finance Corporation	-	165,332
Banco de la Nación - Perú	-	150,000
Responsability Global Microfinance Fund	-	118,537
Scotiabank Perú S.A.A.	-	100,000
Banco Interamericano de Finanzas	-	100,000
Other	990,427	849,605
	<u>5,253,110</u>	<u>6,804,700</u>

- (i) As of December 31, 2015 the loan agreed for US\$100.0 million, equivalent to S/341.1 million is hedged with an interest rate swap (IRS) for a nominal amount equal to the principal and same maturity, see Note 9(b), that loan was economically converted to fix interest rate.
- (ii) As of December 31, 2015 the loan amounting to US\$30.0 million, equivalent to S/102.3 million is hedged with an interest rate swap (IRS) for a nominal amount equal to the principal and same maturity, see Note 9(b), that loan was economically converted to fix interest rate.
- (iii) Also, as of December 31, 2015 loans for a total of S/341.1 million are hedged with two interest rate swaps (IRS) a nominal amount equal to the principal and same maturity, see note 9(b); through these IRS, loans were economically converted to fix interest rate.

As of December 31, 2015, the loans have maturities between January 2016 and December 2035 (as of December 31, 2014, have maturities between January 2015 and August 2023). Additionally, interest accrual is calculated using rates ranging from 0.62 to 7.75 per cent (1.00 and 11.21 percent as of December 31, 2014).

- (c) As of December 31, 2015, due to related parties included loans at variable interest rates received from CCR Inc. and Atlantic Security Bank (ASB), amounting to US\$ 485.8 million, equivalent to a S/1,657 million and US\$10.0 million, equivalent to S/34.3 million, respectively; (loans at variable interest rates received from CCR Inc. and ASB, amounting to US\$682.7 million, equivalent to S/2,038.6 million and US\$10.9 million, equivalent to S/32.7 million, respectively).

The debts with CCR Inc. and ASB bear interest at Libor 1M rate and fixed-weight rate of 3.77 percent and fixed rate 3.14 percent, respectively.

As of December 31, 2015, part of the cash flows of the loans at variable interest rates, subject to interest rate risk, have been hedged through interest rate swaps (IRS), for a notional amount of S/20.1 million (S/171.5 million as of December 31, 2014); see Note 9(b); through such IRS, the loans were economically converted to fixed rate.

- (d) Promotional credit lines represent loans received mainly from Corporación Financiera de Desarrollo (COFIDE) and Fondo de Cooperación para el Desarrollo Social (FONCODES) to promote the development of Peru. As of December 31, 2015, their annual interest rates ranged between 6.00 and 7.75 percent (between 1.50 and 7.75 percent as of December 31, 2014). These liabilities are secured by a loan portfolio for up to the amount of the credit line used.
- (e) As of December 31, 2015 and 2014, the balance of this caption, classified by maturity, is as follows:

	<u>2015</u> <u>S/000</u>	<u>2014</u> <u>S/000</u>
Up to 3 months	1,278,645	2,129,633
From 3 months to 1 year	3,015,646	2,139,239
From 1 to 3 years	1,873,141	3,415,787
From 3 to 5 years	328,529	699,243
More than 5 years	2,169,578	2,256,040
Total	<u>8,665,539</u>	<u>10,639,942</u>

- (f) Some due to banks, correspondents and foreign financial institutions include standard covenants concerning the fulfillment of financial ratios, specific agreements on how to use the funds received, the financial conditions that the Bank and its Subsidiaries must maintain, as well as other administrative matters. In Management's opinion, these specific agreements have been complied by the Bank and its Subsidiaries as of December 31, 2015 and 2014.

12 BONDS AND NOTES ISSUED

(a) As of December 31, 2015 and 2014 this item comprises:

	<u>Weighted annual interest rate</u> %	<u>Interest payment</u>	<u>Maturity</u>	<u>Iss am (00</u>
Local issuances				
Corporate bonds				
Second program				
First issuance (Serie B) - BCP	6.81	Semi-annual	mar-15	
First issuance (Serie A) - Mibanco	5.47	Semi-annual	abr-15	
Second issuance (Serie A) - Mibanco	5.50	Semi-annual	ene-16	
Third issuance (Series A and B) - BCP	7.73	Quarterly	Between June and July 2018	
Third program				
First issuance (Serie A) - Mibanco	5.28	Semi-annual	November 2016	
Third issuance (Serie B) - Mibanco	5.16	Semi-annual	May 2017	
First issuance (Series A and B) - Mibanco	5.39	Semi-annual	Between May and July 2017	
Second issuance (Serie A) - Mibanco	5.34	Semi-annual	April 2015	
Fourth issuance (Serie A) - Mibanco	4.78	Semi-annual	December 2017	
Fifth issuance (Series A and B) - Mibanco	6.77	Semi-annual	Between January and March 2018	
Fourth program				
Ninth issuance (Serie A) - BCP	6.22	Semi-annual	November 2016	
Tenth issuance (Serie A) - BCP	7.25	Semi-annual	December 2021	
Tenth issuance (Series B and C) - BCP	5.41	Semi-annual	Between October and November 2020	
First issuance (Serie A) - Mibanco	6.56	Semi-annual	July 2018	

	Weighted annual Interest rate %	Payment of interest	Maturity
Subordinated bonds			
First program			
First issuance (Serie A) - BCP	6.22	Semi-annual	May 2027
First issuance (Serie A) - Mibanco	8.16	Semi-annual	October 2021
Second issuance (Serie A) - Mibanco	8.13	Semi-annual	December 2021
Fourth issuance (Serie A) - Mibanco	6.19	Semi-annual	December 2022
Fifth issuance (Serie A) - Mibanco	7.75	Semi-annual	July 2024
Fourth issuance (Series A, B, C y D) - BCP	7.65	Quarterly	From February to May 2016
Second program			
Issuance I - Banco de Crédito de Bolivia	6.95	Annual	August 2028
Issuance I - Banco de Crédito de Bolivia	5.08	Annual	August 2022
Leasing bonds arrendamiento financiero -			
First program			
Sixth issuance (Serie A) - BCP	8.72	Quarterly	August 2028
Trading certificates of deposit			
Third program			
Third issuance (Serie C) - BCP	4.02	Annual	November 2015
Trading certificates of deposit - Mibanco	4.50	Annual	April 2020
Total local issuance			
International issuance - BCP			
Senior notes (i)	4.25	Semi-annual	April 2023
Senior notes - (ii) y (viii)	Entre 4.25 y 4.75	Semi-annual	From March 2016 to April 2023
Senior notes - (ii)	5.38	Semi-annual	September 2020
Subordinated bonds - (iii)	6.13	Semi-annual	April 2027
Subordinated bonds - (iv)	6.88	Semi-annual	September 2026
Trading certificates of deposit - (v)	7.45	Semi-annual	October 2022
Junior Subordinated notes - (vi)	9.75	Semi-annual	November 2069
Subordinated trading certificates of deposit (vii)	6.88	Semi-annual	From November 2021 to September 2026
Total international issuance			
Total local and international issuance			
Interest payable			
Total			

Leasing bonds are collateralized by the assets financed by the Bank.

During 2015, unrealized losses on the fair value of revoked derivatives over 2014 resulting from the change in the functional currency of Credicorp Ltd, will be stated in the statement of income over the remaining period of the underlying (corporate bonds), see note 14(d).

As of December 31, 2015 the Bank holds interest rate swaps (IRS) for a total nominal amount of US\$2,442.4 million, equivalent to a S/8,331.1 million (US\$2,442.4 million equivalent to S/7,293.1 million as of December 31, 2014), see Note 9(b), which were designated as fair value hedges of certain corporate bonds and subordinated loans issued in U.S. dollars at a fixed rate; through those IRS, these bonds and notes were economically converted into variable interest rate.

International issuances are listed in the Luxembourg Stock Exchange. Likewise, international issuances maintain certain financial and operative covenants, which in Management's opinion, the Bank and its Subsidiaries have complied with as of the dates of the consolidated statements of financial position.

- (i) The Bank can redeem in whole or in a part these notes at any time, with the penalty of the payment of an interest rate equivalent to the American Treasury plus 50 basis points. Payment of principal will take place at the date of maturity of the notes or when the Bank redeems them.
- (ii) The Bank can redeem in whole or in a part these notes at any time, with the penalty of the payment of an interest rate equivalent to the American Treasury plus 40 basis points. Payment of principal will take place at the date of maturity or redemption.
- (iii) Starting in 2022, the interest rate becomes a variable rate of Libor 3M + 704.3 basis points. Between April 24, 2017 and April 24, 2022, the Bank may redeem all or part of the subordinated notes with the penalty of the payment of an interest equivalent to the American Treasury plus 50 basis points. Additionally, from April 25, 2022 or at any later date of coupon payment, the Bank can redeem all or part of the notes without penalty. Payment of principal will take place at the date of maturity or redemption.
- (iv) From September 16, 2021 a variable Libor at three months plus 770.8 basis point's interest rate will be paid. From September 16, 2016 and September 15, 2021, the Bank can redeem the entirety or a partial number of bonds, assuming a penalty at an interest rate that is effective on U.S. Treasury bonds plus 50 basis points. Also, from September 16, 2021 or on any date subsequent to the payment of interest, the Bank can redeem the entirety or a partial number of bonds without any penalties. Repayment of principal will occur on the maturity date of bond or when the Bank redeems them.
- (v) In October 2017, the interest rate becomes a variable rate determined as the average of at least three valuations over the internal rate of return of sovereign bonds issued by the Peruvian Government (with maturity on 2037), plus 150 basis points, with semiannual payments. From that date and at any later date of coupon payment, the Bank can redeem all the certificates without penalty. Payment of principal will take place at the date of maturity (October 2022) or redemption.
- (vi) In November 2019, interest rate becomes a variable rate of Libor 3M + 816.7 basis points. From that date or at any later date of coupon payment, the Bank can redeem all the bonds without penalty. Payment of principal will take place at the date of maturity or redemption.

This debt does not have collateral and qualifies as Tier 1 capital for SBS regulations.

- (vii) In November 2016, the interest rate becomes a variable rate of Libor 3M + 279 basis points. From that date or at any later date of coupon payment, the Bank can redeem all the certificates without penalty. Payment of principal will take place at the date of maturity or redemption.

b) Bonds and notes issued classified by maturity are shown below:

	<u>2015</u> <u>S/000</u>	<u>2014</u> <u>S/000</u>
Up to 3 months	2,881,510	20,774
From 3 months to 1 year	356,608	175,873
From 1 to 3 years	580,962	1,369,783
From 3 to 5 years	4,279,481	300,000
More than 5 years	<u>6,155,011</u>	<u>10,884,155</u>
	<u>14,253,572</u>	<u>12,750,585</u>

13 DEFERRED INCOME TAX

(a) As of December 31, 2015 and 2014, this item comprises:

	<u>2015</u> <u>S/000</u>	<u>2014</u> <u>S/000</u>
Net deferred income tax asset		
Deferred assets		
Allowance for loan losses	421,310	434,538
Valuation of hedged bonds and notes,, note 12	71,367	50,921
Provision for sundry expenses	25,979	39,640
Provision for sundry risks	62,809	22,293
Provision for seized assets	22,940	6,750
Lease transactions, net	129	5,689
Unrealized losses on local and foreign investments	17,049	-
Unrealized losses on valuation of investments at fair value through profit or loss	-	4,179
Unrealized losses on valuation of available-for-sale investments	-	2,004
Unrealized losses on valuation of hedging instruments - cash flows	-	1,271
Hedging derivatives	4,774	-
Others	21,681	5,383
Deferred liabilities		
Acquired intangibles - Mibanco	(19,114)	(68,739)
Exchange difference	(25,009)	(44,164)
Depreciation of buildings	(50,922)	(35,695)
Unrealized gain in valuation on available-for-sale investments	-	(8,559)
Hedging derivatives	(13,790)	-
Intangibles	(14,496)	-
Unrealized gain in valuation on cash flow hedges derivatives - cash flow	(23,107)	(6,719)
Other	(195)	(233)
Total	<u>501,405</u>	<u>408,559</u>
Net deferred income tax liabilities		
Deferred liabilities		
Unrealized gain in valuation on available-for-sale investments in BCI Chile	-	(137,057)
Total	<u>-</u>	<u>(137,057)</u>

- (b) The composition of the amounts presented in the consolidated statements of income for the years ended December 31, 2015 and 2014, are shown below:

	<u>2015</u> <u>S/000</u>	<u>2014</u> <u>S/000</u>
Current	1,174,250	1,008,163
Deferred	(78,099)	(132,623)
	<u>1,096,151</u>	<u>875,540</u>

- (c) Reconciliation of the effective tax rate to the statutory tax rate for the years 2015 and 2014 is as follows:

	<u>2015</u> <u>S/000</u>	<u>2014</u> <u>S/000</u>
Income before income tax	<u>100.00</u>	<u>100.00</u>
Theoretical expense	28.00	30.00
Effect on taxable income		
Exempted financial income	(2.94)	(4.24)
Income from share in profits of subsidiaries	(4.43)	-
Effect of non-deductible expenses		
Non-deductible financial expenses	3.30	1.63
Effect of change in Peruvian tax rate note 15(a)	-	1.14
TAX contribution for sale of BCI Chile	1.63	-
Other non-deductible expenses	2.52	2.93
Income tax, current and deferred	<u>28.08</u>	<u>31.46</u>

The estimated effect of change in tax rate, see Note 15(a), for the determination of the deferred income tax was an expense amounting to approximately S/31.0 million, which is recorded in the caption "Income tax" of the consolidated statements of income

14 EQUITY

(a) Capital stock -

As of December 31, 2015, the Bank's capital stock comprises 5,854.1 million of fully subscribed and paid common shares (4,722.8 million and 3,752.6 million shares, as of December 31, 2014 and 2013, respectively) with a nominal value of one Peruvian Sol.

As of December 31, 2015 Credicorp Ltd. and Grupo Crédito S.A. hold 12.73 percent and 84.96 percent, respectively, of the Bank's capital stock (12.73 percent and 84.93 percent, respectively as of December 31, 2014).

The General Shareholders Meetings held on March 31, 2015, March 31, 2014 and March 26, 2013, approved the capitalization of 2014, 2013 and 2012 retained earnings for an amount of S/1,131.3 million, S/970.1 million and S/649.7 million, respectively.

(b) Legal reserve -

Pursuant to legislation in force, the Bank must reach a legal reserve of at least 35 percent of its paid-in capital. This reserve is to be funded through an annual appropriation of at least 10 percent of its net income. As of December 31, 2014, the Bank covered such legal request.

The General Shareholders Meeting, held on March 31, 2015, March 31, 2014 and March 26, 2013, approved the increase of the legal reserve in approximately S/396.0 million, S/339.5 million and S/227.4 million, from the 2014, 2013 and 2012 net income, respectively.

The Bank Subsidiaries established in Peru and Bolivia must also record a legal reserve in their individual financial statements, which percentages varies depending on applicable laws and economic activity. As of December 31, 2015, 2014 and 2013, the Subsidiaries' legal reserves amounted to approximately S/169.2 million, S/201.0 million and S/104.2 million, respectively.

(c) Special reserve -

The special reserve has been funded through the appropriation of accumulated results.

(d) Retained earnings -

The caption "Unrealized results" includes the net unrealized gain (loss) from available-for-sale investments and from derivatives instruments used as cash flow hedge. The movement of the unrealized results during 2015 and 2014, net of deferred income tax is as follows:

	Unrealized results of:			
	Available-for-sale investment reserve S/000	Cash flow hedges reserve S/000	Translation result S/000	Total S/000
Balance as of January 1, 2013	397,419	(7,668)	(43,893)	345,858
Unrealized losses on available-for-sale investments,	(114,716)	-	-	(114,716)
Transfer to profit or loss of realized loss on available-for-sale investments, net of realized gains	(10,482)	-	-	(10,482)
Unrealized gains on cash flow hedge derivative, net	-	59,940	-	59,940
Transfer to profit or loss of realized loss on cash flow hedges, net of realized gains	-	8,922	-	8,922
Foreign exchange difference	-	-	52,202	52,202
Deferred income tax	46,625	(15,586)	-	31,039
Balance as of December 31, 2013	<u>318,846</u>	<u>45,608</u>	<u>8,309</u>	<u>372,763</u>
Unrealized gains on available-for-sale-investments, net	49,618	-	-	49,618
Transfer to profit or loss of realized loss on available-sale-investments, net of realized losses	(39,100)	-	-	(39,100)
Net unrealized loss on cash flow hedge	-	(25,349)	-	(25,349)
Transfer of realized loss from cash flow hedge to the income statement, net of realized gain	-	21,910	-	21,910
Foreign exchange difference	-	-	1,200	1,200
Deferred income tax	6,130	(1,016)	-	5,114
Balance as of December 31, 2014	<u>335,494</u>	<u>41,153</u>	<u>9,509</u>	<u>386,156</u>
Ganancia no realizada en Available-sale-investments, neta	(648,516)	-	-	(648,516)
Transferencia a resultados de ganancia realizada en Available-sale-investments, neta de pérdida realizada	412,207	-	-	412,207
Net unrealized loss on cash flow hedge	-	9,463	-	9,463
Transfer of realized loss from cash flow hedge to the income statement, net of realized gain	-	(11,643)	-	(11,643)
Foreign exchange difference	-	-	97,887	97,887
Deferred income tax	(143,125)	1,957	-	(141,168)
Balance as of December 31, 2015	<u>(43,940)</u>	<u>40,930</u>	<u>107,396</u>	<u>104,386</u>

As of December 31, 2015 the Bank and its subsidiaries maintain a net deferred income tax liability for S/8.5 million, comprising the unrealized gains or losses on available-for-sale investments and cash flow hedge (S/149.1 million as of December 31, 2014)

During 2014 the Bank revoked certain cash flow hedge derivatives due to the change in Credicorp's functional currency to Peruvian Sol, as a result, the net unrealized gains on the fair value of derivatives, net of deferred income tax amounting to S/16.4 million that was previously recognized in the consolidated statement of changes in equity will be recognized in the consolidated statement of income over the remaining term of the underlying items

(e) Component of other comprehensive income

The consolidated statement of comprehensive income includes other comprehensive income on available-for-sale investments and derivatives used as cash flow hedges, with the following movement:

	<u>2015</u> <u>S/000</u>	<u>2014</u> <u>S/000</u>	<u>2013</u> <u>S/000</u>
Available-for-sale investments:			
Unrealized gains (losses) on available-sale-investments	(791,641)	55,748	(68,091)
Transfer of realized gains on available-sale-investments to profit or loss, net of realized losses	412,207	(39,100)	(10,482)
Sub total	(379,434)	16,648	(78,573)
Non-controlling interest	1,907	925	157
Income tax	143,125	(6,130)	(46,625)
	<u>(234,402)</u>	<u>11,443</u>	<u>(125,041)</u>
Cash flow hedges:			
Net (loss) profit on cash flow hedges	11,420	(26,365)	44,354
Transfer of net loss (profit) realized from cash flow hedges to profit or loss	(11,643)	21,910	8,922
Sub total	<u>(223)</u>	<u>4,455</u>	<u>53,276</u>
Non-controlling interest			
Income tax	(1,957)	1,016	15,586
	(2,180)	(3,439)	68,862
Translation of foreign currency:			
Net effect of exchange differences of foreign operations	97,887	1,200	52,202
Non-controlling interest	(2,880)	(194)	155
Sub total	<u>95,007</u>	<u>1,006</u>	<u>52,357</u>

(f) Dividend distribution -

At the Annual General Shareholders' meetings held on March 31, 2015, March 31, 2014 and March 26, 2013 the decision was made to distribute dividends for approximately S/387.3 million , S/337.7 million and S/620.6 million resulting from operations for fiscal years 2014, 2013 and 2012, respectively. For fiscal 2015, 2014 and 2013 cash dividends per share were S/0.08, S/0.09 and S/0.20, respectively

In accordance with current Peruvian legislation, there is no restriction for overseas remittance of dividends or the repatriation of foreign investment. Non-domiciled legal entities in Peru and individuals are subject to an additional income tax of 6.8 percent on the distributed dividends, which must be retained and paid by the entity that distributes the dividends.

However, through Law No 30296, published on December 31, 2014 the additional income tax rate on dividends will be gradually increased as per the schedule below:

Profit generated over the fiscal years	%
Up to 2014	4.1
2015 and 2016	6.8
2017 and 2018	8
From 2019 onwards	9.3

(g) Regulatory capital -

According to Legislative Decree N° 1028, the regulatory capital must be equal to or higher than 10 percent of total risk weighted assets and contingent operations, represented by the sum of: the regulatory capital requirement for market risk multiplied by 10; the regulatory capital requirement for operational risk multiplied by 10 and the weighted assets and contingent credits by credit risk.

As of December 31, 2015 and 2014, in compliance with Legislative Decree No 1028, as amended, the Bank maintains the following amounts in relation with contingent assets and contingent loans weighted for risk and regulatory capital (basic and supplementary), expressed in million soles:

	2015 S/000	2014 S/000
Assets and risk weighted by overall risk	101,069	87,939
Regulatory equity	14,490	12,704
Basic regulatory equity	9,716	8,643
Supplementary regulatory capital	4,774	4,061
Global equity on regulatory capital ratio	14.34%	14.45%

As of December 31, 2015 and 2014, the Bank and its Subsidiaries have fulfilled the requirements of Resolutions N°2115-2009, N°6328-2009 and N°14354-2009, Regulations for the Requirement of Regulatory Capital by Operational Risk, Market Risk and Credit Risk Regulations, respectively, and amendments. Those resolutions establish, mainly, the methodology to be applied by financial entities in order to calculate assets and credits weighted for each type of risk.

On July 20, 2011, the SBS issued Resolution N°8425-2011 requiring an additional regulatory capital, which is the sum of each of the following components: economic cycle risk, concentration risk, market concentration risk, interest rates risk and others. Likewise, it established a gradual adoption period of five years starting in July 2012. As of December 2015, the level of adoption established by SBS is 100 percent, as a result, the additional required estimated regulatory capital amounts to approximately S/2,105.5 million (S/2,008.2 million equivalent to an adaptation level of 70 percent, which was established by SBS as of December 31, 2014).

In Management's opinion, the Bank and its Subsidiaries are carrying out the requirements established by the resolution mentioned above.

Resolution SBS N°11823-2010, "Regulations on consolidated supervision of financial and mixed conglomerates" establishes that the economic group subject to consolidation must have a regulatory equity destined to cover the risks arising from the operations and activities of the bank, which shall not be lower than the minimum equity required to the group subject to consolidation. As of December 31, 2015 and 2014, the minimum requirement amounted to US\$4,435.1 million, equivalent to S/15,128 million and US\$4,004.8.0 million, equivalent to S/12,077.8 million, respectively. As of December 31, 2015 and 2014, the regulatory equity of the financial group subject to consolidation amounted to US\$5,048.7 million, equivalent to S/17,221.2 million and US\$4,957.8 million, equivalent to S/14,803.9 million, respectively.

15 TAX SITUATION

- (a) The Bank and its Subsidiaries are subject to corporate taxation on income of the country where they are established.

The income tax rate for subsidiaries in Peru is 28 percent on taxable income after calculating the distribution of benefits workers', determined using a 5 percent rate. Through Law N°30296, published on December 31, 2014, the income tax rate was reduced according to the following terms:

Years	%
2015 and 2016	28
2017 and 2018	27
From 2019 onwards	26

Enterprises and individuals not domiciled in Peru and individuals are subject to additional withholding on the dividends received.

- (b) The Income Tax Law No.29663 was amended by Law No. 29757, stating that interest and other income generated by foreign loans granted to the Peruvian National Public Sector, must also be included as an item exempted from the Income Tax.

For that purpose, it must be considered that there is an indirect sale when capital stock or representatives capital stock of a legal entity not domiciled in Peru is sold and; at the same time, said entity is owner, directly or through one or more entities, of capital stock or representatives capital stock of an entity domiciled in Peru, provided that certain conditions are met. In this regard, it also defines the circumstances in which the issuer is jointly liable.

At present, the Per Income tax law sets forth that an indirect transfer or shares occurs when in any 12-month period precedent to the disposal, the market value of the equity shares or units of a domiciled legal entity equals 50% or more of the market value of the shares or units of a non-domiciled legal entity.

Finally, as a concurrent condition, it is established that in a period of 12 months, are disposed of shares or participations that represents 10% or more of the share capital of a non-domiciled legal entity.

- (c) Law No. 30341, effective January 1, 2016 establishes the income tax exemption on income arising from the disposal of shares and other equity instruments until December 31, 2018 if the transaction is performed via a centralized mechanism or market overseen by the Peruvian securities and company regulator ("Superintendencia del Mercado de Valores").

This exemption will be applicable provided that: (i) over a period of 12 months, a taxpayer and related parties does not transfer the ownership of 10% or more of the total assets issued by the Company or equity instruments by repeated simultaneous or successive transactions; and (ii) these are listed securities.

- (d) For income tax purposes, the transfer prices agreed in transactions between related parties and with entities located in tax havens, require the presentation of supporting documentation and information on the valuation methods and criteria applied for the agreed price. Based on the analysis of the Bank and its Subsidiaries operations, Management and its internal legal advisors consider that no significant contingencies will result for the Bank and its Subsidiaries as a consequence of the application of such provisions for fiscal year 2015 and 2014.
- (e) The Peruvian and Bolivian Tax Authority is entitled to review and, if applicable, amend the annual income tax returns of the Bank and its Subsidiaries established in such countries up to four years after their submission.

The income tax returns which are pending to be reviewed by the Tax Authority are the following:

Banco de Crédito del Perú	2010-2015
Mibanco	2012-2015
Empresa Financiera Edyficar	2012-2015
Banco de Crédito de Bolivia	2010-2012, 2014, 2015

As of December 31, 2015, Peruvian tax authorities are currently examining the BCP's income tax returns for fiscal 2009. Additionally, Banco de Crédito del Perú's ESSALUD is undergoing tax audit by Peruvian tax authorities for fiscal 2012.

The Bolivian Tax Authority is conducting a review of the 2013 income tax returns of Banco de Credito de Bolivia.

The Bolivian statutory Income Tax rate is 25 percent. The tax base is the income reported in the financial statements of each entity, prepared in accordance with general accepted accounting principles in Bolivia, subject to adjustments for tax purposes. In general, all expenses required to produce and maintain the source of each company are deductible.

Also, the Chilean statutory Income Tax rate (first category tax) to resident legal individuals is 21% for 2015. On the other hand, individuals or enterprises do not domiciled in Chile are subject to additional tax, which is applied with an overall rate of 35%. It operates in general on the basis of withdrawals and distributions or income remittances abroad, which are of Chilean source. Affected taxpayers this tax are entitled to a tax credit equivalent to First Category Tax paid by companies on income withdrawn or distributed.

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

Due to tax regulations are subject to interpretation by the Tax Authorities it is not possible to determine up to date whether the reviews will generate additional liabilities for the Bank and its Subsidiaries. Therefore, any unpaid tax, penalties or interests that might result from said reviews will be expensed in the year in which they are determined. Nevertheless, Management of the Bank and its Subsidiaries and their legal advisors consider that any additional tax assessments would not have a significant impact on the 2015 and 2014 consolidated financial statements.

16 SHARE-BASED COMPENSATIONS PLANS

(a) Stock appreciation rights of Credicorp Ltd. -

As indicated in note 3(r), the Bank and its Subsidiaries appreciation rights granted in the form of options over Credicorp's stock (SARs) to certain executives who had at least one year working for the Bank. At March 2014, the expiration date of this plan, all SARs granted by Management were executed by the Group until 2008.

(b) Payments through Credicorp Ltd shares -

As indicated in Note 3(r), in March or April of each year, the Bank and its Subsidiaries grant Credicorp shares ("stock awards") to certain executives, which are settled through delivery of Credicorp shares ("share-based payment plan settled in equity instruments"). The delivered rights vest in three years starting the grant date. In order to execute the plan, at the date the plan is communicated, all shares required to settle the plan are purchased and legally delivered to the beneficiaries. However, they are held as restricted until their vesting.

During 2015, 2014 and 2013, the Bank and its Subsidiaries have legally delivered 95,719, 89,810 and 85,904 Credicorp Ltd. Shares, respectively. As of December 31, 2015 plans 2015 (95,719), 2014 (59,873), and 2013 (28,635) are as pending delivery. As of December 31, 2014 plans 2014 (89,810), 2013 (57,269) and 2012 (36,286) are as pending delivery.

As of December 31, 2015, the liability recorded for the 2014 and 2015 plans amounts to S/54.7 million (S/51.7 million for the 2013 and 2014 plans, as of December 31, 2014), which is included as "Share-based payments" in the caption "Other liabilities" of the consolidated statements of financial position, Note 9(a).

All vested shares were delivered to the beneficiaries. Also, the first and second third of shares related to 2013 plan (57,269 shares) and the first third of shares related to 2014 plan (29,937 shares) was legally delivered in April 2015.

The expense related to this plan recorded during 2015 and 2014 amounted to S/54.7 million and S/45.8 million, respectively, which are included in the caption "Salaries and employee benefits" of income, Note 23

17 COMMITMENTS AND CONTINGENCIES

(a) Commitments -

The Bank's Panamanian Branch holds several agreements with a foreign related party, CCR Inc., whereby it guarantees the collection of future inflows from electronic messages sent to the Bank through the Society for Worldwide Interbank Financial Telecommunications ("SWIFT") and utilized the network to instruct correspondent banks to make a payment of a certain amount to a non-financial institution which qualifies as a beneficiary.

For these transactions the related party obtained several loans, which are secured by the above mentioned future inflows; the amounts of the loans received are the following:

<u>Year of issuance</u>	<u>Loan amount US\$ (million)</u>	<u>Maturity</u>
2006 - Serie A	1.4	2016
2010 - Serie B	2.6	2016
2010 - Serie C	124.7	2017
2012 - Series A and B	75.0	2017
2012 - Serie C	292.5	2022
	<u>496.2</u>	

As of December 31, 2015 and 2014, the funds obtained by CCR Inc. were transferred to the Panamanian branch through loans; see Note 11(c).

The loans obtained and the bonds issued by the related parties include covenants which, in Management's opinion, have been fulfilled as of December 31, 2015 and 2014.

(b) Contingencies -

As of December 31, 2015 and 2014, the Bank and its Subsidiaries have several pending legal claims, related to their normal course of business. According to Management and its internal legal advisors, no additional liabilities will result from these legal claims; therefore, Management has not considered necessary to record an additional allowance for these contingencies, Note 9(g).

18 OFF-BALANCE SHEET ACCOUNTS

(a) As of December 31, 2015 and 2014, this item is made up as follows:

	<u>2015</u> <u>S/000</u>	<u>2014</u> <u>S/000</u>
Contingent operations (indirect loans) (b):		
Guarantees and stand-by letters of credit	17,439,434	15,870,966
Import and export letters of credit	1,589,688	1,648,405
Due from bank acceptances	<u>222,496</u>	<u>167,653</u>
	19,251,618	17,687,024
Responsibilities under credit line agreements (c)	22,914,670	17,039,176
Other contingent operations	<u>38,745</u>	<u>189,062</u>
Total contingent operations	<u>42,205,033</u>	<u>34,915,262</u>

- (b) In the normal course of its business, the Bank and its Subsidiaries perform contingent operations (indirect loans). These operations expose them to credit risk in addition to the amounts recognized in the consolidated statements of financial position. The Bank's exposure to losses under commitments to extend credit, provide export and import letters of credit and guarantees (indirect loans) is represented by the contractual amounts specified in the related contracts.

The Bank and its Subsidiaries apply the same credit policies in making commitments and conditional obligations as they do for direct loans, including the requirement to obtain collateral to support off-balance sheet financial instruments when it is deemed necessary. Collateral held varies, but it may include deposits held in financial institutions, securities or other assets.

Because most of the contingent operations are expected to expire without any performance being required, the total committed amounts do not necessarily represent future cash requirements.

Export and import letters of credit are mainly issued as credit enhancements for overseas trade transactions. The related credit risk is reduced by the participation of third parties.

Due from bank on acceptances represent collection rights for the Bank and its Subsidiaries that arise at the time of negotiation of the letters of credit; a collection right from the local importer (in the case of imports) or a collection right from the correspondent bank (in the case of exports).

- (c) Responsibilities under credit lines agreements do not correspond to commitments to grant credits and include lines of credit of consumer credit, micro-business, small business, medium and corporate business, that are cancellable upon notification to the client.
- (d) As of December 31, 2015 and 2014, transactions with derivatives are recorded off-balance sheet at its notional and expressed in the committed currency. This item is made up as follows:

	<u>2015</u> S/000	<u>2014</u> S/000
Derivative instruments, note 9(b) -		
Derivatives held for trading:		
Foreign currency forward contracts on Peruvian Sol, see note 28.3(b)(ii):		
Foreign currency purchases	1,312,840	4,957,495
Foreign currency sales	7,319,183	8,262,627
Foreign currency forward contracts on currencies, other than Peruvian Sol	197,684	1,163,959
Interest rate swap contracts	4,072,117	4,444,288
Currency swap contracts, see Note 28.3(b)(ii):		
Foreign currency delivery/ Peruvian Sol reception	3,076,017	2,389,666
Peruvian Sol delivery/ Foreign currency reception	12,967,498	4,464,851
Foreign currency delivery/ Foreign currency reception	542,949	846,669
Foreign currency options	2,135,684	1,980,405
Derivatives held as hedge:		
Interest rate swap contracts	10,467,053	9,293,924
Cross currency swap contracts on Peruvian Sol, see Note 28.3(b)(ii):		
Peruvian Sol reception / Foreign currency delivery	238,770	209,020
Foreign currency delivery/ Peruvian Sol reception	405,628	25,413
Cross currency and interest rate swap contracts in respect with foreign currency	<u>272,880</u>	<u>238,880</u>
	<u>43,008,303</u>	<u>38,277,496</u>

19 FINANCIAL INCOME AND EXPENSES

These items are made up as follows:

	<u>2015</u> S/000	<u>2014</u> S/000	<u>2013</u> S/000
Financial income			
Interest from loan portfolio	8,582,347	7,531,096	6,029,470
Interest from trading, available-for-sale and held-to-maturity investments, net	455,863	423,877	438,007
Interest from cash and due from banks and inter-bank funds	26,809	38,188	88,344
Net fluctuation from derivative financial instruments position - swaps	8,893	30,129	-
Net result from hedging derivatives instruments	235,436	22,202	-
Commissions on loan portfolio and other transactions	4,150	17,418	10,947
Other	<u>25,347</u>	<u>9,866</u>	<u>6,686</u>
	<u>9,338,845</u>	<u>8,072,776</u>	<u>6,573,454</u>

	<u>2015</u> <u>S/000</u>	<u>2014</u> <u>S/000</u>	<u>2013</u> <u>S/000</u>
Financial expenses			
Interest and commissions on deposits and obligations	(740,530)	(756,703)	(726,005)
Interest on bonds and subordinated notes issued	(670,131)	(638,236)	(680,186)
Interest on due to banks and correspondents and other entities	(837,220)	(498,212)	(407,459)
Net fluctuation from derivative financial instruments position - forwards and options	(885)	(123,628)	(2,084)
Deposit Insurance Fund fee	(113,242)	(97,693)	(89,494)
Net result from hedging derivatives instruments	-	-	(15,164)
Net fluctuation from derivative financial instruments position - swaps	-	-	(49,977)
Other	(31,615)	(37,581)	(26,466)
	<u>(2,393,623)</u>	<u>(2,152,053)</u>	<u>(1,996,835)</u>
Gross financial margin	<u>6,945,222</u>	<u>5,920,723</u>	<u>4,576,619</u>

20 BANKING SERVICES COMMISSIONS, NET

This item is made up as follows:

	<u>2015</u> <u>S/000</u>	<u>2014</u> <u>S/000</u>	<u>2013</u> <u>S/000</u>
Banking services commissions			
Transfer and collection services	738,004	681,422	560,104
Maintenance of accounts	315,349	324,712	350,321
Commissions from parties affiliated to the credit/debit card network	277,376	236,133	205,811
Credit and debit card service	233,070	219,549	177,536
Commissions from contingent operations	191,039	189,023	161,482
Commissions on special services - Credipago	177,429	151,265	129,987
Fees from consulting and technical studies	65,096	92,349	83,314
Insurance commissions	109,254	74,046	68,254
Withholding and collection services	54,269	47,871	44,342
Commissions from transfers abroad and others	37,107	26,125	24,467
Commission from salary in advance and payment of services	39,702	24,139	16,524
Checks issuances	9,000	9,561	10,321
Trust services (assets management)	914	6,230	1,895
Fees related to leasing transactions	1,347	5,394	3,611
Brokerage services	948	383	221
Other	117,821	52,129	79,080
Subtotal	<u>2,367,725</u>	<u>2,140,331</u>	<u>1,917,270</u>
Expenses related to banking services commissions			
Credit and debit card services	(131,214)	(112,549)	(95,074)
Credit/debit card network	(21,451)	(16,147)	(16,788)
Expenses related with assets under leasing contracts	(1,816)	(3,878)	(6,140)
Check issuances	(4,069)	(4,366)	(4,389)
Other	(53,728)	(49,484)	(39,216)
Subtotal	<u>(212,278)</u>	<u>(186,424)</u>	<u>(161,607)</u>
Balance, net	<u>2,155,447</u>	<u>1,953,907</u>	<u>1,755,663</u>

21 NET GAIN (LOSS) ON SECURITIES

This item is made up as follows:

	<u>2015</u> <u>S/000</u>	<u>2014</u> <u>S/000</u>	<u>2013</u> <u>S/000</u>
Net gain from purchase and sale of securities (Note 2 b)	414,061	39,100	10,482
Net gain (loss) from valuation of investments at fair value through profit or loss (trading)	(4,394)	15,113	(98,798)
Participation in income of investments in associates	8,395	8,047	9,030
Other, net	(2,302)	961	532
Total	<u>415,760</u>	<u>63,221</u>	<u>(78,754)</u>

22 OTHER NON-FINANCIAL INCOME AND OTHER OPERATING EXPENSES

These items are made up as follows:

	<u>2015</u> <u>S/000</u>	<u>2014</u> <u>S/000</u>	<u>2013</u> <u>S/000</u>
Other non-financial income			
Technical support - Outsourcing	25,267	21,892	31,250
Net gain from sales of seized assets	4,590	1,550	9,905
Recovery of previous years interest	1,944	1,001	2,187
Other	46,369	26,743	38,006
Total	<u>78,170</u>	<u>51,186</u>	<u>81,348</u>
Other operating expenses			
Losses resulting from tax audits, litigation and claims from customers	(33,398)	(63,501)	(35,163)
Loan waiver	(103)	(27,329)	(5,903)
Provision for uncollectable receivables	(3,172)	(4,021)	(23,114)
Expenses related to assets acquired in connection with leasing operations	(2,382)	(2,849)	(7,121)
Maintenance of seized assets	(1,426)	(948)	(1,378)
Loss from indexed certificates	-	(2,671)	(5,353)
Other	(73,411)	(34,484)	(44,338)
Total	<u>(113,892)</u>	<u>(135,803)</u>	<u>(122,370)</u>

23 SALARIES AND EMPLOYEES' BENEFITS

This item is made up as follows:

	<u>2015</u> <u>S/000</u>	<u>2014</u> <u>S/000</u>	<u>2013</u> <u>S/000</u>
Salaries	1,284,346	1,028,653	834,540
Vacations, medical assistance and others	242,106	335,180	282,442
Legal gratifications	186,807	178,141	138,450
Employees' bonuses	122,725	146,304	107,464
Workers' profit sharing	217,254	144,385	111,742
Social security	142,527	128,631	109,115
Severance indemnities	106,827	99,951	80,499
Share-based payment plans			
SARs (first plan), note 16(a)		(2,010)	589
Shares (second plan), note 16(b)	54,666	45,756	42,167
Total	<u>2,357,258</u>	<u>2,104,991</u>	<u>1,707,008</u>
Number of employees	<u>28,941</u>	<u>27,750</u>	<u>22,657</u>

24 GENERAL AND ADMINISTRATIVE

This item is made up as follows:

	<u>2015</u> <u>S/000</u>	<u>2014</u> <u>S/000</u>	<u>2013</u> <u>S/000</u>
Repair and maintenance	373,773	317,573	281,265
Marketing	246,494	236,433	199,779
Transport and communications	180,294	175,635	152,039
Leases	199,065	169,274	132,101
Advisory and professional fees	87,784	120,242	85,957
Other services rendered by third parties	103,505	108,816	73,252
Sundry supplies	44,633	45,737	39,814
Other (*)	294,290	242,165	245,963
Total	<u>1,529,838</u>	<u>1,415,875</u>	<u>1,210,170</u>

(*) As of December 31, 2015 and 2014, this category includes, among others, judicial expenses, insurance expenses, expenses for commissions, cleaning expenses, notary expenses, subscription expenses and expenses for RENIEC and INFOCORP.

25 EARNINGS PER SHARE

As of December 31, 2015, 2014 and 2013, the weighted average of outstanding shares was calculated as follows:

	<u>Outstanding shares (in thousands)</u>	<u>Shares for calculation (in thousands)</u>	<u>Effective days before year end</u>	<u>Weighted outstanding average of shares (in thousands)</u>
2013				
Balance at January 1, 2013	3,102,897	3,102,897	365	3,102,897
Capitalization of income in 2013	649,720	649,720	365	649,720
Capitalization of income in 2014	-	970,135	365	970,135
Capitalization of income in 2015	-	1,131,299	365	1,131,299
Balance as of December 31, 2013	<u>3,752,617</u>	<u>5,854,051</u>		<u>5,854,051</u>
2014				
Balance at January 1, 2014	3,752,617	3,752,617	365	3,752,617
Capitalization of income in 2014	970,135	970,135	365	970,135
Capitalization of income in 2015	-	1,131,299	365	1,131,299
Balance as of December 31, 2014	<u>4,722,752</u>	<u>5,854,051</u>		<u>5,854,051</u>
2015				
Balance at January 1, 2015	4,722,752	4,722,752	365	4,722,752
Capitalization of income in 2015	1,131,299	1,131,299	365	1,131,299
Balance as of December 31, 2015	<u>5,854,051</u>	<u>5,854,051</u>		<u>5,854,051</u>

As of December 31, 2015, 2014 and 2013 earnings per share calculated based on the weighted average number of shares was S/0.4796, S/0.3258 and S/0.2817, respectively.

26 FINANCIAL INFORMATION BY GEOGRAPHICAL AREA

As of December 31, 2015 and 2014, segment information by geographical area is as follows (amounts expressed in thousands of U.S. dollars)

	2015					2014				
	<u>Total income (*)</u>	<u>Gross financial margin</u>	<u>Depreciation and amortization</u>	<u>Property, furniture and equipment, net</u>	<u>Total assets</u>	<u>Total income (*)</u>	<u>Gross financial margin</u>	<u>D an</u>	<u>an</u>	<u>an</u>
Peru	11,549	6,632	342	1,671	114,556	9,427	5,634			
Panama	671	46	-	-	11,701	724	57			
Bolivia	483	251	8	48	7,266	411	214			
United States of America	27	16	-	-	1,980	37	15			
Total	<u>12,730</u>	<u>6,945</u>	<u>350</u>	<u>1,719</u>	<u>135,503</u>	<u>10,599</u>	<u>5,920</u>			

(*) Includes the total financial and non-financial income.

27 TRANSACTIONS WITH RELATED PARTIES

- (a) During the years 2015 and 2014, the Bank and its Subsidiaries have acquired bonds, loans granted, supplied and received several services, correspondent relationships and other operations with Credicorp' Subsidiaries, which balances are shown below:

	<u>2015</u> S/000	<u>2014</u> S/000
Assets -		
Cash	47,592	18,685
Loans, net	866,235	175,836
Available-for-sale investments (stock the Credicorp' shares) note 5(a)	81,975	75,708
Other assets	74,470	65,640
Liabilities -		
Deposits and obligations	898,208	533,962
Due to banks, correspondents and other entities	1,697,228	2,078,741
Bonds and subordinated notes issued	75,187	51,773
Other liabilities	26,191	15,597
Off-balance sheet items -		
Contingent operations	405,147	340,303
Income -		
Financial income	48,896	12,651
Financial expenses	112,713	120,461
Other income	307,808	263,896
Operating expenses	62,468	89,514

Loans and other contingent credits (indirect loans) with related entities, not Credicorp's Subsidiaries, are as follows

	<u>2015</u> S/000	<u>2014</u> S/000
Direct loans	1,536,749	1,240,841
Indirect loans	234,287	177,408
Derivatives, market value	2,499	904
Deposits	285,763	217,934

The Bank has contracted insurance coverage with El Pacífico-Peruano Suiza Compañía de Seguros y Reaseguros (PPS), a Credicorp subsidiary; the related premiums amounted to S/29.1 million in 2015 (S/67.9 million in 2014); the accrued part is recorded in the caption "General and administrative" of the consolidated statements of income.

The Bank also receives fees from Pacífico Vida S.A., a Credicorp subsidiary, for selling life insurance coverage through its offices to customers who have saving accounts; fees received amounted to approximately S/209.2 million and S/124.0 million in 2015 and 2014, respectively.

According to Peruvian legislation, loans to related parties cannot be granted on terms more favorable than those that would have been offered to the general public. Management considers that the Bank and its Subsidiaries have complied with all legal requirements for transactions with related parties. Loans granted to related parties are secured by guarantees and collaterals.

Loans granted to related parties as of December 31, 2015, have maturities between January 2016 and October 2023 and accrued interest at interest rates that ranged between 0.5 and 65.9 percent (maturities between January 2015 and October 2022 and interest rates between 1.2 and 35.7 percent, as of December 31, 2014). As of December 31, 2015 and 2014, the Bank and its Subsidiaries have an allowance for loans granted to related parties for S/2.7 million and S/1.2 million, respectively.

- (b) As of December 31, 2015 and 2014, the Bank and its Subsidiaries have participations in different mutual and hedge funds managed by Credicorp Capital S.A. Sociedad Administradora de Fondos. The detail is the following:

	<u>2015</u> <u>S/000</u>	<u>2014</u> <u>S/000</u>
Available-for-sale investments -		
Mutual Funds - Credicorp Capital S.A. Sociedad Administradora de Fondos - bolivianos	43,739	39,738
Mutual Funds - Credicorp Capital S.A. Sociedad Administradora de Fondos - US dollars	<u>24,668</u>	<u>39,097</u>
Total	<u><u>68,407</u></u>	<u><u>78,835</u></u>

- (c) Loans to employees and their families -

The Bank and its Subsidiaries grant loans to their employees and families in terms that depend on the different types of loans granted to third parties. Loans granted to employees and their families are mainly mortgage loans and are included under the caption "Loans, net" of the consolidated statements of financial position. Generally, interest rates applied are lower than market interest rates; however, other terms are similar to those prevailing in the market. As of December 31, 2015 and 2014, the balance of loans and other facilities granted to employees, family members, directors and key executives of the Bank and its Subsidiaries amounted to S/783.7 million and S/773.2 million, respectively.

- (d) The Bank's key executive's compensation for the years 2015 and 2014, considering all payments made, is as follows:

	<u>2015</u> <u>S/000</u>	<u>2014</u> <u>S/000</u>
Salaries	14,755	10,070
Directors compensation	<u>6,264</u>	<u>5,027</u>
Total	<u><u>21,019</u></u>	<u><u>15,097</u></u>

Also, key executives compensation includes share based payments as explained in more detail in Note 16. The valuation of SARs granted in 2014 resulted in a gain amounting to S/1.4 million.

Additionally during 2015 and 2014, all the vested SARs were executed for approximately S/11.6 million and S/11.1, respectively related to stock awards. The related income tax is assumed by the Bank.

28 FINANCIAL INSTRUMENTS CLASSIFICATION

The following are the carrying amounts of the financial assets and liabilities captions in the consolidated statements defined under IAS 39:

	As of December 31, 2015							As of December 31, 2014						
	Financial assets and liabilities at fair value							Financial assets and liabilities at fair value						
	Held for trading or hedging S/000	At inception S/000	Loans and receivables S/000	Investments available-for-sale S/000	Investments held-to-maturity S/000	Liabilities at amortized cost S/000	Total S/000	Held for trading or hedging S/000	At inception S/000	Loans and receivables S/000	Investments available-for-sale S/000	Investments held-to-maturity S/000	Liabilities at amortized cost S/000	Total S/000
Assets														
Available funds	-	-	31,435,570	-	-	-	31,435,570	-	-	-	-	-	-	-
Interbank funds	-	-	105,715	-	-	-	105,715	-	-	-	-	-	-	-
Investments at fair value through profit or loss and available for sale	1,513,525	-	-	8,642,331	-	-	10,155,856	1,968,298	-	-	-	-	-	-
Held-to-maturity investments	-	-	-	-	3,585,392	-	3,585,392	-	-	-	-	-	-	-
Loans, net	-	-	84,193,957	-	-	-	84,193,957	-	-	-	-	-	-	-
Other assets, net, note 9(a)	1,426,457	-	859,099	-	-	-	2,285,556	758,494	-	-	-	-	-	-
	<u>2,939,982</u>	<u>-</u>	<u>116,594,311</u>	<u>8,642,331</u>	<u>3,585,392</u>	<u>-</u>	<u>131,762,016</u>	<u>2,726,792</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Liabilities														
Deposits and obligations	-	-	-	-	-	84,182,614	84,182,614	-	-	-	-	-	-	-
Interbank funds	-	-	-	-	-	446,024	446,024	-	-	-	-	-	-	-
Payables from repurchase agreements	-	-	-	-	-	12,696,685	12,696,685	-	-	-	-	-	-	-
Due to banks, correspondents and other entities	-	-	-	-	-	8,696,653	8,696,653	-	-	-	-	-	-	-
Bonds and Subordinated notes issued (*)	8,535,401	-	-	-	-	5,909,872	14,445,273	7,349,760	-	-	-	-	-	-
Other liabilities, net, note 9(a)	878,005	-	-	-	-	1,164,144	2,042,149	556,153	-	-	-	-	-	-
	<u>9,413,406</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>119,095,992</u>	<u>122,509,388</u>	<u>7,905,913</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

(*) As of December 31, 2015, bonds and subordinated at fair value are amortized cost amounting to S/8,331.0 which were as fair value hedges, see note 9(b).

29 FINANCIAL RISK MANAGEMENT

The Bank and its Subsidiaries activities involve principally the use of financial instruments, including derivatives. The Bank and its Subsidiaries accept deposits from customers at both fixed and floating rates, for various periods, and seek to earn above-average interest margins by investing these funds in high-quality assets. The Bank and its Subsidiaries seek to increase these margins by consolidating short-term funds and lending for longer periods at higher rates, while maintaining sufficient liquidity to meet all claims that might fall due.

The Bank and its Subsidiaries also seek to raise its interest margins by obtaining above-average market margins, net of allowances, through lending to commercial and retail borrowers with a range of credit products. Such exposures involve not just on-balance sheet loans and advances; the Bank and its Subsidiaries also enter into guarantees and other commitments such as letters of credit and performance.

The Bank and its Subsidiaries also trade in financial instruments where it takes positions in traded and over-the-counter instruments, including derivatives, to take advantage of short-term market movement, under its trading strategies in equities, bonds, currencies and interest rates.

In this sense, risk is inherent to the Bank and its Subsidiaries activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Bank and its Subsidiaries continuing profitability and each individual within the Bank and its Subsidiaries is accountable for the risk exposures relating to their responsibilities. The Bank and its Subsidiaries are exposed to operating risk, credit risk, liquidity risk and market risk, the latter being subdivided into trading and non-trading risks.

The independent risk control process does not include business risks such as changes in the environment, technology and industry. They are monitored through the Bank and its Subsidiaries strategic planning process.

(a) Risk management structure -

The Bank and its Subsidiaries Board of Directors and of each Subsidiary is ultimately responsible for identifying and controlling risks; however, there are separate independent bodies in the major Subsidiaries responsible for managing and monitoring risks, as further explained below:

(i) Board of Directors

The Board of Directors of each major Subsidiary is responsible for the overall risk management approach and for the approval of the policies and strategies currently in place. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments

(ii) Risk Management Committee

The Risk Management Committee of each major Subsidiary is responsible for the strategy used for mitigating risks as well as setting forth the overall principles, policies and limits for the different types of risks; it is also responsible for monitoring fundamental risk issues, manages and monitors the relevant risk decisions

In addition, in order to effectively manage all the risks, the Risk Management Committee is divided into the following tactical committees which report on a monthly period all changes or issues to the managed risks:

Credit Risk Committee -

The Credit Risk Committee is responsible for reviewing the tolerance level, limits of exposure, the objective, guidelines and policies for managing credit risk, the delegation of authority and the supervision and establishment of autonomy for taking credit risks and the metrics for measuring the performance incorporating risk variables. Also, it is responsible for approving the processes, and manuals to identify, measure, treat, monitor, control and report all the market risks to which the Bank and its Subsidiaries are exposed. Furthermore, it proposes the approval of any change to the functions described above and reports any finding to the Risk Management Committee.

The Credit Risk Committee is mainly composed by the Chief Risk Executive, the Manager of the Credit Division and the Manager of the Risk Management Area.

Treasury and ALM Risk Committee -

The Treasury and ALM Risk Committee is responsible of reviewing the tolerance level, limits of exposure, the objective, guidelines and policies for managing market risks, the delegation of authority, the supervision and establishment of autonomy for taking market risks, and the metrics for measuring performance incorporating risk variables. Also, it is responsible for approving the methodologies, models, parameters, processes and manuals to identify, measure, treat, monitor, control and report all the market risks to which the Bank and its Subsidiaries are exposed. Furthermore, it proposes the approval of any changes of the functions described above and reports any finding to the Risk Management Committee.

The Treasury and ALM Risk Committee is mainly composed by the Chief Risk Executive, the Manager of the Risk Management Area, the Manager of the Treasury Risk Area and the Manager of the Treasury Division.

Operational Risk Committee -

The Operational Risk Committee is responsible for reviewing the tolerance level, limits of exposure, the objective, guidelines and policies for managing operational risks and the mechanisms for implementing corrective actions. Also, it is responsible for approving: (i) the standard methodology for measuring operational risks, (ii) the taxonomy of operational risks and controls and (iii) all the critical processes of the Bank and its Subsidiaries. Furthermore, it proposes the approval of any changes to the functions described above and reports any finding to the Risk Management Committee.

The Credit Risk Committee is mainly composed by the Chief Risk Executive, the Manager of the Risk Management Area, the Manager of the Operational Risk Management Department, the Manager of the Internal Audit Division.

(iii) Central Risk Management

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

The Chief Risk Office is divided into the following areas:

Risk Management Division

The Risk Management Area is responsible for ensuring that policies and risk management policies established by the Board of Directors are complied with and monitored. The Risk Management Area is composed by the Credit Risk Management Department, Market Risk Management Department, and the Operational Risk Management Department.

Treasury Risk Area

The Treasury Risk Area is responsible for planning, coordinating and monitoring the compliance of the Treasury Division with risk measurement methodologies and limits approved by the Risk Management Committee. Also, it is responsible to assess the effectiveness of hedge derivatives and the valuation of investments.

Credit Risk Division

The Credit Risk Division establishes the overall credit policies for each operation in which the Bank and its Subsidiaries decide to participate. These policies are set forth based on the guidelines established by the Board of Directors and following the statutory financial laws and regulations in force. Its main activities are establishing the client credit standards and guidelines (evaluation, authorization and control) in order to follow the guidelines established by the Board of Directors and General Management, as well as those established by the SBS to reviewing and authorizing of credit applications, up to the limit established and within the scope of its responsibilities; and submitting to upper hierarchies those credit applications that exceed the established limits in order to monitor credit-granting activities within the different autonomous entities, among others.

Consumer and Micro-business Risk Division

The Consumer and Micro-business Risk Area is responsible for ensuring the quality of the retail loans portfolio and developing credit standards in line with the guidelines and risk levels defined by the Board of Directors.

(iv) Treasury Division

Treasury Division is responsible for managing the Bank and its Subsidiaries assets and liabilities and the overall financial structure. It is also primarily responsible for the Bank and its Subsidiaries management of funding and liquidity risks; as well as the investment and derivative portfolios, assuming the related liquidity, interest rate and exchange rate risks under the policies and limits currently effective.

(v) Internal Audit Division

Risk management processes throughout the Bank and its Subsidiaries are monitored by the internal audit function, which examines both the adequacy of the procedures and the compliance of them. Internal Audit discusses the results of all assessments with Management, and reports its findings and recommendations to Bank and its Subsidiaries Audit Committee and Board of Directors and its Subsidiaries

b) Risk measurement and reporting systems -

Monitoring and controlling risks are primarily performed based on limits established by the Bank and its Subsidiaries. These limits reflect the business strategy and market environment of the Bank and its Subsidiaries as well as the level of risk that the Management is willing to accept. In addition, the Bank and its Subsidiaries run worse case scenarios that would arise in the event that extreme events which are unlikely to occur do, in fact, occur.

Information compiled from all the Bank and its Subsidiaries is examined and processed in order to analyze, control and identify early any risks. This information is presented and explained to the Board of Directors, the Risk Management Committee, the Audit Committee, and all relevant members of the Bank and its Subsidiaries. The report includes aggregate credit exposure, credit metric forecasts, hold limit exceptions, VaR (Value at Risk), liquidity ratios and risk profile changes. Management assesses the fair value of the investments and the appropriateness of the allowance for credit losses periodically.

(c) Risk mitigation -

As part of its overall risk management, the Bank and its Subsidiaries use derivatives and other instruments to manage exposures resulting from changes in interest rates, foreign currencies, equity risk and credit risk.

The risk profile is assessed before entering into hedge transactions, which are authorized by the appropriate level of seniority within the Bank and its Subsidiaries. The effectiveness of hedges is assessed by the Treasury Risk Area. The effectiveness of all the hedge relationships is monitored monthly. In situations of ineffectiveness, the Bank and its Subsidiaries enter into a new hedge relationship to mitigate risk on a continuous basis.

The Bank and its Subsidiaries actively use collateral to reduce its credit risks.

(d) Risk concentration -

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic, political or other conditions. Concentrations indicate the relative sensitivity of the Bank and its Subsidiaries performance to developments affecting a particular industry or geographical location.

In order to avoid excessive concentrations of risk, the Bank and its Subsidiaries policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

29.1 Credit risk -

- a) The Bank and its Subsidiaries take on exposure to credit risk, which is the risk that counterparty causes a financial loss by failing to discharge an obligation. Credit risk is the most important risk for the Bank and its Subsidiaries business; therefore, Management carefully manages its exposure to credit risk. Credit exposures arise principally in lending activities that lead to loans and receivables from security borrowings, and investment activities that bring debt securities and other bills into the Bank and its Subsidiaries asset portfolio. There is also credit risk in off-balance sheet financial instruments, such as contingent credits (indirect loans), which expose the Bank and its Subsidiaries to similar risks to loans (direct loans); they are both mitigated by the same control processes and policies. Likewise, credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values.

The Bank and its Subsidiaries structure the levels of credit risk they undertake by placing limits on the amount of risk accepted in relation to one borrower or groups of borrowers, and to geographical and industry segments. Such risks are monitored on a revolving basis and subject to frequent reviews. Limits in the level of credit risk by product, industry sector and by geographic segment are approved by the Board of Directors.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and principal repayment obligations and by changing these lending limits where appropriate. Some other specific control and mitigation measures are outlined below:

(i) Collateral -

The Bank and its Subsidiaries use a range of policies and practices to mitigate credit risk. The most traditional of these is taking of collateral for loans granted. The Bank and its Subsidiaries implement guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The main types of collateral obtained are as follows:

- For repurchase agreements, collaterals are securities and cash.
- For loans and advances, collaterals include, among others, mortgages over residential properties; liens over business assets such as premises, inventory and accounts receivable; and liens over financial instruments such as debt securities and equities. Likewise, collaterals are used for longer-term finance and lending to corporate entities.
- Consumer loans and loans to micro entrepreneurs are generally unsecured. In addition, in order to minimize credit loss, the Bank and its subsidiaries seek additional collateral from the counterparty as soon as impairment indicators arise.

Collaterals are classified in self-liquidating preferred, highly liquid preferred and preferred in accordance with SBS Resolution No 11356-2008, see more detail in Note 3(g).

Collateral held as security for financial assets other than loans is determined by the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured, with the exception of assets back securities and similar instruments, which are secured by portfolios of financial instruments.

Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral obtained during its review of the adequacy of the allowance for impairment losses. It is a Bank and its Subsidiaries policy to dispose off repossessed properties in an orderly manner. The proceeds are used to reduce or repay the outstanding claim. In general, the Bank and its Subsidiaries do not use repossessed properties for its own business.

(ii) Derivatives -

The Bank and its Subsidiaries maintain strict control limits on net open derivative positions (for example, the difference between purchase and sale contracts), by both amount and term. The subject amount to credit risk is limited to the current fair value of instruments that are favorable to the Bank and its Subsidiaries (for example, an asset when fair value is positive), which in relation to derivatives is only a small fraction of the contract, or notional amount used to express the volume of instruments outstanding. This credit risk exposure is managed as part of the overall lending limits with customers, together with potential exposures from market movements. Collateral or other security is not usually obtained for credit risk exposures on these instruments.

Settlement risk arises in any situation where a payment in cash, securities or equity is made in the expectation of a corresponding receipt in cash, securities or equity. Daily settlement limits are established for each counterparty in order to cover the aggregate of all settlement risk arising from the Bank and its Subsidiaries market transactions on any single day.

(iii) Credit-related commitments -

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and stand by letters of credit have the same credit risk as loans. Documentary and commercial letters of credit: which are written undertakings by the Bank and its Subsidiaries on behalf of a customer authorizing a third party to draw drafts on the Bank and its Subsidiaries up to a stipulated amount under specific terms and conditions - are collateralized by the underlying shipments of goods to which they relate and therefore have less risk than a direct loan. The Bank and its Subsidiaries have not mandatory commitments to extend credit.

In order to manage credit risk, as part of the Bank and its Subsidiaries risk management structure, see Note 29(a), there is a Credit Risk Management Department whose major functions are implementing methodologies and statistical models for measuring credit risk exposures, developing and applying methodologies for the calculation of risk-ratings, both at the corporate and business unit levels, performing analysis of credit concentrations, verifying that credit exposures are within the established limits and suggesting global risk exposures by economic sector, time term, among others.

At the same time, the Bank and its Subsidiaries have a Credit Division, which establishes the overall credit policies for each and all the businesses in which the Bank and its Subsidiaries decides to take part in Note 29(a)(iii).

- (b) The maximum exposure to credit risk as of December 31, 2015 and 2014, before the effect of mitigation through any collateral, is the book value of each class of financial assets indicated in Note 28 and the contingent credits detailed in Note 18(a).

Management is confident in its ability to continue to control and sustain minimal exposure of credit risk to the Bank and its Subsidiaries resulting from both its loan portfolio and investments based on the following:

- 96.0 percent of the gross loan portfolio is categorized in the top two grades of the internal rating system as of December 31, 2015 (96.4 percent as of December 31, 2014); note 6(d);
- 93.4 percent of the loan portfolio is considered neither past due nor impaired as of December 31, 2015 (96.1 percent as of December 31, 2014)
- 93.3 percent of the investments have at least investment credit rating (BBB- or higher) or are debt securities issued by BCRP (unrated) as of December 31, 2015 (98.0 percent as of December 31, 2014);
- 11.0 percent and 46.4 percent of the cash and due from banks represent amounts deposited in the Bank and its Subsidiaries or in the BCRP, respectively, as of December 31, 2015 (17.0 percent and 57.7 percent, respectively, as of December 31, 2014).

- (c) Credit risk management for loans -

The Bank and its Subsidiaries classify their loan portfolio into one of five risk categories, depending upon the degree of risk of non-payment of each borrower. The categories used are: (i) normal - A, (ii) potential problems - B, (iii) substandard - C, (iv) doubtful - D and (v) loss - E, which have the following characteristics:

Normal (Class A): Non-retail borrowers are classified into this category, when their financial situation is liquid, their debt-to-equity ratio is low and their ability to generate benefits and cash flows allow to fulfill their obligations timely. On the other hand, retail and mortgage borrowers are included into this category when payments are current or up to 8 days past due and are current or up to 30 days past due.

Potential problems (Class B): Non-retail borrowers are classified into this category, when their financial situation is solid, their debt-to-equity ratio is moderate and their cash flows are enough to pay off notional and interest, however, such cash flows could fall off in the following twelve months. On the other hand, retail and mortgage borrowers are included into this category when payments are between 9 and 30 days past due and 31 and 60 days past due, respectively.

Substandard (Class C): Non-retail borrowers are classified into this category, when their financial situation is weak and their cash flows do not allow to pay off neither notional nor interest and payments are between 60 and 120 days past due. On the other hand, retail and mortgage borrowers are included into this category when payments are between 31 and 60 days past due and 61 and 120 days past due, respectively.

Doubtful (Class D): Non-retail borrowers are classified into this category, when the financial situation does not allow them to pay off neither notional nor interest, their debt-to-equity ratio is high and they are forced to sell their significant assets or payments are between 120 and 365 days late. On the other hand, retail and mortgage borrowers are included into this category when payments are between 61 and 120 days past due and 121 and 365 days past due, respectively.

Loss (Class E): Non-retail borrowers are classified into this category, when the financial situation does not allow them to deal with refinancing agreements the entity is not in operation or is in liquidation or payments are more than 365 days past due. On the other hand, retail and mortgage borrowers are included into this category when payments are more than 120 days past due and more than 365 days past due, respectively

Regarding the assessment of loan portfolios, the Bank and its Subsidiaries classify borrowers into the risk categories established by SBS and according to the classification criteria set out for each loan type, that is, for the borrowers belonging to the commercial, small and micro-business, consumer and mortgage portfolio. The classification of borrowers into their corresponding categories is determined by following the criteria set out by SBS Resolution No. 11356-2008 "Regulation for the evaluation and classification of the borrower and the requirement of provisions", Note 3(g).

When a loan is uncollectible, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary legal procedures have been completed and the write-off have been approved by the Board of Directors, in accordance with the SBS Resolution No. 11356-2008. Subsequent recoveries of amounts previously written off decrease the amount of the provision for loan impairment in the consolidated statements of income.

The following is a summary of the direct loans classified in three major groups:

- i) Loans neither past due nor impaired, comprising those direct loans having presently no delinquency characteristics and related to clients ranked as normal or potential problems; ii) Past due but not impaired loans, comprising past due loans of clients classified as normal or with potential problems and iii) Impaired loans, or those past due loans of clients classified as substandard, doubtful or loss; presented net of the provision for loan losses for each of the loan classifications:

	As of December 31, 2015						As of December 31, 2014	
	Commercial loans S/000	Residential mortgage loans S/000	Micro business loans S/000	Consumer loans S/000	Total S/000	%	Commercial loans S/000	Residential mortgage loans S/000
Neither past due nor impaired -								
Normal	47,118,663	12,049,888	8,087,491	12,565,241	79,821,283	96	40,097,474	11,874,771
Potential problem	1,653,639	81,878	180,037	100,979	2,016,533	2	1,086,153	71,871
Past due but not impaired -								
Normal	936,865	461,084	7,241	387,063	1,792,253	2	68,865	64,865
Potential problem	114,639	97,316	18,055	21,688	251,698	0	48,022	64,865
Impaired -								
Substandard	373,970	162,571	103,644	224,749	864,934	1	171,472	115,472
Doubtful	545,594	196,524	133,386	376,816	1,252,320	2	255,274	150,274
Loss	803,375	300,985	206,478	215,274	1,526,112	2	296,722	221,722
Gross	<u>51,546,745</u>	<u>13,350,246</u>	<u>8,736,332</u>	<u>13,891,810</u>	<u>87,525,133</u>	<u>105</u>	<u>42,023,982</u>	<u>12,498,102</u>
Less: Allowance for loan losses	<u>1,589,569</u>	<u>428,522</u>	<u>1,129,424</u>	<u>698,552</u>	<u>3,846,067</u>	<u>5</u>	<u>1,100,194</u>	<u>362,194</u>
Total, net	<u>49,957,176</u>	<u>12,921,724</u>	<u>7,606,908</u>	<u>13,193,258</u>	<u>83,679,066</u>	<u>100</u>	<u>40,923,788</u>	<u>12,135,908</u>

As of December 31, 2015 and 2014, refinanced loans amounted to approximately S/769.3 million and S/647.8 million, respectively, and S/236.4 million, respectively, are classified as neither past due nor impaired, S/189.1 and S/167.6 million past due but not impaired, and S/243.8 million impaired, respectively.

As of December 31, 2015 and 2014, past due but not impaired loans are between 30 and 60 days.

The breakdown of the gross amount of impaired loans by class, along with the fair value of related collateral and is as follows:

	<u>As of December 31, 2015</u>					<u>As of December 31, 2014</u>	
	<u>Commercial loans S/000</u>	<u>Residential mortgage loans S/000</u>	<u>Micro- business loans S/000</u>	<u>Consumer loans S/000</u>	<u>Total S/000</u>	<u>Commercial loans S/000</u>	<u>Residential mortgage loans S/000</u>
Impaired loans	1,724,093	660,080	443,508	816,841	3,644,522	723,469	487,469
Fair value of colateral	362,197	82,166	423,604	74,401	942,368	469,081	374,469
Allowance for loan losses	1,960,611	970,397	26,278	253,543	3,210,829	321,673	225,469

(d) Credit risk management on investments in trading securities, available-for-sale and held-to-maturity -

The Bank and its Subsidiaries evaluate the credit risk identified of each of the financial instruments in these categories, considering the risk rating granted to them by a risk rating agency. For investments traded in Peru, the risk ratings used are those provided by the three most prestigious Peruvian rating agencies (authorized by the Peruvian government regulator) and for investments traded abroad, the risk-ratings used are those provided by the three most prestigious international rating agencies.

The following table shows the analysis of the risk-rating of investments at fair value through profit or loss (trading) available-for-sale and held-to-maturity, provided by the institutions referred to above:

	<u>As of December 31, 2015</u>		<u>As of December 31, 2014</u>	
	<u>S/000</u>	<u>%</u>	<u>S/000</u>	<u>%</u>
Instruments rated in Peru:				
AAA	380,067	2.80	269,652	2.30
AA- to AA+	157,574	1.10	152,877	1.30
A- to A+	3,562,573	25.90	13,317	0.10
BB- to BB+	880,983	6.40	-	-
Unrated				
BCRP certificates of deposit	6,006,110	43.70	4,607,895	39.30
Listed and non-listed securities	92,898	0.70	8,253	0.10
Mutual funds	72,188	0.50	29,257	0.20
Subtotal	<u>11,152,393</u>	<u>81.10</u>	<u>5,081,251</u>	<u>43.30</u>
In Instruments rated abroad:				
AAA				
AA- to AA+	11,655	0.10	2,888	-
A- to A+	297,832	2.20	3,024,815	25.90
BBB- to BBB+	987,976	7.20	1,737,698	14.80
BB- to BB+	340,425	2.50	22,632	0.20
B- to B+	88,919	0.60	44,475	0.40
Unrated				
Listed and non-listed securities	2,528	0.00	707,261	6.00
Central Bank of Bolivia certificates of deposit	153,554	1.10	453,857	3.90
Participation in RAL's funds	694,915	5.10	542,921	4.60
Mutual funds	11,053	0.10	49,578	0.40
Other instruments	-	0.00	55,696	0.50
Subtotal	<u>2,588,857</u>	<u>18.90</u>	<u>6,641,821</u>	<u>56.70</u>
Total	<u>13,741,250</u>	<u>100.00</u>	<u>11,723,072</u>	<u>100.00</u>

(e) Concentration of financial instruments exposed to credit risk:

As of December 31, 2015 and 2014, financial instruments with exposure to credit risk were distributed considerably as follows:

	As of December 31, 2015					As of December 31, 2014		
	At fair value through profit or loss					At fair value through profit or loss		
	Held for trading and hedging	At inception	Loans and receivables	Investment available for sale	Investment held-to-maturity	Total	Held for trading and hedging	At inception
	S/000	S/000	S/000	S/000	S/000	S/000	S/000	S/000
Peruvian Central Bank	1,618,488	-	24,240,476	4,593,586	-	30,452,550	1,556,221	-
Financial services	911,418	-	15,162,765	2,524,625	-	18,598,808	596,112	-
Manufacturing	25,359	-	14,522,710	310,770	-	14,858,839	10,041	-
Micro-business loans	-	-	9,675,824	-	-	9,675,824	-	-
Commerce	47,407	-	11,964,022	1,427	-	12,012,856	14,789	-
Electricity, gas and water	54,311	-	5,187,878	413,427	-	5,655,616	110,099	-
Government and public administration	11,771	-	482,449	723,092	3,585,392	4,802,704	267,671	-
Leaseholds and real estate activities	32,015	-	1,733,780	4,512	-	1,770,307	6,690	-
Communications, storage and transportation	8,370	-	3,383,990	1	-	3,392,361	60,999	-
Mining	54,157	-	5,315,098	41,511	-	5,410,766	19,108	-
Community services	-	-	4,762,404	-	-	4,762,404	-	-
Construction	52,665	-	6,119,067	-	-	6,171,732	34,855	-
Agriculture	12,497	-	1,585,934	-	-	1,598,431	7,267	-
Education, health and other services	12,792	-	787,112	29,380	-	829,284	10,433	-
Insurance	24,812	-	307,854	-	-	332,666	4,707	-
Fishing	18,054	-	314,403	-	-	332,457	3,312	-
Other	55,867	-	8,133,971	-	-	8,189,838	24,488	-
Sub - Total	2,939,983	-	113,679,737	8,642,331	3,585,392	128,847,443	2,726,792	-
Residential mortgage loans	-	-	13,045,803	-	-	13,045,803	-	-
Revolving and non-revolving loans	-	-	11,316,678	-	-	11,316,678	-	-
Total	2,939,983	-	138,042,218	8,642,331	3,585,392	153,209,924	2,726,792	-

As of December 31, 2015 and 2014, the financial instruments with exposure to credit risk were distributed by the

At fair value through profit or loss				
	Held for trading and hedging	At inception	Loans and receivables	Investments available for sale
	S/000	S/000	S/000	S/000
As of December 31, 2015				
Peru	2,037,868	-	124,970,486	6,341,6
Bolivia	-	-	7,105,916	1,054,8
United States of America	182,106	-	2,432,016	172,8
Chile	25,919	-	435,478	153,0
Panama	-	-	80,177	52,2
Colombia	86,587	-	473,423	654,9
Brazil	-	-	163,628	137,5
Canada	273	-	97,787	-
Mexico	-	-	35,511	58,4
Europe:	-	-	-	-
United Kingdom	529,910	-	639,710	-
France	77,320	-	96,271	-
Spain	-	-	161,211	-
Switzerland	-	-	53,783	-
Holland	-	-	-	-
Other Europe	-	-	26,543	13,6
Other	-	-	1,270,278	3,1
Total	2,939,983	-	138,042,218	8,642,3

At fair value through profit or loss				
	Held for trading and hedging	At inception	Loans and receivables	Investments available for sale
	S/000	S/000	S/000	S/000
As of December 31, 2014				
Peru	2,053,106	-	92,047,722	4,359,8
Bolivia	2,432	-	3,867,316	1,120,2
United States of America	71,874	-	2,403,243	182,6
Chile	10,902	-	148,820	763,9
Panama	-	-	10,346	46,7
Colombia	38,713	-	100,476	234,4
Brazil	101,941	-	368,274	132,3
Canada	22,129	-	32,541	-
Mexico	-	-	3,203	58,8
Europe:	-	-	-	-
United Kingdom	373,865	-	2,992	20,9
France	51,594	-	-	-
Spain	-	-	111,757	-
Switzerland	236	-	150	-
Holland	-	-	-	-
Other Europe	-	-	72,590	61,2
Other	-	-	67,626	105,8
Total	2,726,792	-	99,237,056	7,087,1

29.2 Liquidity risk -

The Bank and its Subsidiaries are exposed to daily calls on, among others, their available cash resources from overnight deposits, current accounts, maturing deposits, loans draw-downs, guarantees and other calls. Likewise, the Management of the Bank and its Subsidiaries set limits on the minimum amount of high quality liquid assets to meet such calls and on the minimum level of inter-bank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demands.

The process used for matching and control mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Bank and its Subsidiaries. It is unusual for banks to be completely matched, as transacted business is often based on uncertain terms and of different types. An unmatched position potentially enhances profitability, but also increases the risk of losses.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature are important factors in assessing the liquidity of the Bank and its Subsidiaries and their exposure to changes on interest rates and exchange rates.

In the notes to the consolidated financial statements an analysis of the relevant liabilities of the Bank and its Subsidiaries based on contractual maturity is included.

The table below presents the cash flows payable by the Bank and its Subsidiaries by remaining contractual maturity date of the consolidated statements of financial position. The amounts disclosed in the table are the contractual

	As of December 31, 2015						As of December 31, 2014	
	Up to 3 months S/000	From 3 months to 1 year S/000	From 1 to 3 years S/000	From 3 to 5 years S/000	Over 5 years S/000	Total S/000	Up to 3 months S/000	From 3 months to 1 year S/000
Financial assets	<u>20,922,534</u>	<u>16,271,726</u>	<u>30,627,438</u>	<u>63,282,535</u>	<u>23,232,122</u>	<u>154,336,356</u>	<u>20,690,983</u>	<u>12,419,694</u>
Financial liabilities by type								
Deposits and obligations and interbank funds	24,172,675	6,420,061	12,406,985	30,145,692	7,564,511	80,709,924	23,391,666	7,024,101
Payables from repurchase agreements	2,044,405	601,157	66,228	354,907	(1,895,542)	1,171,155	971,365	230,100
Due to banks, correspondents and other entities	2,427,666	1,882,497	3,400,394	9,556,796	610,833	17,878,186	639,023	1,729,680
Bonds and subordinated notes issued	149,492	891,529	1,011,070	8,170,202	8,344,900	18,567,193	74,132	159,558
Other liabilities	1,814,085	233	237	73	1,072,337	2,886,965	382,961	48,860
Equity	-	-	-	-	12,087,735	12,087,735	-	-
Total non-derivative liabilities	<u>30,608,323</u>	<u>9,795,477</u>	<u>16,884,914</u>	<u>48,227,670</u>	<u>27,784,774</u>	<u>133,301,158</u>	<u>25,459,147</u>	<u>9,192,299</u>
Derivatives financial liabilities (*)								
Contractual amounts receivable (inflow)	376,850	548,315	832,849	2,089,637	318,060	4,165,711	1,681,810	2,976,877
Contractual amounts payable (outflow)	<u>372,403</u>	<u>535,627</u>	<u>826,618</u>	<u>1,929,590</u>	<u>294,818</u>	<u>3,959,056</u>	<u>1,673,053</u>	<u>2,970,435</u>
Total derivative liabilities	<u>4,447</u>	<u>12,688</u>	<u>6,231</u>	<u>160,047</u>	<u>23,242</u>	<u>206,655</u>	<u>8,757</u>	<u>6,442</u>

(*) Included derivatives contracts designated as hedge accounting.

The table below shows the contractual maturity of the Bank and its Subsidiaries contingent credits at the date of position:

	As of December 31, 2015						As of December 31, 2014
	Up to 3 months S/000	From 3 months to 1 year S/000	From 1 to 3 years S/000	From 3 to 5 years S/000	Over 5 years S/000	Total S/000	Up to 3 months S/000
Contingent credits							
(Indirect loans)	<u>376,190</u>	<u>830,534</u>	<u>12,821,262</u>	<u>5,184,501</u>	<u>39,132</u>	<u>19,251,619</u>	<u>2,235,077</u>
							<u>4,445,494</u>

The Banks and its Subsidiaries expect that not all of the contingent liabilities or commitments will be drawn before maturity.

29.3 Market risk -

The Bank and its Subsidiaries take on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices and the level of volatility of prices such as interest rates, foreign exchange rates, commodities and equity prices; all of which are exposed to general and specific market movements. Due to the nature of the Bank and its Subsidiaries current activities, commodity price risk is not applicable.

The Bank and its Subsidiaries separate exposures to market risk into two groups: (i) those that arise from value fluctuation of trading portfolios due to movements of market rates or prices (Trading Book) and (ii) those that arise from changes in the structural positions of non-trading portfolios due to movements of the interest rates, prices and foreign exchange ratios (ALM Book).

Trading portfolio includes liquid positions arising from market-making transactions, in which the Bank and its Subsidiaries act as a principal with the clients or with the market. Portfolios which do not qualify as trading portfolios include: (a) relative illiquid positions, mainly deposits and loans, and (b) non-trading investments (available-for-sale).

The risks that trading portfolios and foreign exchange risk of the structured monetary position are managed through Value at Risk (VaR); while non-trading portfolios are managed using Asset and Liability Management (ALM).

(a) Trading Book -

The trading book is characterized for having liquid positions in equities, bonds, foreign currencies and derivatives, arising from market-making transactions where the Bank and its Subsidiaries act as a principal with the clients or with the market. This portfolio includes investments and derivatives classified by Management as held for trading

(i) Value at Risk (VaR) -

The Bank and its Subsidiaries apply the VaR approach to their trading portfolio to estimate the market risk of positions held and the maximum losses that are expected, based upon a number of assumptions for various changes in market conditions, as well as it is applied to estimate the foreign exchange risk of the structured monetary position.

Daily calculation of VaR is a statistically-based estimate of the potential loss on the current portfolio from adverse market movements.

The VaR expresses the "maximum" amount the Bank and its Subsidiaries might lose, but only to a certain level of confidence (99 percent). There is therefore a specified statistical probability (1 percent) that actual loss could be greater than the VaR estimate. The VaR model assumes a certain "holding period" until positions can be closed (1 - 10 days).

The time horizon used to calculate VaR is one day; however, the one-day VaR is amplified to a 10-day time frame and calculated multiplying the one-day VaR times the square root of 10. This adjustment assumes that the changes in the portfolio in the following days have a normal distribution identical and independent. Thus, the result is multiplied by an adjustment factor of non-normality.

The assessment of past movements has been based on historical one-year data and 35 market risk factors, which are composed as follows: 14 market curves, 19 foreign exchange, 1 stock price and 1 volatility series. The Bank and its Subsidiaries apply these historical changes in rates directly to its current positions (a method known as historical simulation). Management believes that market risk factors incorporated into the VaR model are adequate to measure the market and foreign exchange risk of the trading book and the structured monetary position, respectively, are exposed.

The use of this approach does not prevent losses outside of these limits in the event of more significant market movements. Losses exceeding the VaR figure should occur, on average under normal market conditions, not more than once every hundred days.

VaR limits have been established to control and keep track of all the risks taken. These risks arise from the size of the positions and/or the volatility of the risk factors embedded in each financial instrument. Regular reports are prepared for the Treasury and ALM Risk Committee, the Risk Management Committee and the Senior Management.

Due to its higher volatility of the soles rate differential in the market derivatives in relation with the U.S. dollar in the derivative market and an increase in related positions affected by this differential, the VaR of the Bank and its subsidiaries showed an increase over 2015. Nevertheless, VaR kept constant within the risk appetite limits set by the Risk Management of the Bank and its subsidiaries.

As of December 31, 2015 and 2014, the Bank and its Subsidiaries VaR by type of asset is as follows:

	<u>2015</u> <u>S/000</u>	<u>2014</u> <u>S/000</u>
Equity investments	1,732	1,184
Debt investments	3,112	5,219
Swaps	2,767	3,106
Forwards y spot trading	97,076	19,606
Options	12,364	490
Structured monetary position	34,398	21,819
Diversification effect	(57,152)	(14,283)
Consolidated VaR by asset type	94,299	37,141

As of December 31, 2015 and 2014, the Bank and its Subsidiaries VaR by risk type is as follows:

	<u>2015</u> <u>S/000</u>	<u>2014</u> <u>S/000</u>
Interest rate risk	116,638	22,575
Price risk	1,732	1,184
Volatility risk	299	110
Exchange rate risk	57,724	37,788
Diversification effect	(82,094)	(24,516)
Consolidated VaR by risk type	94,299	37,141

b) ALM Book -

Non-trading portfolios which comprise the ALM Book are exposed to different sensitivities that can bring about a deterioration in the value of the assets compared to its liabilities and hence to a reduction of its net value.

(i) Interest rate risk -

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. Cash flows interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Bank and its Subsidiaries take on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flows risks. Interest margins may increase as a result of such changes but may also be reduced in the event that unexpected movements arise.

The Board of Directors sets limits on the level of mismatch of interest rate re-pricing that may be undertaken, which is monitored by the Bank and its Subsidiaries Chief Risk Office.

Re-pricing gap -

The repricing gap analysis is intended to measure the interest rate risk exposure when the bank's interest-sensitive liabilities exceed its interest-sensitive assets. By this analysis, management can identify the tranches in which the interest rate variations may have a potential impact on the expected profits.

The table below summarizes the Bank and its Subsidiaries' exposure to interest rate risks. It includes the Bank carrying amounts, categorized by the earlier of contractual re-pricing or maturity dates:

	As of December 31, 2015			
	Up to 1 month	From 1	From 3	From 1
	S/000	3 months	to 12 months	to 5 years
	S/000	S/000	S/000	S/000
Assets				
Cash and interbank funds	9,516,403	1,667,266	2,343,386	13,651,74
Loan portfolio	9,521,181	15,232,390	20,176,899	29,429,24
Investments	1,736,284	1,764,873	2,317,715	4,486,39
Other assets	29,073	-	-	-
Total assets	20,802,941	18,664,529	24,838,000	47,567,39
Liabilities				
Deposits and obligations and interbank funds	24,971,235	7,815,659	14,035,432	30,858,44
Payable from repurchase agreements				
Due to banks, correspondents and other entities	401,325	875,085	1,734,490	4,871,76
Bonds and subordinated notes issued	78,070	731,725	394,018	5,482,36
Other liabilities	-	-	-	-
Equity	-	-	-	-
Total liabilities and equity	25,450,630	9,422,469	16,163,940	41,212,57
Risk and contingent commitments				
Hedging derivatives asset	230,741	2,077,128	390,901	3,247,49
Hedging derivatives liabilities	1,541,589	4,366,304	2,928,785	2,132,29
Marginal gap	(5,958,540)	6,952,884	6,136,175	7,470,01
Accumulated gap	(5,958,540)	994,344	7,130,519	14,600,53

As of December 31, 2014				
	Up to 1 month	From 1	From 3	From 1
	S/000	3 months	to 12 months	to 5 years
	S/000	S/000	S/000	S/000
Assets				
Cash and interbank funds	15,962,579	954,399	1,076,859	66,381
Loan portfolio	9,301,995	12,619,512	17,800,975	25,827,311
Investments	1,446,846	1,124,719	2,312,958	2,411,081
Other assets	-	-	-	-
Total assets	26,711,420	14,698,630	21,190,792	28,304,783
Liabilities				
Deposits and obligations and interbank funds	22,214,447	6,319,490	11,385,194	5,909,041
Payable from repurchase agreements	1,233,116	815,315	3,618,973	1,123,461
Due to banks, correspondents and other entities	194,515	2,405,525	2,896,172	3,600,211
Bonds and subordinated notes issued	10,345	22,984	109,067	3,528,301
Other liabilities	-	-	-	-
Equity	-	-	-	-
Total liabilities and equity	23,652,423	9,563,314	18,009,406	14,161,033
Risk and contingent commitments				
Hedging derivatives asset	426,817	1,724,532	297,406	273,321
Hedging derivatives liabilities	1,356,238	3,835,727	2,381,439	1,226,931
	(929,421)	(2,111,195)	(2,084,033)	(953,601)
Marginal gap	2,129,576	3,024,121	1,097,353	13,190,141
Accumulated gap	2,129,576	5,153,697	6,251,050	19,441,191

Sensitivity to changes on interest rates-

The sensitivity analysis of interest rates on ALM is performed by conducting an assessment of the sensitivity of the financial margin, which measures variances in the expected accruals over a given period of time and in the event of a parallel movement of the interest rate curves together with the sensitivity of the net Economic Value, which is a long-term measurement measured as the difference between the net carrying amount of assets and liabilities before and after a variance on interest rates..

Sensitivity of the financial margin is the effect of the estimated changes on interest rates on the financial income, net for a year before income tax and financial liabilities as of December 31, 2015 and 2014; including the effect of derivative financial instruments. The sensitivity of the Net Economic Value is calculated by re-assessing the financial assets and liabilities sensitive to interest rate changes and which comprise the ALM and held to maturity at a fixed interest rate, before income tax and any non-controlling interest, included the effect of any hedge relating to derivatives designated as cash flow hedges. For purposes of interest rate risk management, there is no distinction made by accounting category of the investments comprising the ALM, in which instruments classified as available for sale and held to maturity are included. The results of the sensitivity analysis from the estimated changes in interest rates as of December 31, 2015 and 2014 are as follow:

<u>Currency</u>	<u>Changes in basis points</u>		<u>Sensitivity of Financial margin S/000</u>		<u>Sensitivity of economic value S/000</u>
As of December 31, 2015 -					
Peruvian soles	+/-	50	+/-	5,381	-/+ 197,812
Peruvian soles	+/-	75	+/-	8,071	-/+ 296,718
Peruvian soles	+/-	100	+/-	10,762	-/+ 395,624
Peruvian soles	+/-	150	+/-	16,143	-/+ 593,436
U.S. dollars	+/-	50	+/-	10,926	+/- 46,665
U.S. dollars	+/-	75	+/-	16,389	+/- 69,997
U.S. dollars	+/-	100	+/-	21,852	+/- 93,329
U.S. dollars	+/-	150	+/-	32,778	+/- 139,994
As of December 31, 2014 -					
Peruvian soles	+/-	50	+/-	25,983	+/- 106,677
Peruvian soles	+/-	75	+/-	38,974	+/- 160,016
Peruvian soles	+/-	100	+/-	51,965	+/- 213,354
Peruvian soles	+/-	150	+/-	77,948	+/- 320,031
U.S. dollars	+/-	50	+/-	37,595	+/- 92,314
U.S. dollars	+/-	75	+/-	56,392	+/- 138,471
U.S. dollars	+/-	100	+/-	75,189	+/- 184,628
U.S. dollars	+/-	150	+/-	112,784	+/- 276,942

The sensitivities of the interest rates shown above are for illustrative purposes only and are based on simplified scenarios. The figures reflect the effect of the proforma movements on the net financial income on the basis of the projected scenarios of the interest curves and the interest rate risk profile that the Bank and its subsidiaries presently have. However, this effect does not include the actions that would be taken by Management to mitigate the potential impact of this risk on interest rates.

In addition, the Bank and its Subsidiaries seek proactively to change the interest rate risk profile to minimize losses and optimize net revenues. The projections above also assume that interest rate of all maturities move by the same amount and, therefore, do not reflect the potential impact on net financial income of some rates changing while others remain unchanged. The projections consider other simplifying assumptions too, including that all positions run to maturity.

Equity securities and mutual funds, classified as available-for-sale investments, are not considered as part of the investment securities for interest rate sensitivity calculation purposes; however, a 10, 25 and 30 percent of changes in market prices is conducted to these price-sensitivity securities and the effect on expected unrealized gain or loss in comprehensive income, before income tax, as of December 31, 2015 and 2014 is presented below:

<u>Market price sensitivity</u>	<u>Changes in market prices</u> %	<u>2015</u> S/000	<u>2014</u> S/000
Equity securities	+/-10	8,626	70,801
Equity securities	+/-25	21,564	177,003
Equity securities	+/-30	25,877	212,403
Mutual funds	+/-10	8,324	7,884
Mutual funds	+/-25	20,810	19,709
Mutual funds	+/-30	24,972	23,651

(ii) Foreign exchange risk -

The Bank and its Subsidiaries are exposed to foreign currency exchange rates on their financial position and consolidated cash flows. Management sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily.

The foreign currency transactions are made at the free market exchange rates.

As of December 31, 2015, the weighted average market exchange rate published by the SBS for transactions in U.S. Dollars was S/ 3.408 for buying and S/3.413 for selling (S/2.981 for buying and S/2.989 for selling, as of December 31, 2014, respectively). As of December 31, 2015, the exchange rate established by the SBS to record assets and liabilities in foreign currencies was S/3.411 for each U.S. Dollar and S/0.497955 for each Boliviano ((S/2.986 for each U.S. Dollar, S/0.435278 for each Boliviano). The Bank and its Subsidiaries assets and liabilities by currencies were as follows:

	<u>2015</u>		<u>2014</u>	
	<u>U.S. dollars</u> US\$000	<u>Other currencies</u> US\$000	<u>U.S. dollars</u> US\$000	<u>Other currencies</u> US\$000
Monetary assets				
Cash and Interbank funds	8,078,096	434,003	6,842,635	210,566
Investments at fair value through profit or loss and available for sale investments, net	899,278	111,652	632,259	187,008
Held-to-maturity investments	207,934	-	174,681	708
Loan portfolio, net	7,998,916	1,335,741	10,308,523	1,136,788
Other assets	306,870	8,566	59,373	8,744
	<u>17,491,094</u>	<u>1,889,962</u>	<u>18,017,471</u>	<u>1,543,814</u>
Monetary liabilities				
Deposits and obligations	(12,168,163)	(1,881,339)	(10,856,571)	(1,518,095)
Accounts payable from repurchase agreements	(300,000)	-	(300,000)	-
Due to banks and correspondents, other Entities and interbank funds	(1,849,805)	(584)	(2,572,077)	(10,497)
Bonds and subordinated notes issues	(3,555,135)	(31,076)	(3,548,647)	(10,405)
Other liabilities	(134,460)	(54,736)	(124,171)	(52,455)
	<u>(18,007,563)</u>	<u>(1,967,735)</u>	<u>(17,401,466)</u>	<u>(1,591,452)</u>
Net forward position overbought (oversold), note 18(d)	(1,760,466)	(7,332)	(1,102,015)	(4,961)
Net position - currency swaps, note 18(d)	2,935,509	533	694,972	-
Net position - cross currency swaps and Interest rate swaps, note 18(d)	57,000	(25,918)	150,000	(8,511)
Foreign currency options, net	(159,210)	-	31,325	-
Net monetary position	<u>556,364</u>	<u>(110,490)</u>	<u>390,287</u>	<u>(61,110)</u>

As of December 31, 2015, the Bank and its Subsidiaries have contingents operations (indirect loans) in foreign currency for approximately US\$6,431.2 million, equivalent to approximately S/21,937.0 million (approximately US\$3,961.3 million, equivalent to approximately S/11,828.6 million, as of December 31, 2014), see Note 18.

The Bank and its Subsidiaries manage foreign exchange risk by monitoring and controlling the position values due to changes in exchange rates. The Bank and its Subsidiaries measure their performance in Peruvian currency, so if the net foreign exchange position (e.g. U.S. Dollar) is an asset, any depreciation of the Peruvian currency with respect to this currency would affect positively the Bank and its Subsidiaries consolidated statements of financial position. The current position in a foreign currency comprises exchange rate-linked assets and liabilities in that currency. An institution's open position in individual currencies comprises assets, liabilities and off-balance sheet items denominated in the respective foreign currency for which the institution itself bears the risk; any appreciation/depreciation of the foreign exchange would affect the consolidated statements of income.

The Bank and its Subsidiaries net foreign exchange balance is the sum of its positive open non-Peruvian currency positions (net long position) less the sum of its negative open non-Peruvian currency positions (net short position); and any devaluation/revaluation of the foreign exchange position would affect the consolidated statements of income. A currency mismatch would leave the Bank and its Subsidiaries consolidated statements of financial position vulnerable to a fluctuation of the foreign currency (exchange rate shock).

The table below shows the sensitivity analysis of the U.S. Dollar, the currency to which the Bank and its Subsidiaries have significant exposure as of December 31, 2015 and 2014 on its non-trading monetary assets and liabilities and its forecast cash flows. The analysis calculates the effect of a reasonably possible movement of the currency rate against the Peruvian currency, with all other variables held constant on the consolidated statements of income, before income tax. A negative amount in the table reflects a potential net reduction in consolidated statements of income, while a positive amount reflects a net potential increase:

<u>Sensitive analysis</u>	<u>Change in currency rate %</u>	<u>2015 S/000</u>	<u>2014 S/000</u>
Devaluation -			
U.S. dollar	5	(90,369)	(55,495)
U.S. dollar	10	(172,523)	(105,945)
Revaluation -			
U.S. dollar	5	99,882	61,337
U.S. dollar	10	210,862	129,489

29.4. Fair values

- (a) Financial instruments recorded at fair value and fair values hierarchy -
The following table analyses financial instruments measured at fair value at the reporting date, by the level in the fair value as of December 31, 2015 and 2014 hierarchy into which the fair value measurement is categorized. The amounts are based on the values recognized in the consolidated statement of financial position:

	<u>Note</u>	<u>Level 1</u> <u>S/000</u>	<u>Level 2</u> <u>S/000</u>	<u>Level 3</u> <u>S/000</u>	<u>Total</u> <u>S/000</u>
December 31, 2015					
Financial assets					
Derivative financial instruments:					
Forward exchange contracts		-	62,412	-	62,412
Interest rate swaps		-	381,491	-	381,491
Cross currency swaps		-	133,395	-	133,395
Currency swaps		-	839,086	-	839,087
Options		-	10,072	-	10,072
	9(b)	-	1,426,456	-	1,426,456
Investment at for value through profit or loss (trading)	5(a)	11,655	1,501,870	-	1,513,525
Available-for-sale investments:					
Debt securities					
BCRP Certificates of deposit		-	4,593,586	-	4,593,586
Corporate, leasing and subordinated bonds		966,883	568,258	-	1,535,141
Government's treasury bonds		895,000	263,085	-	1,158,085
Other instruments		30,356	455,375	-	485,731
Equity Securities		81,975	699,591	3,793	785,359
Mutual funds		1,191	-	83,238	84,429
	5(a)	<u>1,975,405</u>	<u>6,579,895</u>	<u>87,031</u>	<u>8,642,331</u>
Total financial assets		<u>1,987,060</u>	<u>9,508,221</u>	<u>87,031</u>	<u>11,582,312</u>
Financial liabilities					
Derivative financial instruments:					
Forward exchange contracts		-	148,794	-	148,794
Interest rate swaps		-	47,686	-	47,686
Cross currency swaps		-	31,467	-	31,467
Currency swaps		-	625,687	-	625,687
Options		-	24,371	-	24,371
	9(b)	-	878,005	-	878,005
Bonds and subordinated notes issued	12(a)	-	8,535,401	-	8,535,401
Total financial liabilities		<u>-</u>	<u>9,413,406</u>	<u>-</u>	<u>9,413,406</u>
December 31, 2014					
Financial assets					
Derivative financial instruments:					
Forward exchange contracts		-	110,840	-	110,840
Interest rate swaps		-	313,656	-	313,656
Cross currency swaps		-	34,309	-	34,309
Currency swaps		-	284,369	-	284,369
Options		-	15,320	-	15,320
	9(b)	-	758,494	-	758,494
Investment at for value through profit or loss (trading)	5(a)	327,105	1,641,193	-	1,968,298
Available-for-sale investments:					
Debt securities					
BCRP Certificates of deposit		-	3,064,609	-	3,064,609
Corporate, leasing and subordinated bonds		847,691	461,513	-	1,309,204
Government's treasury bonds		398,631	189,243	-	587,874
Other instruments		10,548	1,328,030	-	1,338,578
Equity securities		702,642	5,369	-	708,011
Mutual funds		1,248	77,587	-	78,835
	5(a)	<u>1,960,760</u>	<u>5,126,351</u>	<u>-</u>	<u>7,087,111</u>
Total financial assets		<u>2,287,865</u>	<u>7,526,038</u>	<u>-</u>	<u>9,813,903</u>
Financial liabilities					
Derivative financial instruments:					
Forward exchange contracts		-	206,196	-	206,196
Interest rate swaps		-	56,032	-	56,032
Currency swaps		-	274,648	-	274,648
Options		-	19,277	-	19,277
	9(b)	-	556,153	-	556,153
Bonds and subordinated notes issued	12(a)	-	7,349,760	-	7,349,760
Total financial liabilities		<u>-</u>	<u>7,905,913</u>	<u>-</u>	<u>7,905,913</u>

Financial instruments included in the Level 1 category are those that are measured on the basis of quotations obtained in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Financial instruments included in the Level 2 category are those that are measured on the basis of observed markets factors. This category includes instruments valued using: quoted prices for similar instruments, either in active or less active markets and other valuation techniques (models) where all significant inputs are directly or indirectly observable based on market data.

Following is a description of how fair value is determined for the main Bank and its Subsidiaries financial instruments where valuation techniques were used with inputs based on market data which incorporate the Bank and its Subsidiaries's estimates on the assumptions that market participants would use for measuring these financial instruments:

- Valuation of derivatives financial instruments

Interest rate swaps, currency swaps and forward exchange contracts are evaluated by using valuation techniques where inputs are based on market data. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs, including the credit quality of counterparties, foreign exchange, forward rates and interest rate curves. Options are valued using well-known, widely accepted valuation models.

- Valuation of debt securities available for sale

Valuation of BCRP certificates of deposit, corporate, leasing, subordinated bonds and Government's treasury bonds are estimated calculating their Net Present Values (NPV) through discounted cash flows, using appropriate and relevant zero coupon rate curves to discount cash flows in its respective currency and considering observable current market transactions. Other debt instruments are valued using valuation techniques based on assumptions supported by prices from observable current market transactions, obtained via pricing services. Nevertheless, when prices have not been determined in an active market, fair values are based on broker quotes and assets that are valued using models whereby the majority of assumptions are market observable.

(b) Financial instruments not measured at fair value -

Set out below is the disclosure of the comparison between the carrying amounts and fair values of the financial value, presented in the consolidated statements of financial position by level of the fair value hierarchy:

	As of December 31, 2015			Fair value S/000	Book value S/000	As of December 31, 2014	
	Level 1 S/000	Level 2 S/000	Level 3 S/000			Level 1 S/000	Level 2 S/000
Assets							
Available funds	-	31,435,570	-	31,435,570	31,435,570	-	24,115,115
Interbank funds	-	105,715	-	105,715	105,715	-	-
Held-to-maturity investments	3,274,655	-	-	3,274,655	3,585,392	2,662,164	-
Loans, net	-	84,193,957	-	84,193,957	84,193,957	-	74,115,115
Other assets	-	859,069	-	859,069	859,069	-	-
Total	<u>3,274,655</u>	<u>116,594,311</u>	<u>-</u>	<u>119,868,966</u>	<u>120,179,703</u>	<u>2,662,164</u>	<u>99,115,115</u>
Liabilities							
Deposits and obligations	-	84,182,614	-	84,182,614	84,182,614	-	72,115,115
Interbank funds	-	446,024	-	446,024	446,024	-	-
Payables from repurchase agreements	-	12,696,685	-	12,696,685	12,696,685	-	6,115,115
Due to banks, correspondents and other entities	-	9,275,917	-	9,275,917	8,696,653	-	12,115,115
Bonds and subordinated notes issued	-	6,290,346	-	6,290,346	5,909,872	-	5,115,115
Other liabilities	-	1,164,144	-	1,164,144	1,164,144	-	1,115,115
Total	<u>-</u>	<u>114,055,730</u>	<u>-</u>	<u>114,055,730</u>	<u>113,095,992</u>	<u>-</u>	<u>99,115,115</u>

The methodologies and assumptions used to determine fair values depend on the terms and risk characteristics of the financial instruments and include the following:

- (i) Assets for which fair values approximate their carrying value - For financial assets and financial liabilities that are liquid or having a short term maturity (less than three months) it is assumed that the carrying amounts approximate to their fair values. This assumption is also applied to demand deposits, savings accounts without a specific maturity and variable rate financial instruments
- (ii) Financial instruments at fixed rate - The fair value of the financial liabilities at fixed rate and at amortized cost is determinate by comparing the market interest rate at the moment of their initial recognition to the current market rates related to similar financial instruments. In the case of listed debt, the fair value is determinate on the basis of the quoted market prices. When quoted market prices are not available, a discounted cash flow model is used based on a current interest rate yield curve appropriate for the remaining term to maturity. The fair value of the loan portfolio and deposits and obligation, according to SBS Multiple Official Letter N°1575-2014, correspond to its book value

30 SUBSEQUENT EVENT

On December 30, 2015 the Executive Committee of the Board of Directors of Banco de Crédito del Perú approved, unanimously by all attending directors, the sale of the total number of shares (14,121 shares) held by the Bank in Banco de Crédito de Bolivia (BCB) to Inversiones Credicorp Bolivia S.A.(ICBSA). However, at the reporting date the next steps to be followed and timing of transfer are being evaluated, as well as obtaining the required authorization of the Bolivian regulators.

Also, as part of this corporate reorganization, Grupo Crédito S.A., a subsidiary of Credicorp Ltda. and an entity with a direct interest in the Bank of 84.96%; will perform a capital contribution in Bolivianos, of US\$163 million to ICBSA. The capital contributed will be used to purchase shares in BCB

As of December 31, 2015, the balances shown in the balance sheet, income and cash flow statements of BCB and ICBSA in the Bank's consolidated financial statements are as follow:

Balances of the consolidated statement of financial position

	<u>2015</u> <u>S/000</u>
Available funds	1,436,797
Available-for-sale investments	1,080,972
Loans, net	4,556,211
Property, furniture and equipment, net	47,596
Others	144,093
Total	<u><u>7,265,669</u></u>
Deposits and obligations	6,378,691
Due to banks and correspondents	1,994
Bonds and subordinated notes issued	106,001
Other liabilities	179,569
Total	<u><u>6,666,255</u></u>

Balances of the consolidated statement of profit and loss

	<u>2015</u> S/000	<u>2014</u> S/000
Financial income	365,606	296,242
Financial expenses	(114,637)	(82,065)
Gross financial margin	250,969	214,177
Provision for loan losses	(32,069)	(22,092)
	218,900	192,085
Other income	117,372	115,011
Other expenses	(238,586)	(197,932)
Net profit before exchange gains and taxes	97,686	109,164
Loss for exchange difference	(422)	(332)
Income tax	(27,804)	(33,981)
Net profit	69,460	74,851

Balances of the statement of cash flows

	<u>2015</u> S/000
Net cash used in operating activities	529,479
Net cash used in investing activities	21,706
Net cash from financing activities	42,929
Net increase of cash and cash equivalents	594,114
Cash and cash equivalents at the beginning of the year	697,327
Cash and cash equivalents at the end of the year	1,291,441



REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

To the Stockholders of Banco de Crédito del Perú

August 25, 2016

Introduction

We have reviewed the accompanying condensed consolidated interim statements of financial position of Banco de Crédito del Perú and its subsidiaries as of June 30, 2016 and the related condensed consolidated interim statements of income, comprehensive income, changes in shareholder's equity and cash flows for the six-month periods ended June 30, 2016 and 2015 and notes, comprising a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with the accounting principles prescribed by the Superintendencia de Banca, Seguros y AFP (SBS) for Peruvian financial entities. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, 'Review of interim financial information performed by the independent auditor of the entity'. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with the accounting principles prescribed by the Superintendencia de Banca, Seguros y AFP (SBS) for Peruvian financial entities.

Gaveglia Aparicio y Asociados

Countersigned by

(partner)

Fernando Gaveglia
Peruvian Certified Public Accountant
Registration No.01-019847

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BANCO DE CREDITO DEL PERU AND SUBSIDIARIES

**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2016 (UNAUDITED) AND DECEMBER 31, 2015**

	Note	As of June 30, 2016 S/000	As of December 31, 2015 S/000	
Assets				Liabilities and shareholders' equity
Cash and due from banks:	5			Deposits and obligations
Cash and clearing		3,369,768	3,806,604	Interbank funds
Deposits in Peruvian Central Bank		12,376,694	13,953,844	Payables from repurchase agreements
Deposits in local and foreign banks		2,684,071	3,246,757	Due to banks, correspondents and other entities
Restricted funds		11,163,593	10,425,587	Bonds and subordinated notes issued
Accrued interest		1,092	2,778	Other liabilities
		<u>29,595,218</u>	<u>31,435,570</u>	Total liabilities
Interbank funds		-	105,715	Shareholders' equity
Investments:				Attributable to Banco de Crédito del Perú equity holders
At fair value through profit or loss	6(a)	1,760,310	1,513,525	Capital stock
Available-for-sale	6(a)	7,014,356	8,642,331	Legal reserve
Held-to-maturity	6(l)	<u>3,977,472</u>	<u>3,585,392</u>	Special reserve
		12,752,138	13,741,248	Unrealized results
Loans, net	7	80,296,629	84,193,957	Retained earnings
Investments in associates		28,499	47,631	
Property, furniture and equipment, net		1,595,235	1,719,345	Non-controlling interest
Goodwill	8	276,321	276,321	
Other assets, net	8	<u>3,506,159</u>	<u>3,983,652</u>	Total shareholders' equity
Total assets		<u><u>128,050,199</u></u>	<u><u>135,503,439</u></u>	Total liabilities and shareholders' equity
Contingent risks and commitments	15	<u><u>32,610,943</u></u>	<u><u>42,205,033</u></u>	Contingent risks and commitments

The accompanying notes in pages 7 to 33 are an integral part of these consolidated financial statements.

BANCO DE CREDITO DEL PERU AND SUBSIDIARIES

**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF INCOME (UNAUDITED)
FOR THE SIX-MONTH PERIODS ENDED JUNE, 2016 AND 2015**

	Note	For the six-month periods ended June 30	
		2016	2015
Financial income and expenses			
Financial income	16	4,817,303	4,321,561
Financial expenses	16	(1,416,892)	(1,078,765)
Gross financial margin		<u>3,400,411</u>	<u>3,242,796</u>
Allowance for loan losses, net of recoveries	7(c)	(892,121)	(965,352)
		2,508,290	2,277,444
Loss for exchange difference		(43,447)	6,393
Net financial margin		<u>2,464,843</u>	<u>2,283,837</u>
Non-financial income			
Banking services commissions, net		1,080,930	1,002,524
Net gain (loss) on sale of securities		12,575	407,083
Net gain on foreign exchange transactions		328,677	347,660
Other non-financial income	17	40,438	28,607
		<u>1,462,620</u>	<u>1,785,874</u>
Operating expenses			
Salaries and employees' benefits		(1,146,150)	(1,115,329)
General and administrative		(679,487)	(648,952)
Depreciation and amortization		(171,503)	(169,466)
Taxes and contributions		(88,737)	(68,011)
Other operating expenses	17	(51,699)	(63,992)
		<u>(2,137,576)</u>	<u>(2,065,750)</u>
Income before income tax from continuing operations		1,789,887	2,003,961
Income tax	12	(491,425)	(587,401)
Net income from continuing operations		1,298,462	1,416,560
Net income from discontinued operations	18	140,561	33,743
Net income		<u>1,439,023</u>	<u>1,450,303</u>
Attributable to:			
Equity holders of Banco de Crédito del Perú		1,431,704	1,446,589
Non-controlling interests		7,319	3,714
		<u>1,439,023</u>	<u>1,450,303</u>
Basic and diluted earnings per share (in Soles) from continuing operations		<u>0.2036</u>	<u>0.2477</u>
Basic and diluted earnings per share (in Soles) from discontinued operations		0.0199	0.0058
Weighted average number of ordinary shares for basic earnings		<u>7,066,346</u>	<u>5,854,051</u>

The accompanying notes in pages 7 to 33 are an integral part of these consolidated financial statements.

BANCO DE CREDITO DEL PERU AND SUBSIDIARIES

**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE SIX-MONTH PERIODS ENDED JUNE, 2016 AND 2015**

	<u>Note</u>	<u>For the six-month periods ended June 30</u>	
		<u>2016</u>	<u>2015</u>
		<u>S/000</u>	<u>S/000</u>
Net income		1,439,023	1,450,303
Other comprehensive income			
Items that maybe reclassified to profit or loss			
Net gain (loss) on available-for-sale investments	13(e)	17,081	(462,479)
Net movement of cash flow hedges	13(e)	(26,237)	(1,389)
Exchange differences on translation of foreign operations	13(e)	(102,402)	46,887
Income tax	13(e)	7,711	140,621
Other comprehensive income for the period, net of income tax		<u>(103,847)</u>	<u>(276,360)</u>
Total comprehensive income for the period, net of income tax		<u>1,335,176</u>	<u>1,173,943</u>
Attributable to:			
Equity holders of Banco de Crédito del Perú		1,331,989	1,170,930
Non-controlling interests		3,187	3,013
		<u>1,335,176</u>	<u>1,173,943</u>
Net comprehensive income from continuing operations		1,097,293	1,217,896
Net comprehensive income from discontinued operations		237,883	(43,953)
Net income		<u>1,335,176</u>	<u>1,173,943</u>

The accompanying notes in pages 7 to 33 are an integral part of these consolidated financial statements.

BANCO DE CREDITO DEL PERU AND SUBSIDIARIES

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY (UNAUDITED)
FOR THE SIX-MONTH PERIODS ENDED JUNE, 2016 AND 2015

Attributable to Banco de Crédito del Perú equity holders

	Number of outstanding shares (in thousands)	Capital stock S/000	Legal reserve S/000	Special reserve S/000	Available-for-sale investments reserve S/000	Cash flow hedges reserve S/000	Translation results S/000	Retained earnings S/000
Balances of January 1, 2015	4,722,752	4,722,752	1,652,963	1,109,814	335,484	41,153	9,509	
Changes in Shareholders' equity for the three month periods ended March 31, 2015	-	-	-	-	-	-	-	-
Net Income	-	-	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	(320,792)	(2,625)	-	47,758
Total comprehensive income	-	-	-	-	(320,792)	(2,625)	-	47,758
Capitalization of income, Note 13(a)	1,131,299	1,131,299	-	-	-	-	-	-
Transfer to legal reserve, Note 13(b)	-	-	395,955	-	-	-	-	-
Cash dividends, Note 13(f)	-	-	-	-	-	-	-	-
Dividends paid to minority shareholders in Subsidiaries	-	-	-	-	-	-	-	-
Merge Edyficar and Mibanco	-	-	-	-	-	-	-	-
Others	-	-	168	-	-	-	-	-
Balances as of June 30, 2015	<u>5,854,051</u>	<u>5,854,051</u>	<u>2,049,086</u>	<u>1,109,814</u>	<u>14,702</u>	<u>38,528</u>	<u>57,267</u>	
Balances of January 1, 2016	5,854,051	5,854,051	2,049,092	1,108,814	(43,940)	40,930	107,396	
Changes in Shareholders' equity for the Six month periods ended June 30, 2016	-	-	-	-	-	-	-	-
Net Income	-	-	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	18,420	(19,855)	-	(98,270)
Total comprehensive income	-	-	-	-	18,420	(19,855)	-	(98,270)
Capitalization of income, Note 13(a)	1,212,295	1,212,295	-	-	-	-	-	-
Transfer to legal reserve, Note 13(b)	-	-	424,303	-	-	-	-	-
Cash dividends, Note 13(f)	-	-	-	-	-	-	-	-
Dividends paid to minority shareholders in Subsidiaries	-	-	-	-	-	-	-	-
Sale of Subsidiary - Bolivia (Note 3)	-	-	-	-	-	-	-	(4,132)
Others	-	-	9	-	-	-	-	-
Balances as of June 30, 2016	<u>7,066,346</u>	<u>7,066,346</u>	<u>2,473,404</u>	<u>1,108,814</u>	<u>(25,520)</u>	<u>21,085</u>	<u>4,994</u>	

The accompanying notes in pages 7 to 33 are an integral part of these consolidated financial statements.

BANCO DE CREDITO DEL PERU AND SUBSIDIARIES

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS (UNAUDITED)
For the six-month periods ended June 30, 2016 and 2015

	For the six-month periods ended June 30	
	2016	2015
	S/000	S/000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income from continuing operations	1,298,462	1,416,580
Adjustments to reconcile net income to net cash provided by operating		
Depreciation and amortization	171,503	169,466
Allowance for loan losses, net of recoveries	892,121	965,352
Deferred income tax	(33,168)	(23,243)
Net gain on sale of securities	(12,575)	(407,083)
Share-based compensation plan	56,564	25,365
Net decrease (increase) of assets		
Loan portfolio	(1,541,914)	(4,041,566)
Investments at fair value through profit or loss and available-for-sale investments	349,466	(96,719)
Other assets and restricted funds	(230,600)	(6,525,562)
Net increase (decrease) of liabilities		
Deposits and obligations	(1,415,955)	1,054,945
Payables from repurchase agreements	627,847	2,907,115
Due to banks, correspondents and other entities, and interbank funds	859,979	1,439,118
Bonds issued	(328,802)	192,352
Other liabilities	(388,780)	(39,694)
Income tax paid	(39,887)	-
Net cash provided by operating activities	<u>264,261</u>	<u>(2,963,594)</u>
Cash flows from investing activities		
Purchase of property, furniture and equipment	(32,653)	(54,862)
Sales of property, furniture and equipment	19,461	7,396
Sales of seized assets	21	4,646
Sales of subsidiaries, BCB	541,562	-
Purchase of intangible assets	(65,922)	(51,676)
Net (decrease) of investments held to maturity	(392,080)	(302,596)
Net cash provided by (used in) investing activities	<u>70,389</u>	<u>(397,092)</u>
Cash flows from financing activities		
Dividends received	29,299	-
Net (decrease) increase of subordinated bonds issued	(354,391)	349,909
Paid dividends	(1,170,779)	(385,618)
Net cash used in financing activities	<u>(1,495,871)</u>	<u>(35,709)</u>
Net decrease in cash and cash equivalents	<u>(1,161,221)</u>	<u>(3,396,395)</u>
Cash and cash equivalents at the beginning of the period	21,020,146	20,915,627
Cash flow of discontinued operations	(1,427,300)	(620,346)
Cash and cash equivalents at the end of period	<u>18,431,625</u>	<u>16,898,886</u>
Supplementary cash flows information		
Interest received	4,704,842	4,304,018
Interest paid	1,535,621	1,079,347
Non-cash flows transactions		
Dividends not paid	31	1,647

The accompanying notes in pages 7 to 33 are an integral part of these consolidated financial statements.

BANCO DE CREDITO DEL PERU AND SUBSIDIARIES

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF JUNE 30, 2016 AND FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2016 AND 2015

1 GENERAL INFORMATION

Banco de Crédito del Perú (hereinafter "the Bank" or "BCP") was incorporated in 1889 and is a subsidiary of Credicorp Ltd. (a holding incorporated in Bermuda in 1995), which as of June 30, 2016 and December 31, 2015 owns directly and indirectly 97.68 percent of its capital stock.

The Bank's registered office is at Calle Centenario N°156, La Molina, Lima, Perú and whose operations are governed by the "Ley General del Sistema Financiero y de Seguros y Orgánica de la Superintendencia de Banca, Seguros y AFP" (General Law of the Financial and Insurance Systems and Organic of the SBS - Law 26702), hereinafter the "Banking Law", is authorized by the Superintendencia de Banca, Seguros y AFP - SBS (Peruvian Banking and Insurance Authority, hereinafter "SBS" for its Spanish acronym) to operate as a universal bank, in accordance with prevailing Peruvian legislation. BCP and its subsidiaries are principally focused on commercial and consumer loans, credit facilities, deposits, current accounts and credit cards. The majority of the banking business is carried out through BCP and Mibanco in Perú.

The accompanying condensed consolidated interim financial statements include the interim financial statements of BCP and those of its Subsidiaries in which it has control. The main information of the Bank and of its Subsidiaries, which are included in the consolidated financial statements as of June 30, 2016 (unaudited) and December 31, 2015 (audited) and for the six-month periods ended June 30, 2016 and 2015 (unaudited), before eliminations for consolidation purposes, are as follows:

Entity	Activity and country	Percentage of participation		Assets		Liabilities	
		June 30, 2016 %	December 31, 2015 %	June 30, 2016 S/000	December 31, 2015 S/000	June 30, 2016 S/000	December 31, 2015 S/000
Banco de Crédito del Perú	Banking, Perú	-	-	120,064,553	120,785,210	108,001,627	108,838,482
Mibanco, Banco de la Microempresa, Banco de Crédito de Bolivia and Subsidiaries (ii)	Micro-credits, Perú	93.60	93.60	10,682,114	10,807,757	9,467,816	9,624,326
Empresa Financiera Edyficar S.A.	Banking, Bolivia	-	95.85	-	7,225,993	-	6,664,580
	Micro-credits, and financial services, Perú	99.95	99.95	12,028	32,650	99	12,253
Solución Empresa Administradora Hipotecaria S.A.	Mortgage loans, Perú	100.00	100.00	358,790	377,876	258,492	270,960
Inversiones Credicorp Bolivia S.A. (i)	Holding, Bolivia	-	95.84	-	39,676	-	1,675
BCP Emisiones LATAM 1 S.A Investments, Chile		50.39	84.93	1,277	3,553	154	7,115

- (i) Grupo Crédito S.A. and a Company with a direct interest in the Bank of 84.96%; have performed a capital contribution of 1 million to ICBSA on March 30th, 2016. The capital contributed was used to purchase shares in Banco de Crédito del Perú.
- (ii) On May 12, 2016, Banco de Crédito del Perú, through the Stock Exchange Bolivian Securities, Performed the acquisition of Banco de Crédito de Bolivia, having acquired by Inversiones Credicorp Bolivia SA, an indirect subsidiary of Credicorp.

These condensed interim consolidated financial statements were approved for issue on July 20, 2016.

These condensed interim financial statements have been reviewed, not audited.

2 THE BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES

- a) These condensed consolidated interim financial statements for the Six-months ended June 30, 2016 have been prepared in accordance with the regulations established by the Superintendencia de Banca, Seguros y AFP (hereinafter "SBS" for its Spanish acronym) in force in Perú. The SBS regulation regarding condensed interim financial statements follows IAS 34 "Interim Financial Reporting". It should be read in conjunction with the annual financial statements for the year ended 31 December 2015, which have been prepared with the regulations established by the SBS.

The accounting policies adopted are consistent with those of the previous financial year. Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss.

- b) Bank's Management has used certain estimates and assumptions for the preparation of the condensed consolidated interim financial statements, such as the computation of the allowance for loan losses, the valuation of investments, the estimated useful life and recoverable amount of property, furniture and equipment and intangible assets, the provision for seized assets, the valuation of the brand name, goodwill and client relationship, the valuation of derivative financial instruments and share-based payments; therefore, the final results could differ from the amounts recorded by the Bank and its Subsidiaries.

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2015, with the exception of changes in estimates that are required in determining the provision for income taxes.

Accounting practices applied by the Bank that conform to generally accepted accounting principles in Perú for financial entities, may differ in certain respects to generally accepted accounting principles in other countries.

3 SIGNIFICANT TRANSACTIONS DURING THE SECOND QUARTER

3.1 Sale of Banco de Crédito de Bolivia to Inversiones Credicorp Bolivia S.A. -

On December 30th, 2015 the Executive Committee of Board of Directors of Banco de Crédito del Perú approved, unanimously by all attending directors, the sale of total number of shares (14,121 shares) held by the Bank in Banco de Crédito de Bolivia (BCB) to Inversiones Credicorp Bolivia S.A.(ICBSA), see Note 18. In March 2016, Management has confirmed the next steps to the timing of transfer. Similarly, we obtained the required authorization of the Bolivian regulators.

The General Shareholders Meeting of Banco de Crédito de Bolivia held on March 10, 2016, approved the capitalization of reserves for an amount of Bs.607.5 million (equivalent to S/307.4 million), this amount increased proportionally the capital stock of all shareholders; as a result, the capital structure changed and BCP, which had 14,121 shares, obtained a total of 43,237 shares.

On May 12, 2016, Banco de Crédito del Perú, through the Stock Exchange Bolivian Securities, Performed the sale of its entire shareholding in Banco de Crédito de Bolivia, having acquired by Inversiones Credicorp Bolivia SA, an indirect subsidiary of Credicorp Ltd.

In total, 43,237 shares were sold at a price of Bs.25,811.00 per share, representing an amount of Bs.1,115,990,207, equivalent to S/541,073 thousands (US\$162,680 thousands).

3.2 Loss of control of Inversiones Credicorp Bolivia S.A.

The General Shareholders Meeting held on December 31, 2015, approved the capital increase of Inversiones Credicorp Bolivia S.A (hereinafter ICBSA), through the issuance of 11,344,800 additional shares; likewise also unanimously approved that the shareholder Grupo Crédito S.A. (a subsidiary of Credicorp Ltd) acquires 100% of such shares.

As part of this corporate reorganization, Grupo Crédito S.A., a Company with a direct interest in the Bank of 84.96%; have performed a capital contribution in Bolivianos, equivalent to US\$163 million to ICBSA on March 30th, 2016. The capital contributed will be used to purchase shares in BCB.

Consequently, the previous and subsequent shareholding structure was as follows:

Inversiones Credicorp Bolivia S.A. - Previous shareholding structure:

<u>Shareholders</u>	<u>N° of shares</u>	<u>Participation</u>
Banco de Crédito del Perú	204,664	95.842
Credicorp Ltd.	8,712	4.080
Inversiones 2020 S.A.	56	0.026
Mibanco, Banco de la Microempresa S.A.	56	0.026
Grupo Crédito S.A.	56	0.026
	<u>213,544</u>	<u>100.00</u>

Inversiones Credicorp Bolivia S.A. - Subsequent shareholding structure:

<u>Shareholders</u>	<u>N° of shares</u>	<u>Participation</u>
Grupo Crédito S.A.	11,344,856	98.153
Banco de Crédito del Perú	204,664	1.771
Credicorp Ltd.	8,712	0.074
Inversiones 2020 S.A.	56	0.001
Mibanco, Banco de la Microempresa S.A.	56	0.001
	<u>11,558,344</u>	<u>100.00</u>

As a result of this transaction Banco de Crédito del Perú lost control over ICBSA on March 29, 2016

4 FOREIGN CURRENCY TRANSACTIONS AND EXPOSURE TO EXCHANGE RISK

a) Transactions in foreign currency are recorded using exchange rates prevailing in the market.

As of June 30, 2016, the weighted average market exchange rate published by the SBS for transactions in U.S. Dollars was S/3.286 for buying and S/3.292 for selling (S/3.408 for buying and S/3.413 for selling, as of December 31, 2015). As of June 30, 2016, the exchange rate established by the SBS to record assets and liabilities in foreign currencies was S/3.289 for each U.S. Dollar and S/0.482967 for each Boliviano (S/3.411 and S/0.497955, as of December 31, 2015, respectively). A detail of the Bank and its Subsidiaries' foreign currency assets and liabilities expressed in thousands of U.S. Dollars and other currencies is shown below:

	<u>As of June 30, 2016</u>		<u>As of December 31, 2015</u>	
	<u>U.S. Dollars US\$000</u>	<u>Other currencies (*) US\$000</u>	<u>U.S. Dollars US\$000</u>	<u>Other currencies US\$000</u>
Assets				
Cash and due from banks and interbank funds	8,282,139	17,595	8,078,096	434,003
Investment at fair value through profit or loss and available for sale, net	833,008	39,057	899,278	111,652
Investments held to maturity	48,501	-	207,934	-
Loans, net	7,971,721	20	7,998,916	1,335,741
Other assets	<u>368,051</u>	<u>15</u>	<u>306,870</u>	<u>8,566</u>
	<u>17,503,420</u>	<u>56,687</u>	<u>17,491,094</u>	<u>1,889,962</u>

	<u>As of June 30, 2016</u>		<u>As of December 31, 2015</u>	
	<u>U.S. Dollars US\$000</u>	<u>Other currencies (*) US\$000</u>	<u>U.S. Dollars US\$000</u>	<u>Other currencies US\$000</u>
Liabilities				
Deposits and obligations	(12,126,118)	(14,796)	(12,168,163)	(1,881,339)
Payable from repurchase agreements	(300,381)	-	(300,000)	-
Due to banks, correspondents and other entities and interbank funds	(2,293,788)	-	(1,849,805)	(584)
Bonds and subordinated notes issued	(3,392,497)	-	(3,555,135)	(31,076)
Other liabilities	(177,042)	(95)	(134,460)	(54,736)
	<u>(18,289,826)</u>	<u>(14,891)</u>	<u>(18,007,563)</u>	<u>(1,967,735)</u>
Net Forward position overbought (oversold).	(1,192,200)	(10,462)	(1,760,466)	(7,332)
Net currency swap position	2,033,925	564	2,935,509	533
Net cross currency and interest rates swap position	57,000	(32,950)	57,000	(25,918)
Foreign currency options, net	-	-	(159,210)	-
Net asset position	<u>112,319</u>	<u>(1,052)</u>	<u>556,364</u>	<u>(110,490)</u>

- b) As of June 30, 2016, the Bank and its Subsidiaries have contingent operations (indirect loans) in foreign currency for approximately US\$3,829.8 million, equivalent to approximately S/12,596.3 million (approximately US\$6,431.2 million, equivalent to approximately S/21,937.0 million, as of December 31, 2015), see details of the composition in Note 15.

(*) Mainly Chilean Pesos

5 CASH AND DUE FROM BANKS

Cash and due from banks can be described as follows:

a) Cash and cash equivalents -

The cash and cash equivalents presents in the consolidated statements of cash flows correspond to "cash and due from banks" of the condensed consolidated interim statements of financial position, which includes deposits with less than six-months maturity from the date of acquisition, including cash in hand, BCRP time deposits, funds in central banks and overnights deposits, excluding restricted funds.

	<u>As of June 30, 2016 S/000</u>	<u>As of December 31, 2015 S/000</u>
Cash and clearing	3,369,768	3,806,604
Deposits in Peruvian Central Bank	12,376,694	13,953,844
Deposits in local and foreign banks	2,684,071	3,246,757
Accrued interest	1,092	2,778
Total cash and cash equivalent	<u>18,431,625</u>	<u>21,009,983</u>
Restricted funds	<u>11,163,593</u>	<u>10,425,587</u>
Total cash and due from banks	<u>29,595,218</u>	<u>31,435,570</u>

b) Cash and clearing and Deposits in Peruvian Central Bank -

Those accounts include mandatory reserve that the Bank and its Subsidiaries must maintain for their obligations with the public, and are within the limits established by prevailing legislation. The table below presents the composition of these reserves:

	<u>As of June 30, 2016</u> S/000	<u>As of December 31, 2015</u> S/000
Mandatory reserve		
Deposits in Peruvian Central Bank	12,376,694	12,783,871
Cash in the vaults of the Bank and its Subsidiaries	<u>3,214,625</u>	<u>3,289,135</u>
Subtotal related to mandatory reserve	<u>15,591,319</u>	<u>16,073,006</u>
Non mandatory reserve		
Overnight deposits	-	1,169,973
Cash	<u>155,143</u>	<u>517,469</u>
Subtotal related to non mandatory reserve	<u>155,143</u>	<u>1,687,442</u>
Total	<u>15,746,462</u>	<u>17,760,448</u>

In 2015 the BCRP issued the circular 002-2015-BCRP, according to it, banks in Perú can use its cash and clearance and deposits in BCRP as collateral of repurchase agreements. Over 2016 the Bank followed this mechanism and used cash maintained as deposits in Peruvian Central Bank as cash collaterals for repurchased agreements. As of June 30, 2016, the Bank reclassified deposits mandatory reserve for S/11,016.4 million to operations in REPOS (S/10,207.2 million as of December 31, 2015).

As of June 30, 2016, cash and due from banks subject to mandatory reserve in Peruvian currency and foreign currency are affected at an implicit rate of 6.5 percent and 31.56 percent, respectively, of the total obligations subject to reserve, as required by the BCRP (6.5 percent and 30.53 percent, respectively, as of December 31, 2015).

c) Deposits in local and foreign banks -

Deposits in local and foreign banks correspond principally to balances in Soles and U.S. Dollars. All deposits are unrestricted and earn interest at market rates. As of June 30, 2016 and December 31, 2015, the Bank and its Subsidiaries do not have significant deposits in any specific financial institution.

d) Restricted funds -

The Bank and its Subsidiaries maintain restricted funds related to:

	<u>As of June 30, 2016</u> S/000	<u>As of December 31, 2015</u> S/000
Repurchase agreements with BCRP	10,926,816	10,080,794
Repurchase agreements with other entities	89,630	126,404
Derivative financial instruments	139,783	211,482
Other	<u>7,364</u>	<u>6,907</u>
Total	<u>11,163,593</u>	<u>10,425,587</u>

As of June 30, 2016 the restricted funds comprise collaterals for US\$3,322.2 million, equivalent to S/10,926.8 million that guarantee repurchase agreements for S/10,626.6 million with the BCRP (US\$2,955.4 million, equivalent to S/10,080.8 million that guarantee repurchase agreements for S/9,329.0 million with the BCRP in 2015).

6 INVESTMENTS

(a) Investments at fair value through profit or loss and available-for-sale investments are made up as follows:

	As of June 30, 2016				As of December 31, 2015	
	Unrealized gross amount				Unrealized gross amount	
	Amortized				Amortized	
	Cost	Gains	Losses	Estimated	Cost	Unrealized gross amount
	S/000	S/000	S/000	fair value	S/000	S/000
				S/000		
Investments at fair value through profit or loss (trading) (b)	-	-	-	1,760,310	-	-
Investments available-for-sale						
BCR certificate of deposits (c)	4,173,644	4,241 (	692)	4,177,193	4,601,111	4,601,111
Corporate and leasing bonds (d), (i)	1,599,658	38,528 (	30,386)	1,607,800	1,747,100	1,747,100
Peruvian sovereign bonds (e)	792,695	3,920 (	4,492)	792,123	711,630	711,630
Participation in RAL funds (f)	-	-	-	-	694,910	694,910
Treasury notes from the Central Bank of Bolivia (g)	-	-	-	-	156,540	156,540
Foreign governments bonds (h)	251,381	1,423 (	6,551)	246,253	428,540	428,540
Mutual funds participations	-	-	-	-	83,240	83,240
Trading Certificates of deposit	43,824	56	-	43,880	88,400	88,400
Listed equity securities – Credicorp	91,667	-	-	91,667	81,970	81,970
Listed equity security	3,620	390 (	548)	3,462	4,240	4,240
Securitized bonds	-	-	-	-	25,670	25,670
Non-listed equity securities	1,056	83	-	1,139	8	8
Other	-	-	-	-	4,460	4,460
	<u>6,957,545</u>	<u>48,641</u>	<u>(42,669)</u>	<u>6,963,517</u>	<u>8,627,950</u>	<u>8,627,950</u>
Accrued interest				50,839		
Total investments available-for-sale (j), (k)				<u>7,014,356</u>		

- (b) As of June 30, 2016, the balance includes mainly BCRP certificates of deposit (securities issued at discount through public auctions, negotiated in the Peruvian secondary market and settled in Soles) amounting to S/1,530.1 million, Peruvian treasury bonds amounting to S/222.9 million and equity securities listed in Lima Stock Exchange for S/3.0 million (BCRP certificates of deposit for an amount of S/1,412.5, trading certificates of deposit for S/85.2 million, foreign treasury bonds for S/11.6 million and equity securities listed in Lima stock Exchange amounting to S/5.0 million, as of December 31, 2015).
- (c) As of June 30, 2016, the Bank maintains 40,292 BCRP certificates of deposits (40,294 BCRP certificates of deposit as of December 31, 2015).
- (d) As of June 30, 2016, the balance includes bonds issued by Peruvian, Colombian, American, Chilean, Brazilian, Mexican and Panamanian entities accounting for 46.1%, 23.9%, 10.3%, 8.1%, 5.0%, 3.6% and 3.1% of total, respectively. (47.2%, 22.2%, 9.7%, 8.7%, 5.8%, 3.3% and 3.1% of total, respectively, as of December 31, 2015).
- (e) Sovereign bonds are issued in Soles and Euros.
- (f) As of December 31, 2015, the participation quotas in the fund "Requirement of Cash Assets" (RAL for its Spanish acronym), are denominated in Bolivianos and U.S. Dollars, and amounts approximately to Bolivianos 321 million, equivalent to S/160 million and US\$156.8.7 million, equivalent to S/534.9 million, respectively. They comprise investments made by Banco de Crédito de Bolivia in the Central Bank of Bolivia as collateral for the deposits maintained with the public. RAL Fund has restrictions for its use and it is required for all banks operating in Bolivia.
- (g) As of December 31, 2015, it includes mainly treasury notes from the Central Bank of Bolivia, issued at discount in Bolivianos for an amount of Bolivianos 314,370 million, equivalent to S/157.1 million.
- (h) As of June 30, 2016, foreign governments bonds corresponds to US\$74.9 million, equivalent to S/246.3 million, issued entirely by the Colombian Government (US\$74.6 million, equivalent to S/254.3 million, issued by the Colombian Government and US\$25.7 million, equivalent to S/87.8 million, issued by the Bolivian Government as of December 31, 2015).

As of June 30, 2016 and December 31, 2015, the Bank maintained cross currency swaps, which were designated as cash flow hedges of certain foreign government bonds for a notional amount of S/215.6.7 million and S/219.2 million, respectively, see note 8(b); through the CCS these bonds were economically converted to soles at fixed rate.

- (i) As of June 30, 2016 and December 31, 2015, the Bank maintained interest rate swaps (IRS), which were designated as fair value hedges of certain bonds issued at fixed rate in U.S. Dollars by the Peruvian Government, corporate entities and multilateral financial entities, for a notional amount of S/790.3 million and S/819.7 million, respectively, see Note 8(b); through the IRS, these bonds were economically converted to variable interest rate.

(j) As of June 30, 2016 and December 31, 2015, the maturities and the annual market rates of the investments

	Maturity As of March 31, 2015	As of December 31, 2015	Annual effective interest rates						As S/ Min %
			As of June 30, 2016						
			S/		US\$		Other currencies		
			Min	Max	Min	Max	Min	Max	
			%	%	%	%	%	%	%
BCRP certificates of deposit	Jul-16/Dec-17	Jan-16/Apr-17	3.28	5.41	0.14	0.24	-	-	
Corporate and leasing bonds	Sep-16/Nov-29	Jan-17/Nov-29	7.59	7.59	1.29	8.86	10.14	10.14	
Peruvian sovereign bonds	Jul-16/Aug-31	Aug-17/Feb-18	4.35	6.10	-	-	2.87	2.87	
Treasury notes from the Central Bank of Bolivia	-	Feb-16/Apr-24	-	-	-	-	-	-	
Securitized bonds	-	-	-	-	-	-	-	-	
Foreign governments bonds	Jan-17/Sep-24	Jan-16/Apr-23	-	-	1.25	1.96	10.05	10.22	
Certificates of deposit	Aug-16/Jan-17	Jan-16/Jun-26	4.50	4.50	3.06	3.06	-	-	

- (k) As of June 30, 2016 and December 31, 2015, Management has estimated the fair value of investments at fair value through profit or loss (trading) and available-for-sale using market price quotations available in the market or valuation techniques with inputs of active markets that are observable, either directly or indirectly, if the price was not available, by discounting the expected future cash flows at an interest rate that reflects the risk classification of the financial instrument.

Management has determined that the unrealized losses as of June 30, 2016 and December 31, 2015 are of temporary nature. The Bank and its Subsidiaries have decided and have the ability to maintain these investments for a period of time sufficient to allow for an anticipated recovery in fair value, which can occur at their maturity in the case of debt instruments.

- (l) Investments held-to-maturity

This item is made up as follows:

	<u>As of June 30, 2016</u> S/000	<u>As of December 31, 2015</u> S/000
Peruvian sovereign bonds	3,202,047	2,805,016
Foreign governments bonds	295,787	314,247
Peruvian treasury bonds	235,010	248,668
Certificates of payment on work in progress (i)	<u>159,520</u>	<u>137,914</u>
	3,892,364	3,505,845
Accrued interest	<u>85,108</u>	<u>79,547</u>
Total	<u>3,977,472</u>	<u>3,585,392</u>

As of June 30, 2016, the fair value of held-to-maturity investments amounts to S/4,024.9 million (S/3,403.4 million as of December 31, 2015) and has maturities between August 2016 and February 2042. These investments bear interest at an annual effective interest rate between of 2.01 and 6.58 percent for bonds issued in Soles and between 1.40 and 5.39 percent for bonds issued in U.S. Dollars (5.10 and 7.80 percent for bonds issued in Soles and between 1.82 and 6.51 percent for bonds issued in U.S. Dollars, respectively as of December 31, 2015).

- m) As of June 30, 2016, a total of 265 certificates of payment on work progress were obtained ("Reconocimiento Anual de Pago por Adelanto de Obra –CRPAO") issued by the Government of Perú to finance projects and concessions, this issuance is a mechanism set forth in the concession agreement signed by the Peruvian Government and the Concessionaire that allows the latter to obtain financing to continue with the committed work. Investment in CRPAOs amounted to S/160 million with maturities from July 2016 to April 2026, bearing interest at an annual effective rate ranging from 2.67 to 6.24 percent.

Management has determined that the difference between amortized cost and fair value of investment held-to-maturity is of temporary nature. Therefore, the Bank and its Subsidiaries have not recorded any impairment as of June 30, 2016 and December 31, 2015 for these investments.

- (n) As of June 30, 2016 and December 31, 2015, Includes repurchase agreements in which the Bank and its Subsidiaries have entered into, see Note 5, available-for-sale investments, see Note 6-a), and held-to-maturity investments, see Note 6-l). This

As of June 30, 2016			As of December 31, 2015	
Maturity	Book value S/000		Collateral	Maturity
Banco Central de Reserva del Perú, see Note 5	Jul-16/Sep-20	10,626,600	Cash	May-16/Feb-21
Banco Central de Reserva del Perú	Jul-16/Sep-20	487,213	Investments available-for-sale	Jan-16/Mar-16
Nomura International PLC, (*)	Mar-19/Dec-19	493,350	Investments held-to-maturity and cash	Mar-19/Dec-19
Natixis	Aug-17/ Aug-20	600,000	Investments available-for-sale and held to maturity	Aug-17/ Aug-20
Credit Suisse Perú	Aug-17	300,000	Investments held-to-maturity and cash	Aug-17
Nomura International PLC, (**)	Aug-20	263,120	Investments held-to-maturity and cash	Aug-20
Nomura International PLC, (***)	Aug-20	230,230	Investments held-to-maturity	Aug-20
Citigroup Global Market Limited	Aug-20	100,000	Investments held-to-maturity	Aug-20
Interest		224,019		
		<u>13,324,532</u>		

As of June 30, 2016, the repurchase agreements are guaranteed with cash in amount of S/11,016.4 million (US\$1,009.9 million, equivalent to S/3,445.1 million as of December 31, 2015) and securities (BCRP certificates of deposit, corporate bonds, bonds of multilateral financial institutions, sovereign governments bonds) classified as investments available for sale and held to maturity for a fair value of S/1,009.9 million, equivalent to S/3,445.1 million as of December 31, 2015).

- (o) These repurchase agreements accrued an interest at fixed rate between 3.0 and 7.2 percent and at variable rate between Libor (3M+0.35 percent and Libor 3M+0.85) percent as of June 30, 2016 (between 3 and 7.2 percent for repurchase agreement at fixed rate and between Libor 3M+0.35 percent and Libor 3M+0.85 percent for repurchase agreement at variable rate as of December 31, 2015).

Certain purchase agreements have been hedge through CCS and IRS. The following present the detail:

- (*) As of June 30, 2016, the Bank maintained interest rate swaps (IRS), which were designated as cash flow hedges of certain repurchase agreements at variable rate for a notional amount of US\$150.1 million, equivalent to approximately S/493.4 million, (of US\$150.0 million, equivalent to approximately S/511.7 million, as of December 31, 2015); through the IRS, these repurchase agreements were economically converted to fixed interest rate.
- (**) As of June 30, 2016, the Bank maintained repurchase agreements in U.S. Dollars at variable interest rate for a notional amount of US\$80 million, equivalent to approximately S/263.1 million, subject to exchange rate and variable interest rate risk. Purchase agreements have been hedge through CCS and IRS, which were designated as cash flow hedges; said purchase agreements were economically converted to Soles at fixed interest rate, see Note 8-b).
- (***) As of June 30, 2016, the Bank signed one cross currency swaps (CCS), which were designated as cash flow hedges of certain repurchase agreements In U.S. Dollars at variable interest rate for a notional amount of US\$70 million, equivalent to approximately S/230.2 million; through the CCS, these repurchase agreements were economically converted to Soles at fixed rate, see Note 8-b).

7 LOANS, NET

- (a) This item is made up as follows:

	<u>As of June 30, 2016</u> S/000	<u>As of December 31, 2015</u> S/000
Direct loans		
Loans	32,622,173	35,969,319
Mortgage loans	12,490,982	12,919,489
Leases	8,824,036	9,574,960
Small and micro-business	8,058,830	8,032,717
Credit cards	7,001,304	6,954,298
Other consumer loans	4,838,268	4,331,089
Foreign trade loans	2,923,033	3,536,267
Discounted notes	1,615,801	1,794,928
Factoring receivables	1,187,097	1,261,517
Overdrafts and advances on checking accounts	688,499	71,828
Refinanced loans	734,935	769,308
Total loans to fall due	80,984,958	85,215,720
Past due and under legal collection loans	2,515,004	2,309,413
	<u>83,499,962</u>	<u>87,525,133</u>
Add (less)		
Accrued interest from performing loans	724,425	717,503
Deferred interest on discounted notes	(101,841)	(202,612)
Allowance for loan losses (c)	(3,825,917)	(3,846,067)
Total direct loans	<u>80,296,629</u>	<u>84,193,957</u>
Indirect loans, Note 15(b)	<u>15,900,165</u>	<u>19,251,618</u>

- (b) As of June 30, 2016 and December 31, 2015, the distribution of the loan portfolio by segments, according to Resolutions SBS N°11356-2008, is as follows:

	<u>As of June 30, 2016</u> S/000	<u>As of December 31, 2015</u> S/000
Non-retail loans		
Corporate	23,277,671	22,226,318
Large-business	12,929,796	13,793,260
Medium-business	13,283,487	12,982,453
Sub total	<u>49,490,954</u>	<u>49,002,031</u>
Retail loans		
Mortgage	12,859,712	13,255,466
Revolving and non-revolving consumer loans	9,531,029	13,588,101
Small-business	8,879,230	8,874,683
Micro-business	2,739,038	2,804,852
Sub total	<u>34,009,009</u>	<u>38,523,102</u>
Total	<u>83,499,963</u>	<u>87,525,133</u>

- (c) The movement of the allowance for loan losses (direct and indirect loans) is shown below:

	<u>2016</u> S/000	<u>2015</u> S/000
Balance as of January 1	4,109,388	3,465,419
Provision, net of recoveries	892,121	965,352
Recoveries of written-off loans	114,403	98,816
Loan portfolio written-off	(820,910)	(688,107)
Transference of Banco de Crédito de Bolivia	(184,022)	(137,333)
Exchange difference and other	(66,228)	6,907
Balance as of June 30 (*)	<u>4,044,752</u>	<u>3,711,054</u>
Balance as of December 31, 2015 (*)	<u>-</u>	<u>4,109,388</u>

- (*) As of June 30, 2016 and 2015, the allowance for loan losses includes indirect loans allowance for approximately S/218,835 (approximately S/263,322 as of December 31, 2015). The allowance for indirect loan losses is presented in the "Other liabilities, net" caption of the consolidated statements of financial position, Note 8-a).

In Management's opinion, the allowance for loan losses recorded as of June 30, 2016 and December 31, 2015, has been established in accordance with SBS regulations in force as of those dates.

- (d) A portion of the loan portfolio is secured by guarantees received from clients, which are principally conformed by mortgages, stand-by letters, financial instruments, and industrial and commercial pledges.

8 GOODWILL, OTHER ASSETS AND OTHER LIABILITIES

(a) These items are made up as follows:

	As of June 30, 2016 S/000	As of December 31, 2015 S/000
Goodwill		
Edyficar	144,841	144,841
Mibanco	131,480	131,480
Carrying amount, net	<u>276,321</u>	<u>276,321</u>
Other assets, net		
Financial instruments		
Derivatives receivable (b)	1,355,370	1,426,457
Accounts receivable, net	588,631	756,481
Operations in process (c)	36,909	102,588
	<u>1,980,910</u>	<u>2,285,526</u>
Non-financial instruments		
Finite live intangible assets, net	741,269	753,976
Deferred income tax	599,170	501,405
Prepaid expenses	148,293	138,817
Value added tax credit	23,103	187,432
Realizable, received in payment and seized assets, net	2,176	1,994
Income tax prepayments, net	245	32,105
Other	10,993	82,397
	<u>1,525,249</u>	<u>1,698,126</u>
Total other assets	<u>3,506,159</u>	<u>3,983,652</u>
Other liabilities		
Financial instruments		
Derivatives payable (b)	675,871	878,005
Accounts payable	531,271	638,655
Salaries and other personnel expenses payable	403,310	475,444
Allowance for indirect loan losses, Note 7(c)	218,835	263,322
Operations in process (c)	94,303	73,862
Share based payments	44,537	54,668
Dividends payable	31	10
	<u>1,968,158</u>	<u>2,383,966</u>
Non-financial instruments		
Provision for sundry risks	209,681	246,739
Deferred income tax	68,051	(849)
Taxes payable	31,401	253,043
Deposit insurance fund	29,330	28,780
Other (d)	144,693	38,961
	<u>483,156</u>	<u>566,674</u>
Total other liabilities	<u>2,451,314</u>	<u>2,950,640</u>

(b) The risk in derivatives contracts arises from the possibility that the counterparty does not fulfill the terms and conditions agreed and that the reference rates, in which the transaction was made, changes.

The table below presents the fair value of the derivative financial instruments, recorded as an asset or a liability, together with their notional amounts. The gross notional amount is the amount of a derivative's underlying asset and is the basis upon which changes in fair value are measured.

	As of June 30, 2016				As of December 31, 2015			
	Assets S/000	Liabilities S/000	Nominal value S/000	Maturity	Assets S/000	Liabilities S/000	Nominal value S/000	Maturity
Derivatives held for trading (i) -								
Forward exchange contracts	85,502	46,751	7,075,083	Between July 2016 and March 2018	62,413	148,794	8,829,706	Between July 2015 and March 2017
Interest rate swaps	52,294	85,143	5,830,146	Between July 2016 and December 2031	37,085	41,866	4,072,117	Between July 2015 and December 2031
Currency swaps	450,581	476,679	11,083,318	Between July 2016 and June 2026	839,086	625,687	16,586,465	Between July 2015 and June 2026
Foreign currency options	17,922	7,571	1,452,604	Between July 2016 and March 2017	10,072	24,371	2,135,684	Between July 2015 and March 2017
	<u>606,299</u>	<u>616,144</u>	<u>25,441,151</u>		<u>948,656</u>	<u>840,718</u>	<u>31,623,972</u>	
Derivatives held as hedges (ii) -								
Interest rate swaps (IRS)	-	462	312,455	Between April 2017 and September 2018	-	-	-	Between April 2017 and September 2018
Interest rate swaps (IRS) (*)	-	920	657,800	Between October 2016 and March 2018	354	-	341,100	Between October 2015 and March 2018
Interest rate swaps (IRS)	48	-	98,670	October 2016	127	-	102,330	October 2015
Interest rate swaps (IRS)	-	2,639	328,900	January 2018	401	-	341,100	January 2017
Interest rate swaps (IRS)	-	7,292	493,350	Between March and December 2019	3,256	594	511,650	Between March and December 2019
Interest rate swaps (IRS)	-	-	-		-	71	20,098	March 2017
Cross currency swaps (CCS)	26,769	-	230,230	August 2020	47,217	-	238,770	August 2020
Cross currency swaps (CCS)	4,546	8,138	183,163	Between January 2016 and August 2024	3,547	17,669	186,411	Between January 2015 and August 2024
Cross currency swaps (CCS)	17,430	5,581	215,564	Between January 2017 and September 2024	12,984	13,598	219,217	Between January 2016 and September 2024
Cross currency swaps (CCS)	4,815	-	36,516	March 2030	-	-	-	March 2030
Cross currency swaps and interest rate swaps (CCS and IRS)	58,893	5,953	312,455	Between September 2016 and August 2020	69,647	-	272,880	Between September 2015 and August 2020
Fair value hedge -								
Interest rate swaps (IRS) 11(a)	636,442	-	8,033,123	Between September 2020 and April 2023	339,435	-	8,331,098	Between September 2019 and April 2023
Interest rate swaps (IRS) 6(a)	129	28,742	790,360	Between January 2017 and May 2023	833	5,155	819,677	Between January 2016 and May 2023
	<u>749,071</u>	<u>59,727</u>	<u>11,692,586</u>		<u>477,801</u>	<u>37,287</u>	<u>11,384,331</u>	
	<u>1,365,370</u>	<u>675,871</u>	<u>37,133,737</u>		<u>1,426,457</u>	<u>878,005</u>	<u>43,008,303</u>	

(*) As of June 30, 2016, the Bank maintained three interest rate swaps (IRS) contracts, which were designated banks at variable interest rate for a notional amount of US\$200.0 million, equivalent to approximately S/657. Through these IRS, such due to banks were economically converted to fixed interest rate.

- (i) Derivatives held for trading are mainly negotiated to satisfy clients' needs. The Bank and its Subsidiaries may also take positions with the expectation of profiting from favorable movements in prices and rates. Also included under this caption are any derivatives which do not meet SBS hedging requirements.
- (ii) The Bank and its Subsidiaries are exposed to movements in future interest cash flows on non-trading assets and liabilities which bear interest at variable rates. The Bank and its Subsidiaries use derivative financial instruments as cash flow hedges to cover these risks.
- (c) Operations in process include deposits received, loans disbursed and/or collected, funds transferred and other similar types of transactions, which are made at the end of the month and not reclassified to their final consolidated statements financial position accounts until the first days of the following month. The regularization of these transactions may not affect the Bank and its Subsidiaries' consolidated net income.
- (d) As of June 30, 2016 it is mainly composed of deferred commission's loans. Until March 2016 these commissions have been presented under In Loans, but from May these have been presented as other liabilities according to required by the SBS.

9 DEPOSIT AND OBLIGATIONS

- (a) This item is made up as follows:

	<u>As of June 30, 2016</u> S/000	<u>As of December 31, 2015</u> S/000
Demand deposits	25,050,184	26,871,690
Saving deposits	23,338,183	24,905,754
Time deposits	19,986,780	23,665,399
Severance indemnities deposits	6,997,706	7,183,421
Negotiable certificates	<u>872,596</u>	<u>1,297,997</u>
	76,245,449	83,924,261
Interest payable	<u>152,880</u>	<u>258,352</u>
Total	<u>76,398,329</u>	<u>84,182,613</u>

- (b) The Bank and its Subsidiaries have established a policy to pay interests on demand deposits and savings deposits according to a sliding interest rate scale, based on the average balance maintained in those accounts. Additionally, according to such policy, it was established that accounts having balances lower than a determined amount for each type of account, do not bear interest.

Interest rates applied to the different deposits and obligations accounts are determined by the Bank and its Subsidiaries considering current interest rates in the markets where they develop their operations.

As of June 30, 2016 and December 31, 2015, approximately S/24,755.8 million and S/25,213.2 million, respectively, of the deposits and obligations balances are covered by the "Fondo de Seguro de Depósitos" (Deposit Insurance Fund). At those dates, the "Fondo de Seguro de Depósitos" covered up to S/95,566.0 and S/96,246.0 per individual depositor, respectively.

10 DUE TO BANKS, CORRESPONDENTS AND OTHER ENTITIES

(a) This item is made up as follows:

	As of June 30, 2016 S/000	As of December 31, 2015 S/000
By type -		
Due to banks, correspondents and financial institutions (b)	5,685,079	5,253,110
Due to related parties (c)	1,342,794	1,691,293
Promotional credit lines (d)	<u>1,772,487</u>	<u>1,721,136</u>
	<u>8,800,360</u>	<u>8,665,539</u>
Interest payable	<u>33,256</u>	<u>31,113</u>
Total	<u><u>8,833,616</u></u>	<u><u>8,696,652</u></u>
By term -		
Short-term debt	5,587,238	4,887,816
Long-term debt	<u>3,246,378</u>	<u>3,808,836</u>
Total	<u><u>8,833,616</u></u>	<u><u>8,696,652</u></u>

(b) As of June 30, 2016, due to banks and correspondents comprise mainly loans to finance foreign trade operations and for working capital granted by 27 foreign entities (45 as of December 31, 2015); of which 10 represent approximately 79 percent of the balance (10 represent approximately 73 percent of the balance as of December 31, 2015).

As of June 30, 2016, due to bank and correspondents accrued annual interest at rates that ranged between 1.03 and 7.75 percent (between 0.62 and 7.75 percent as of December 31, 2015).

Some due to banks and correspondents with foreign financial institutions include standard covenants concerning the fulfillment of financial ratios, specific agreements on how to use the funds received, the financial conditions that the Bank and its Subsidiaries must maintain, as well as other administrative matters. In Management's opinion, these specific agreements have been complied with by the Bank and its Subsidiaries as of June 30, 2016 and December 31, 2015.

(c) As of June 30, 2016, due to related parties included: (i) loans at variable interest rates received from CCR Inc. and Atlantic Security Bank (ASB) amounting to US\$398.8 million, equivalent to S/1,311.7 million and US\$ 9.5 million, equivalent to S/31.1 million, respectively (US\$485.8 million, equivalent to S/1,657.0 million, US\$10.0 million, equivalent to S/34.3 million received from CCR Inc. and Atlantic Security Bank (ASB), respectively, as of December 31, 2015).

As of June 30, 2016 and December 31, 2015, part of the cash flows of the loans at variable interest rates have been hedged through interest rate swaps (IRS), for a notional amount to S/20.1 million; see Note 8(b); through such IRS, the loans were economically converted to fixed rate.

(d) Promotional credit lines represent loans received mainly from Corporación Financiera de Desarrollo (COFIDE) and Fondo de Cooperación para el Desarrollo (FONCODES) to promote the development of Perú. As of June 30, 2016 and December 31, 2015, their annual interest rates ranged between 6.0 and 7.75 percent. These liabilities are secured by a loan portfolio for up to the amount of the credit line used.

11 BONDS AND SUBORDINATED NOTES ISSUED

(a) This item is made up as follows:

	As of June 30, 2016	As of December 31, 2015
	S/000	S/000
Local issuances -		
Corporate bonds	1,576,488	1,390,306
Subordinated bonds	313,009	705,809
Leasing bonds	100,000	100,000
Negotiable Certificates of deposits	4,622	8,320
	<u>1,994,119</u>	<u>2,204,435</u>
International issuances -		
Senior notes	6,066,273	6,583,280
Subordinated notes	3,660,901	3,702,904
Junior subordinated notes	879,837	873,100
Trading certificates of deposit	476,024	474,445
Subordinated negotiable certificates of deposit	402,625	415,408
	<u>11,485,660</u>	<u>12,049,137</u>
Total local and international issuances -	13,479,779	14,253,572
Interest payable	176,300	191,701
Total	<u>13,656,079</u>	<u>14,445,273</u>

International issuances are listed in the Luxembourg Stock Exchange. Likewise, local and international issuances maintain certain financial and operative covenants, which, in Management's opinion, the Bank and its Subsidiaries have complied with as of the dates of the consolidated statements of financial position.

As of June 30, 2016 and December 31, 2015, their annual effective interest rates ranged between 4.25 percent and 9.75 percent and have maturities between November 2016 and November 2069, see more details in Note 12 to the consolidated financial statements as of December 31, 2015.

12 INCOME TAX

Amounts presented in the consolidated statements of income for the Six-months periods ended June 30, 2016 and 2015 are shown below:

	Six-month periods ended June 30,	
	2016	2015
	S/000	S/000
Current	524,593	610,644
Deferred	(33,168)	(23,243)
	<u>491,425</u>	<u>587,401</u>

13 SHAREHOLDER'S EQUITY

(a) Capital stock -

As of June 30, 2016 and December 31, 2015, the Bank's capital stock comprises 7,066.3 million and 5,854.1 million, respectively, of fully subscribed and paid common shares, each with a nominal value of one Peruvian Sol.

As of June 30, 2016 Credicorp Ltd. and Grupo Crédito S.A. (a subsidiary of Credicorp) hold 12.73 percent and 84.95 percent, respectively of the Bank's capital stock (12.73 percent and 84.95 percent, respectively as of December 31, 2015).

The General Shareholders Meetings held on March 31, 2016 and March 31, 2015, approved the capitalization of 2015 and 2014 retained earnings for an amount of S/1,212.3 million and S/1,131.3 million, respectively.

(b) Legal reserve -

Under Peruvian legislation, the Bank must reach a legal reserve of at least 35 percent of its paid-in capital, through an annual appropriation of at least 10 percent of the net income. As of June 30, 2016, the Bank has covered such legal request.

The General Shareholders' Meetings held on March 31, 2016 and March 31, 2015, approved the increase of the legal reserve for approximately S/424.3 million and S/396.0 million, respectively. The Bank's Subsidiaries established in Perú and Bolivia must also record legal reserves in their individual financial statements, which percentages varies depending on applicable laws.

(c) Special reserve -

The special reserve has been funded through the appropriation of accumulated results and is considered to be unrestricted.

(d) Unrealized and translation results -

The caption "Unrealized and translation results" includes the net unrealized gain (loss) from available-for-sale investments and from derivatives instruments used as cash flow hedges and translation results. The movement for the Six-month periods ended June 30, 2016 and 2015, net of deferred income tax is as follows:

	Unrealized gain (loss) of:			
	Available for sale investments S/000	Derivatives instruments used as cash flow hedges S/000	Translation results S/000	Total S/000
Balances as of January 1, 2015	335,494	41,153	9,509	386,156
Net unrealized gain from available for-sale investments	(2,711)	-	-	(2,711)
Transfer of realized gain from available for-sale investments to the consolidated statement of income, net of realized loss	(459,938)	-	-	(459,938)
Net unrealized loss from cash flow hedge	-	(16,495)	-	(16,495)
Transfer of realized loss from cash flow hedge to the consolidated statement of income, net of realized loss	-	15,106	-	15,106
Deferred Income Tax	141,857	(1,236)	-	140,621
Foreign currency translation	-	-	47,758	47,758
Balances as of June 30, 2015	<u>14,702</u>	<u>38,528</u>	<u>57,267</u>	<u>110,497</u>
Balances as of January 1, 2016	(43,940)	40,930	107,396	104,386
Net unrealized gain from available for-sale investments	16,284	-	-	16,284
Transfer of realized gain from available for-sale investments to the consolidated statement of income, net of realized loss	797	-	-	797
Net unrealized loss from cash flow hedge	-	(24,579)	-	(24,579)
Transfer of realized loss from cash flow hedge to the consolidated statement of income, net of realized loss	-	(1,658)	-	(1,658)
Deferred Income Tax	1,339	7,711	-	(7,711)
Foreign currency translation	-	-	(102,402)	(102,402)
Balances as of June 30, 2016	<u>(25,520)</u>	<u>21,065</u>	<u>4,994</u>	<u>539</u>

(e) Components of other comprehensive income -

The consolidated statement of comprehensive income includes other comprehensive income from available-for-sale investments and from derivatives financial instruments used as cash flow hedges; its movement is as follows:

	For the Six-month periods ended June 30,	
	2016	2015
	S/000	S/000
Available-for-sale investments:		
Net unrealized gain (loss) from available for-sale investments	16,284	(2,711)
Net transfer of realized gain from available for-sale investments to consolidated statements of income	797	(459,938)
Sub total	17,081	(462,649)
Deferred income tax	1,339	141,857
	18,420	(320,792)
Non-controlling interest	-	170
	18,420	(320,622)
Cash flow hedges:		
Net unrealized (loss) gain from cash flow hedges	(24,579)	(16,495)
Net transfer of realized loss from cash flow hedges to consolidated statements of income	(1,658)	15,106
Sub total	(26,237)	(1,389)
Deferred income tax	6,372	(1,236)
	(19,865)	(2,625)
Translation results:		
Exchange differences on translation of foreign operations	(98,270)	47,758
Non-controlling interest	(4,132)	(871)
	(102,402)	46,887

(f) Dividend distribution -

The General Shareholders' Meetings held on March 31, 2016 and March 31, 2015, agreed to distribute dividends for approximately S/1,170.8 million and S/387.3, respectively.

Under current Peruvian legislation, there is no restriction for overseas remittance of dividends or the repatriation of foreign investment. Individual persons and corporations not domiciled in Perú must pay of 6.8 percent as tax on dividends received, which must be retained and paid by the entity that distributes the dividends.

(g) Equity for legal purposes (Regulatory capital) -

As of June 30, 2016 and December 31, 2015 in application of Legislative Decree No.1028, the Bank presents the following amounts related to weighted assets and credits by total risk and regulatory capital (basic and supplementary), in millions of Soles:

	As of June 30, 2016	As of December 31, 2015
	S/000	S/000
Assets and risk weighted by overall risk	99,612	101,069
Regulatory capital	15,703	14,490
Basic regulatory equity	10,794	9,716
Supplementary regulatory capital	4,909	4,774
Global equity on regulatory capital ratio	<u>15.76%</u>	<u>14.34%</u>

As of June 30, 2016 and December 31, 2015, the Bank and its Subsidiaries have fulfilled the requirements of Resolutions No.2115-2009, No.6328-2009 and N°14354-2009, Regulations for the Requirement of Regulatory Capital by Operational Risk, Market Risk and Credit Risk Regulations, respectively, and amendments. Those resolutions establish, mainly, the methodology to be applied by financial entities in order to calculate assets and credits weighted for each type of risk.

On July 20, 2011, the SBS issued Resolution No.8425-2011 requires an additional regulatory capital, which is the summation of each of the following components: economic cycle risk, concentration risk, market concentration risk, interest rates risk and others. Likewise, it established a gradual adoption period of five years starting in July 2012. As of June 30, 2016 and December 31, 2015, the level of adoption established by SBS is 70 percent; as a result, the additional required estimated regulatory capital amounts to approximately S/2,098.8 and S/2,105.5, respectively.

In Management's opinion, the Bank and its Subsidiaries are carrying out the requirements established by the Resolution No.8425-2011.

Resolution SBS No. 11823-2010, "Regulations on consolidated supervision of financial and mixed conglomerates" establishes that the economic group subject to consolidation (the Bank and its Subsidiaries are part of Credicorp Group), must have a regulatory equity destined to cover the risks arising from the operations and activities of the bank, which shall not be lower than the minimum equity, required the group subject to consolidation. As of June 30, 2016 and December 31, 2015, the minimum requirement amounted to S/15,653 million and S/15,528 million, respectively. As of June 30, 2016 and December 31, 2015, the regulatory equity of the financial group subject to consolidation amounted to S/19,579.4 million and S/17,221.2 million, respectively.

14 TAX SITUATION, LIABILITIES AND CONTINGENCIES

- (a) The Bank and its Subsidiaries are subject to corporate taxation on income of the country where they are established.

The income tax rate for subsidiaries in Perú is 28 percent on taxable income after calculating the distribution of benefits workers', determined using a 5 percent rate. Through Law No.30296, published on December 31, 2014, the income tax rate was reduced according to the following terms:

<u>Corporate Income</u>	<u>Tax reductions</u>
2016	28
2017 and 2018	27
From 2019 onward	26

Tax on dividends and other forms of profit distribution, agreed on by any legal entities to non-domiciled individuals and legal persons is to be progressively increased:

Withholding tax rate increases -

2016	:	6.8%
2017 - 2018	:	8.0%
From 2019	:	9.3%

Dividends paid out of undistributed profits as of December 31, 2014, will be subject to the 4.1% withholding tax rate.

- (b) In 2015, the Peruvian Congress enacted Law 30,341 which grants a tax exemption for capital gains realized in connection with the disposition of some securities traded on the Lima Stock Exchange. The exemption will be effective from January 1, 2016 to December 31, 2018. In order to benefit from the exemption, the Peruvian securities should be traded in the Lima Stock Exchange and the following requirements are met:

- The disposing taxpayer and its related parties must not transfer 10% or more of the outstanding shares of the company or other securities representing shares – in a single or multiple transactions within any 12-month period, and
- The securities disposed of must have, or be deemed to have, listing presence on the Peruvian Stock Exchange.

Capital gains arising from the disposal of securities traded through Lima Stock Exchange that do not meet the above requirements should be subject to tax in Perú at 5% rate, while transactions performed outside Lima Stock exchange should be subject to tax in Perú at 30% rate

Since 2011, capital gains arising from the indirect transfer of shares of a Peruvian company are considered to be Peruvian source income. The tax rate in this case will apply according to the following:

Tax rate

Exempt (0%)	Income derived from the indirect transfer of shares in the Lima Stock Exchange will be exempt from the Income Tax until December 31, 2018, as long as they met the aforementioned requirements.
5%	If the aforementioned requirements are not met and the transfer of shares is realized through the Lima Stock Exchange by a non-domiciled subject.
30%	In the case of non-domiciled subjects, if the transfer of shares is not realized through the BVL.

For that purpose, it must be considered that there is an indirect sale when capital stock or representatives capital stock of a legal entity not domiciled in Perú is sold and; at the same time, said entity is owner, directly or through one or more entities, of capital stock or representatives capital stock of an entity domiciled in Perú, provided that certain conditions are met. In this regard, it also defines the circumstances in which the issuer is jointly liable.

According to Law No.30050, as from July 1, 2013, interest obtained from securities issued through a public bid by Peruvian corporations will be Value Added Tax (VAT) exempted, as well as, interests earned by securities (non-issued by public auction) that were acquired through an exchange market.

- (c) For income tax purposes, the transfer prices agreed in transactions between related parties and with entities located in tax havens require the presentation of supporting documentation and information on the valuation methods and criteria applied for the agreed price. Based on the analysis of the Bank and its Subsidiaries operations, Management and its internal legal advisors consider that no significant contingencies will result for the Bank and its Subsidiaries as a consequence of the application of such provisions for fiscal year 2016 and 2015.

- (d) The Peruvian and Bolivian Tax Authorities entitled to review and, if applicable, amend the annual income tax returns of the Bank and its Subsidiaries established in such countries up to four years after their submission.

The income tax returns which are pending to be reviewed by the Tax Authority are the following:

Banco de Crédito del Perú	2010-2015
Mibanco	2012-2015
Empresa Financiera Edyficar	2012-2015
Banco de Crédito de Bolivia	2010 - 2012, 2014, 2015

As of June 30, 2016, the Peruvian Tax Authority is conducting a review of the 2010 income tax return of the Bank.

The Bolivian Tax Authority is conducting a review of the 2008, 2009, 2010 and 2013 income tax returns of Banco de Crédito de Bolivia.

The Bolivian statutory Income Tax rate is 25 percent. The tax base is the income reported in the financial statements of each entity, prepared in accordance with general accepted accounting principles in Bolivia, subject to adjustments for tax purposes. In general, all expenses required to produce and maintain the source of each company are deductible.

Also, the Chilean statutory Income Tax rate (first category tax) to resident legal individuals is 21% for 2016. On the other hand, individuals or enterprises do not domiciled in Chile are subject to additional tax, which is applied with an overall rate of 35%. It operates in general on the basis of withdrawals and distributions or income remittances abroad, which are of Chilean source. Affected taxpayers this tax are entitled to a tax credit equivalent to First Category Tax paid by companies on income withdrawn or distributed.

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

- (e) Liabilities and contingencies -

Up to June 30, 2016, there were no significant changes with regard to the Bank and its Subsidiaries' liabilities and contingencies presented in the Bank and its Subsidiaries consolidated interim financial statements as of December 31, 2015.

15 CONTINGENT RISK AND COMMITMENTS

- (a) This item is made up as follows:

	As of June 30, 2016	As of December 31, 2015
	S/000	S/000
Contingent operations (indirect loans) (b) -		
Guarantees and stand-by letters of credit	13,905,099	17,439,434
Import and export letters of credit	1,730,831	1,589,688
Due from bank acceptances	264,235	222,496
	<u>15,900,165</u>	<u>19,251,618</u>
Responsibilities under credit line agreements (c)	16,695,340	22,914,670
Other contingent operations	15,438	38,745
Total contingent risk and commitments	<u>32,610,943</u>	<u>42,205,033</u>

- (b) In the normal course of its business, the Bank and its Subsidiaries perform contingent operations. These operations expose them to credit risk in addition to the amounts recognized in the consolidated interim statements of financial position. The Bank's exposure to losses under commitments to extend credit, provide export and import letters of credit and guarantees (indirect loans) is represented by the contractual amounts specified in the related contracts.

The Bank and its Subsidiaries apply the same credit policies in making commitments and conditional obligations as they do for on-balance sheet instruments, including the requirement to obtain collateral to support off-balance sheet financial instruments when it is deemed necessary. Collateral held varies, but it may include deposits in financial institutions, securities or other assets.

Because most of the contingent transactions are expected to expire without any performance being required, the total committed amounts do not necessarily represent future cash requirements.

Export and import letters of credit are mainly issued as credit enhancements for overseas trade transactions. The related credit risk is reduced by the participation of third parties.

- Due from bank acceptances represent collection rights for the Bank and its Subsidiaries that arise at the time of negotiation of the letters of credit; a collection right from the local importer (in the case of imports) or a collection right from the correspondent bank (in the case of exports).
- (c) Responsibilities under credit lines agreements do not correspond to commitments to grant credits and include credit lines and other consumer loans that are cancelable upon notification to the client.

16 FINANCIAL INCOME AND EXPENSES

This item is made up as follows:

	For the Six-month periods ended June 30,	
	2016	2015
	S/000	S/000
Financial income		
Interest from loan portfolio	4,377,989	3,985,229
Interest from trading, available-for-sale and held to maturity investments, net	257,686	204,197
Net result from hedging derivatives instruments	157,302	84,285
Interest from cash and due from banks and inter-bank funds	17,495	14,842
Commission on loan portfolio and other transactions	148	3,939
Net fluctuation from derivative financial instruments position – Swaps	-	10,905
Other	6,683	18,164
	<u>4,817,303</u>	<u>4,321,561</u>
Financial expenses		
Interest and commission on deposits and obligations	(413,166)	(319,733)
Interest on bonds and subordinates notes issued	(356,140)	(315,702)
Interest on due to banks, correspondents and other entities and inter-bank funds	(442,197)	(437,828)
Deposit Insurance Fund fee	(59,748)	(3,639)
Net fluctuation from derivative financial instruments position – Swaps	(132,325)	-
Other	(13,316)	(1,863)
	<u>(1,416,892)</u>	<u>(1,078,765)</u>
Gross financial margin	<u>3,400,411</u>	<u>3,242,796</u>

17 TRANSACTIONS WITH RELATED PARTIES

- (a) During the year 2015 and the Six-month period ended June 30, 2016, the Bank and its Subsidiaries have acquired bonds, granted loans, supplied and received several services, correspondent relationships and other operations with Credicorp's Subsidiaries, which balances are shown below:

	<u>As of June 30, 2016</u> S/000	<u>As of December 31, 2015</u> S/000
Assets -		
Cash and due from banks	1,126	47,592
Investments available-for-sale (Credicorp shares)	91,667	81,975
Loans, net	523,361	866,235
Other assets	83,863	74,470
Liabilities -		
Deposits and obligations	1,169,090	898,208
Due to banks, correspondents and other entities	1,347,152	1,697,228
Bonds and subordinated notes issued	116,476	75,187
Other liabilities	39,274	26,191
Contingent operations (indirect loans)	435,610	405,147
	<u>For the Six-month periods ended June 30</u>	<u>2015</u>
	<u>2016</u>	<u>S/000</u>
	S/000	S/000
Statements of income		
Financial income	30,357	22,670
Financial expenses	48,566	57,107
Other income	146,144	129,430
Other expenses (*)	24,521	29,384

- (*) This caption includes the accrued portion of insurance coverage contracted with El Pacífico-Peruano Suiza Compañía de Seguros y Reaseguros (PPS), a Credicorp subsidiary; the accrued part is included in the caption "Administrative expenses" of the consolidated statement of income.

Under Peruvian legislation, loans to related parties cannot be granted on terms more favorable than those that would have been offered to the general public. Management considers that the Bank and its Subsidiaries have complied with all legal requirements for transactions with related parties.

Loans and other contingent credits (indirect loans) with related entities, not Credicorp's Subsidiaries, are as follows:

	<u>As of June 30, 2016</u> S/000	<u>As of December 31, 2015</u> S/000
Direct loans	1,282,871	1,536,749
Indirect loans	192,333	234,287
Derivatives, market value	5,245	2,499
Deposits	853,358	285,763

- (b) The Bank and its Subsidiaries have participations in several mutual funds managed by one of its related entity, the detail is the following:

	<u>As of June 30, 2016</u> S/000	<u>As of December 31, 2015</u> S/000
Trading and available-for-sale investments -		
Mutual funds – Credicorp Capital S.A. Sociedad Administradora de Fondos - U.S. Dollars	-	24,668
Mutual funds - Credicorp Capital S.A. Sociedad Administradora de Fondos - Bolivianos	-	43,739
Total	<u>-</u>	<u>68,407</u>

- (c) Loans to employees and their families -

The Bank and its Subsidiaries grant loans to their employees and families in terms that depend on the different types of loans granted (mainly mortgage loans) and are included under the caption "Loans, net" of the consolidated statements of financial position. Generally, interest rates applied are lower than market interests rates; however, others terms are similar to those prevailing in the market. As of June 30, 2016 and December 31, 2015, the balance of loans and other facilities granted to employees, their family members, directors and key executives of the Bank and its Subsidiaries amounted to S/749.3 million and S/783.7 million, respectively.

18 DISCONTINUED OPERATIONS

For the year ended June 30, 2016 and 2015, income and expenses related to Banco de Crédito de Bolivia and Inversiones Credicorp Bolivia S.A included in the consolidated statement of income are as follow:

	<u>As of June 30, 2016</u> S/000	<u>As of June 30, 2015</u> S/000
Income and expenses		
Financial income	134,300	173,513
Financial expenses	(40,844)	(54,099)
Gross financial margin	<u>93,456</u>	<u>119,414</u>
Allowance for loan losses, net of recoveries	(20,002)	(13,865)
Loss for exchange difference	<u>24</u>	<u>(207)</u>
Net financial margin	73,478	105,342
Non-financial income	42,862	56,526
Operating expenses	(72,866)	(114,208)
Net gain (loss) on sale of subsidiary	27,805	-
Exchange differences on translation	83,348	-
Income tax	(14,066)	(13,918)
Net income	<u>140,561</u>	<u>33,743</u>
Net gain (loss) on available-for-sale investments	(2,153)	(8,366)
Exchange differences on translation of foreign operations	<u>99,475</u>	<u>(69,330)</u>
Total comprehensive income for the period	<u>97,322</u>	<u>(77,696)</u>
Net comprehensive income from discontinued operations	<u>237,883</u>	<u>(43,953)</u>

The net cash flows of Banco de Crédito de Bolivia for the period ended June 30, 2016 and 2015, are as follow:

<u>Summarized statements of cash flows</u>	<u>As of June 30, 2016</u> <u>S/000</u>	<u>As of June 30, 2015</u> <u>S/000</u>
Net cash flows from operating activities	(331,686)	441,779
Net cash flows from investing activities	1,029	(444)
Net cash flows from financing activities	(4,963)	2,071
Net decrease (increase) in cash	(335,620)	443,406
Cash at the beginning of year	1,427,300	620,346
Cash at the end of the year	<u>1,091,680</u>	<u>1,063,752</u>

19 SUBSEQUENT EVENTS

The Bank has evaluated the period after the balance sheet date and determined there were no significant subsequent events or transaction that required recognition or disclosure in the condensed consolidated interim financial statements.

APPENDIX A

ACCOUNTING PRACTICES

Basis of presentation of the financial statements of Banco de Crédito del Perú and subsidiaries

The annual consolidated financial statements have been prepared from our accounting records, which are carried in nominal Soles as of the date of the transactions, in accordance with accounting standards prescribed by the Peruvian Superintendency of Banks, Insurance and Private Pension Fund Administrators (*Superintendencia de Banca, Seguros y Administradoras Privadas de Fondos de Pensiones* or “SBS”) for Peruvian financial entities (Peruvian GAAP), established in the SBS’s “Accounting Manual for Financial Entities.”

Peruvian GAAP principles differ in certain material respects from International Financial Reporting Standards (IFRS) and U.S. GAAP. We have not undertaken efforts to prepare a quantitative reconciliation of specific differences among Peruvian GAAP, IFRS and U.S. GAAP. Had such an effort been undertaken other potentially significant differences might have been identified and disclosed herein.

The following paragraphs summarize the areas in which differences among Peruvian GAAP, IFRS and U.S. GAAP could be significant to our consolidated results of operations and consolidated financial position and that exist as of December 31, 2013. This analysis does not include differences related to IFRS standards that have been issued but are not effective as of December 31, 2013. We have not prepared consolidated financial statements in accordance with IFRS or U.S. GAAP and, accordingly, cannot offer any assurances that all existing differences have been identified and that the differences described below would, in fact, be the largest differences between our financial statements prepared under IFRS or U.S. GAAP. In addition, we cannot estimate the net effect that applying IFRS or U.S. GAAP would have on our consolidated result of operations or consolidated financial position or any component thereof, in any of the presentations of financial information in the offering memorandum. However, the effect of such differences may be, individually or in aggregate, material, and in particular, as a result of such, it may be that the total shareholders’ equity, prepared on the basis of Peruvian GAAP would be materially different from the shareholders’ equity reported under IFRS or U.S. GAAP. Differences in the presentation of the financial statements as well as differences in the information provided in the footnotes to the financial statements have not been reported.

Highlights of certain differences among Peruvian GAAP, IFRS and U.S. GAAP

Content and format of the financial statements

Under Peruvian GAAP, the presentation and content of the accounts included in the financial statements are detailed in the “Accounting Manual for Financial Entities” issued by the SBS. Under IFRS, IAS 1 and IFRS 7, there are principles about the presentation of the financial statements for financial services. Under U.S. GAAP, the SEC has established detailed rules about the form and content of the financial statements for banks in its S X regulation.

Cash flow statements

Under Peruvian GAAP, cash flow statements are presented in accordance with the “Accounting Manual for Financial Entities” issued by the SBS and contain significant presentational differences in respect of cash flow statements prepared in accordance with IFRS (IAS 7) and U.S. GAAP.

The format of a cash flow statements prepared under IAS 7 is essentially the same as a cash flow statement prepared under U.S. GAAP. Both standards require cash flows to be classified into three broad categories: operating activities, investing activities and financing activities. However, presentational differences can arise due to differences between IFRS and U.S. GAAP in respect of the definition of cash, and the classification of specific items.

Consolidation and investment in special purpose entities

The key principle for consolidation under IFRS is IFRS 10 Consolidated Financial Statements, and under U.S. GAAP it is ASC 810 Consolidations. Consolidation principles under Peruvian GAAP and IFRS (IFRS 10) are based

upon the concept of control and are substantially similar, requiring consolidation of all controlled entities irrespective of the sector in which they operate.

Under both IFRS and U.S. GAAP, the determination of whether or not entities are consolidated by a reporting enterprise is based on control, although differences exist in the definition of control. Under IFRS 10, the control requires exposure or rights to variable returns and the ability to affect those returns through power over an investee. In addition, it is said that an investor has power over an investee when the investor has existing rights that give it the current ability to direct the relevant activities, i.e. the activities that significantly affect the investee's returns. Under U.S. GAAP, all entities are first evaluated as potential variable interest entities (VIEs). Entities controlled by voting rights are consolidated as subsidiaries, but potential voting rights are not included in this consideration. The concept of "effective control" exists, but it is rarely employed in practice.

Investments in associates:

Under Peruvian GAAP, investments in associates are recorded in accordance with criteria established by SBS Resolution No. 7033-2012, which became effective on January 1, 2013. This category includes only equity securities acquired with the purpose of (i) having equity participation and/or (ii) having significant influence in other entities or institutions, as defined by IAS 28. Their initial recognition is at fair value; subsequently they are recorded using the equity participation method. Under IFRS (IAS 28) and U.S. GAAP (ASC 323) all the associates in which an entity has significant influence are accounted for using the equity method. For this purpose, under IFRS and U.S. GAAP significant influence is generally presumed if an investor holds directly or indirectly 20% or more of the voting power of the investee. The other investments not considered associates should usually be considered as available for-sale securities, if they are marketable securities as per ASC 320.

Business combinations

A business combination involves the bringing together of separate entities into one economic entity. In practice, there are three types of business combinations: acquisitions (one of the combining entities obtains control over the other, enabling an acquirer to be identified), a uniting of interests or pooling (where it is not possible to identify an acquirer and the shareholders of the combining entities join in substantially equal arrangements to share control), and a group reorganization (transactions among entities which operate under common control).

Under Peruvian GAAP, business combinations are accounted for as acquisitions and they require use of the acquisition method of accounting to portray the financial effect of an acquisition. Under IFRS 3(R) and ASC 805, all business combinations must be recorded and accounted for using the acquisition method. Under the acquisition method, upon obtaining control of another entity, the underlying transaction should be measured at fair value, and this should be the basis on which the assets, liabilities and non-controlling interests of the acquired entity are measured, with limited exceptions.

Indefinite useful live intangible assets (Goodwill)

Under Peruvian GAAP and IFRS, goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

Under Peruvian GAAP, in accordance with the SBS Resolution No. 1967-2010, indefinite useful live assets, such as goodwill, registered before January 1, 2010, are amortized following regulations in force on the date of initial recognition, considering a period of no more than 5 years. Goodwill generated after January 1, 2010 is recognized at cost; then it is measured at cost less any impairment loss.

Peruvian GAAP (to goodwill registered after January 1, 2010), IFRS and U.S. GAAP require goodwill to be reviewed annually or more frequently when any event or change in circumstances indicates that the fair value may be impaired.

Under Peruvian GAAP and IFRS, the method of determining impairment of goodwill requires that an impairment test be done at the cash generating unit (CGU) level by comparing the CGU's carrying amount, including goodwill, with its recoverable amount. Impairment loss on the CGU (amount by which the CGU's carrying amount, including goodwill, exceeds its recoverable amount) is allocated first to reduce goodwill to zero,

then, subject to certain limitations, the carrying amounts of other assets in the CGU are reduced pro rata, based on the carrying amounts of each asset.

Under U.S. GAAP, the method of determining impairment of goodwill requires a recoverability test to be performed first at the reporting unit level (carrying amount of the reporting unit is compared to the reporting unit's fair value). If the carrying amount of the reporting unit exceeds its fair value, then impairment testing must be performed. The impairment loss is the amount by which the carrying amount of goodwill exceeds the implied fair value of the goodwill within its reporting unit.

Property, plant and equipment

ASC 835-20 Capitalization of Interest and IAS 23 Borrowing Costs address the capitalization of borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset under U.S. GAAP and IFRS, respectively. Qualifying assets are generally defined similarly under both accounting models and both standards require interest costs to be capitalized as part of the cost of a qualifying asset.

However, under IFRS, borrowing costs are offset by investment income earned on those borrowings. For borrowings associated with a specific qualifying asset, actual borrowing costs are capitalized.

Under U.S. GAAP, eligible borrowing costs do not include exchange rate differences. Interest earned on the investment of borrowed funds generally cannot offset interest costs incurred during the period. For borrowings associated with a specific qualifying asset, borrowing costs equal to the weighted average accumulated expenditures times the borrowing rate are capitalized.

Under IFRS, a company has the alternative to account for certain fixed assets at amortized historical cost or re-value to fair value. Useful lives and methods of depreciation are reviewed periodically. Under Peruvian and U.S. GAAP, historical cost is the only alternative, and thus fixed asset revaluations are not allowed.

Intangible assets

The definition of intangible assets as nonmonetary assets without physical substance is similar under both U.S. GAAP and IFRS. The recognition criteria for both accounting models generally require that there be probable future economic benefits and costs that can be reliably measured.

Under Peruvian GAAP and IFRS, development costs are capitalized when technical and economic feasibility of a project can be demonstrated in accordance with specific criteria. Some of the stated criteria include demonstrating technical feasibility, intent to complete the asset and ability to sell the asset in the future. Although application of these principles may be largely consistent with U.S. GAAP, there is no separate guidance addressing computer software development costs.

Under U.S. GAAP, development costs are expensed as incurred unless addressed by a separate standard. In the case of software developed for internal use, only those costs incurred during the application development stage may be capitalized.

Amortization of intangible assets over their estimated useful lives is required under both U.S. GAAP and IFRS. If there is no foreseeable limit to the period over which an intangible asset is expected to generate net cash inflows to the entity, the useful life is considered to be indefinite and the asset is not amortized.

Intangible assets with indefinite useful lives are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Impairment

Peruvian GAAP, IFRS (IAS 36) and U.S. GAAP (ASC 350, and ASC 360-10) require that specific and clearly detailed tests be carried out to adjust the carrying value of certain assets (long-lived assets) when indicators of potential impairment exist (or annually for goodwill and intangible assets with an indefinite life).

Impairments under Peruvian GAAP and IFRS are based on discounted cash flows. Under U.S. GAAP, only if an asset's estimated undiscounted future cash flows are below its carrying amount is a determination required of the amount of any impairment based on discounted cash flows. There is no undiscounted test under Peruvian GAAP and IFRS.

Under Peruvian GAAP and IFRS, goodwill is allocated to "cash generating units," which are the smallest group of identifiable assets that include the goodwill under review for impairment and generate cash inflows from continuing use that are largely independent of the cash inflows from other assets. Under U.S. GAAP, goodwill is allocated to "reporting units," which are operating segments or one level below an operating segment (as defined in ASC 280). The goodwill impairment test under U.S. GAAP compares the carrying value for each reporting unit to its fair value based on discounted cash flows.

Under Peruvian GAAP and IFRS, impairment losses are reversed when there has been a change in economic conditions or in the expected use of the asset. Under U.S. GAAP, impairment losses cannot be reversed for assets to be held and used, as the impairment loss results in a new cost basis for the asset.

Debt and equity securities

Under Peruvian GAAP, the initial recognition and the subsequent measurement of investments in debt and equity securities are recorded in accordance with criteria established by SBS Resolution No. 7033-2012, which became effective on January 1, 2013 and is to be applied prospectively. Investments at fair value through profit or loss (formerly recorded as trading securities) are initially recognized at cost (excluding acquisitions costs, which are recorded as expenses) and subsequently measurement is at fair value. Available-for-sale investments and held-to-maturity investments are initially recognized at cost including acquisition costs that are directly attributable to the acquisition and subsequently re-measured at fair value and amortized cost (using the effective interest rate method), respectively. Additionally, Resolution No. 7033-2012 established an additional category: Investments in subsidiaries, associates and joint ventures are initially recognized at fair value, and thereafter, are recorded following the equity participation method.

Under IFRS (IAS 32, IAS 39 and IFRS 13) and U.S. GAAP (ASC 320), all investments in securities are initially recognized at cost including all related acquisition costs as part of the initial cost, being the fair value of the consideration given and including acquisition costs associated with the investment. The IFRS 13 establishes the definition of fair value and contains a single source of guidance under IFRS for all fair value measurements. Subsequent measurement of investments is based upon the valuation principles of the portfolios they are classified in at the time of purchase, as described below:

- Trading securities, in all cases, are re-measured at fair value and all related realized and unrealized gains or losses are recognized in income.
- Held-to-maturity securities are carried at amortized cost using the effective yield method less any impairment in value. Gains or losses are recognized in income when the investments are derecognized or impaired, as well as through the amortization of premiums and accretion of discounts. Sale or reclassification of held-to-maturity securities to other categories triggers reclassification of such securities outside the held-to-maturity portfolio.
- Available-for-sale securities, under IFRS and U.S. GAAP are carried at fair value. Gains or losses on re-measurement to fair value are recognized as a separate component of equity, or other comprehensive income, net of income taxes, until investment is sold, collected or otherwise disposed of or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in income.

Under Peruvian GAAP and IFRS, foreign exchange gains and losses on the amortized cost of all financial instruments are recognized in the income statement. U.S. GAAP establishes that the foreign exchange gains and losses related to the amortized cost of debt securities classified as available-for-sale must be recognized in equity.

Impairment of debt and equity securities

Under Peruvian GAAP, the impairment of debt and equity securities is determinate following guidelines established by SBS Resolution No. 7033-2012 – Annex Standard Methodology for identification of impairment on

financial instruments as available for sale and held-to-maturity prescribed by SBS, which became effective on January 1, 2013 and is to be applied prospectively.

Under IFRS, generally, only evidence of credit default results in an impairment being recognized in the income statement for an AFS debt instrument. The impairment loss is measured as the difference between the debt instrument's amortized cost basis and its fair value. For an AFS equity investment, an impairment is recognized in the income statement when there is objective evidence that the AFS equity instrument is impaired, and that the cost of the investment in the equity instrument may not be recovered. The impairment is measured as the difference between the equity instrument's cost basis and its fair value. A significant and prolonged decline in fair value of an equity investment below its cost is considered objective evidence of an impairment.

Under IFRS, impairment losses recognized through the income statement for available-for-sale equity securities cannot be reversed through the income statement for future recoveries. However, impairment losses for debt instruments classified as available-for-sale may be reversed through the income statement if the fair value of the asset increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognized.

Under U.S. GAAP, declines in fair value below cost may result in an impairment loss being recognized in the income statement on an AFS debt instrument due solely to a change in interest rate (risk-free or otherwise) if the entity has the intent to sell the debt instrument or it is more likely than not that it will be required to sell the debt instrument before its anticipated recovery. The impairment loss is measured as the difference between the debt instrument's amortized cost basis and its fair value. When a credit loss exists, but the entity does not intend to sell the debt instrument, nor is it more likely than not that the entity will be required to sell the debt instrument before the recovery of the remaining cost basis, the impairment is separated into (i) the amount representing the credit loss and (ii) the amount related to all other factors. The amount of the total impairment related to the credit loss is recognized in the income statement and the amount related to all other factors is recognized in other comprehensive income, net of applicable taxes.

Under U.S. GAAP, for an AFS equity instrument, an impairment is recognized in the income statement, measured as the difference between the equity instrument's amortized cost basis and its fair value, if the equity instrument's fair value is not expected to recover sufficiently in the near-term to allow a full recovery of the entity's cost basis. An entity must have the intent and ability to hold an impaired security until such near-term recovery; otherwise an impairment loss must be recognized in the income statement. The impairment loss is calculated as the difference between the equity instrument's cost basis and its fair value.

Under IFRS, the impairment loss of a held-to-maturity investment is measured as the difference between the carrying amount of the investment and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the financial asset is reduced either directly or through the use of an allowance account. The amount of impairment loss is recognized in the income statement.

Under U.S. GAAP, the impairment loss of a held-to-maturity investment is measured as the difference between its fair value and amortized cost basis. When the entity does not intend to sell the debt instrument and it is not more likely than not that the entity will be required to sell the debt instrument before recovery of its amortized cost basis, the amount of the total impairment related to the credit loss is recognized in the income statement and the amount related to all other factors is recognized in other comprehensive income.

Under U.S. GAAP, the carrying amount of a held-to-maturity investment after the recognition of an impairment is the fair value of the debt instrument at the date of the impairment. The new cost basis of the debt instrument is equal to the previous cost basis minus the impairment recognized in earnings. The impairment recognized in other comprehensive income is accreted to the carrying amount of the held-to-maturity instrument through other comprehensive income over its remaining life.

Allowance for loan losses

Under Peruvian GAAP, the allowance for loan losses is determinate following guidelines established by SBS Resolutions No. 11356-2008 and No. 6941-2008.

Under IFRS (IAS 39) and U.S. GAAP (ASC 450, and ASC 310-10-35), if there is objective evidence that all amounts due (principal and interest) according to original contractual terms of the loan will not be collected, such

loans are considered impaired and the amount of the loss is measured as the difference between the loan's carrying amount and the present value of expected future cash flows discounted at the loan's original effective interest rate or as the difference between the carrying value of the loan and fair value of the collateral, if the loan is collateralized and foreclosure is probable. Impairment and uncollectibility are measured and recognized individually for loans and receivables that are individually significant and on a portfolio basis for a group of similar loans and receivables that are not individually identified as impaired if a loss is probable and quantifiable.

Under Peruvian GAAP, recoveries are recorded in a separate income line item under other income. Charge-offs are recorded directly as loan loss provision in the income statement. Under IFRS and U.S. GAAP, recoveries and charge-offs would be recorded in the allowance for loan losses in the balance sheet.

Income tax

Under Peruvian GAAP, IFRS and U.S. GAAP, deferred taxes should be recorded for the tax effect of almost all differences between the tax and accounting bases of assets and liabilities (temporary differences) as well as tax loss carry-forwards. IFRS and Peruvian GAAP require deferred taxes to be recorded for the tax effects of temporary differences between tax and reporting bases of non-monetary assets arising from restatement for the effects of inflation where U.S. GAAP does not. IFRS and Peruvian GAAP measure deferred taxes using the tax rate enacted, or substantially enacted, where U.S. GAAP measures deferred taxes only on the enacted tax rate. Under IFRS and Peruvian GAAP, deferred tax assets are recognized when recovery is probable. Under U.S. GAAP, deferred tax assets are recognized (*i.e.*, no valuation allowance) to the extent that they are more likely than not to be recovered. Under IFRS and Peruvian GAAP, deferred tax in respect of temporary differences on subsidiaries, associates and joint ventures is not recognized in some circumstances. Under U.S. GAAP, such differences on equity method investments, other than certain foreign corporate joint ventures, are recognized in full.

Leasing

Peruvian GAAP and IFRS accounting for leasing are similar. All the relevant principles and guidance concerning leases may be found in one standard and three interpretations for IFRS, but the U.S. GAAP rules are contained in several pronouncements: various accounting standards, interpretative statements and several technical bulletins and EITF abstracts. IAS 17 "Leases" sets out the general principles for accounting for all but a few specialist categories of leases. ASC 840, formerly FAS 13 "Accounting for Leases" contains detailed rules and thresholds, in contrast to IAS 17's principles-based approach. There are specific U.S. GAAP rules on various categories of leases, most notably for real estate transactions.

Although the U.S. GAAP guidance is much more specific and rule-based than the IFRS approach, the overall approaches of IFRS and U.S. GAAP are similar. Both focus on classifying leases between finance (or capital) leases and operating leases and both deal separately with lessees and lessors.

Derivative financial instruments

Under Peruvian GAAP, IFRS (IAS 32, 39 and IFRS 13) and U.S. GAAP (principally ASC 815), derivative financial instruments are initially recognized at fair value. Derivative transactions that do not qualify for hedge accounting are treated as derivatives held for trading and any gains and losses arising from changes in fair value are taken directly to income. In the specific case of BCP, certain derivative financial instruments maintained by BCP and its subsidiaries have been designated as hedging operations because the functional currency of Credicorp is the U.S. dollar.

Under Peruvian GAAP and IFRS, a shortcut method for interest rate swaps is not permitted to assess the effectiveness of the hedging relationship; however, under U.S. GAAP it is permitted. In addition, under Peruvian GAAP and IFRS, the option's time value is not permitted to be included in order to assess the effectiveness of the hedging relationship; however, U.S. GAAP does permit its inclusion. Peruvian GAAP and IFRS allow entities to hedge components (portions) of risk that give rise to changes in fair value. Under U.S. GAAP, the risk components that may be hedged are specifically defined, with no additional flexibility.

The U.S. GAAP literature is far more detailed than Peruvian GAAP and IFRS as it has been developed over a longer period and, often, in response to specific financial instruments. Consequently, there are many differences in the scope of standards under Peruvian GAAP, IFRS and U.S. GAAP.

As detailed elsewhere in the offering memorandum through SBS Resolution No. 1737-2006, the SBS has approved the Regulations for the Trading and Accounting Recording of Derivative Financial Instruments in Companies of the Financial System, which establishes accounting criteria for derivative financial instruments under Peruvian GAAP, which are consistent with IAS 39, Financial Instruments: Recognition, and Measurement effective in Peru.

Interest recognition—non-accrual loans

Under Peruvian GAAP, interest accrued on past due, refinanced, restructured loans, loans under legal collection and loans classified as doubtful or loss is discontinued and recognized as collected.

Under IFRS (based on IAS 18) and U.S. GAAP, recognition of interest on loans is generally discontinued when, in the opinion of management, there is an assessment that the borrower will likely be unable to meet all contractual payments as they become due. As a general practice, this occurs when loans are 90 days or more overdue. When a loan is placed on non-accrual status, unpaid interest credited to income in the current year is reversed and unpaid interest accrued in prior years is charged against the allowance for credit losses.

Loan origination fees

Under Peruvian GAAP, the loan origination fees on consumer loans, such as credit cards, mortgages, pledged and personal loans standby letters of credit and guarantees issued, are recognized over the life of the related loan as an adjustment of yield or by straight-line method, as appropriate in accordance with IFRS and U.S. GAAP (ASC 310-20).

Guarantor's obligations under guarantees

Under Peruvian GAAP, the commissions and premiums are recognized in income over the term of the guarantee in accordance with IFRS.

Under U.S. GAAP (ASC 460), when a guarantee is issued in a standalone arm's length transaction with an unrelated party, the liability recognized at the inception of the guarantee is the premium received or receivable at fair value by the guarantor. The release from risk is recognized over the term of the guarantee either upon expiration or settlement of the guarantee or by a systematic and rational amortization method.

Provision for risks and charges

Under Peruvian GAAP and IFRS (IAS 37), a provision should only be made when: (a) an enterprise has a present obligation (legal or constructive) as a result of a past event, (b) it is probable (more likely than not) that a future outflow of economic benefits will be required to settle the obligation and (c) a reliable estimate of the amount of the obligation can be made. The entity must discount the anticipated cash flows expected to be required to settle the obligation if the impact is material.

The treatment of loss contingencies under U.S. GAAP is similar to IFRS. However, if a range of estimates for the obligation is determined and no amount in the range is more likely than any other amount in the range, the "minimum" (rather than the mid-point) amount must be used to measure the liability. The entity must discount the anticipated cash flows expected to be required to settle the obligation if the impact is material.

Seized assets

Under Peruvian GAAP, assets seized are initially recorded at the value assigned to them through a legal proceeding, the amount of any out of court settlement or at the unpaid value of the debt, whichever is lower. Simultaneously with the determination of the value, an allowance equivalent to 20% of the legal settlement or recoverable asset value should be recorded. For this purpose, we can use the allowance for loan losses that was originally provided for the related loan. Subsequent to the seizure date, we must record an allowance during a period of time established by the SBS, until the carrying value of assets is zero. Under IFRS, the assets seized are recorded at the lower of cost or estimated market value. Changes in market value are recorded in the income statement. Under U.S. GAAP, assets seized are recorded at fair value at foreclosure date and subsequently measured at the lower of its carrying amount or fair value minus cost to sell with changes recorded in the income statement.

Share-based payments

The guidance for share-based payments is in ASC 718 for U.S. GAAP and IFRS 2 for IFRS.

Under Peruvian GAAP, until December 31, 2011, in compliance with SBS Oficio 9771-2009 dated March 24, 2009, the Bank and its subsidiaries recorded as an expense, at the grant date, all of the costs related to the acquisition of Credicorp shares granted to the plan beneficiaries. This expense is included in the caption “Salaries and employees benefits” of the consolidated statement of income and no other expenses are recorded in future periods. Since January 1, 2012 and prospectively, share-based payments are accounted in accordance with the established by IFRS 2.

U.S. GAAP and IFRS have specific rules regarding the accounting for arrangements settled in shares of the parent company.

Discontinued operations – Assets and liabilities held for sale

Under U.S. GAAP (ASC 205-20), a discontinued operation is a component of an entity that has been disposed of or is classified as held for sale, provided that (1) the operations and cash flows of the component have been (or will be) eliminated from the ongoing operations of the entity as a result of the disposal transaction and (2) the entity will not have any significant continuing involvement in the operations of the component after the disposal transaction. A component of an entity represents the operations and the cash flows that can be clearly distinguished operationally and for financial reporting purposes from the rest of the entity. Examples include an operating segment, a reporting unit, a subsidiary or an asset group.

Examples of continuing cash flows with the disposed component would be cash flows resulting from continuing the activities of the disposed component or continuing to enter into transactions with the disposed component. An example of significant continuing involvement in the disposed component could be retaining an equity interest in the component.

IFRS 5 defines a discontinued operation as a component of an entity that either has been disposed or is classified as held for sale and (1) represents a separate line of business or geographical area of operations, (2) is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or (3) is a subsidiary acquired exclusively with a view to resale.

A component of an entity comprises operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the entity. In other words, a component of an entity will have been a cash-generating unit or a group of cash-generating units while being held for use.

IFRS 5 does not required to reclassify or re-present amounts presented for the discontinued operations (assets and liabilities classified as held for sale) in the consolidated balance sheet for prior periods to reflect the classification for the latest period presented.

Currently, the definitions of what constitutes a component of an entity to be presented as a discontinued operation differ under U.S. GAAP and IFRS. As such, items may be classified as discontinued operations under U.S. GAAP but not under IFRS, and vice versa.

Under Peruvian GAAP, the SBS does not have any regulations about assets and liabilities classified as held for sale.

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