

BBVA BANCO CONTINENTAL AND SUBSIDIARIES

Consolidated Financial Statements

As of September 30, 2016 and as of December 31, 2015 and for the nine-months period ended September 30, 2016 and 2015

(Translation of a report originally issued in Spanish)

BBVA BANCO CONTINENTAL AND SUBSIDIARIES

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BBVA BANCO CONTINENTAL AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

As of September 30, 2016 and December 31, 2015

In thousands of S/

ASSETS	Notes	2016	2015	LIABILITIES AND EQUITY	Notes	2016	2015
Cash and due from banks	3	19,752,527	23,432,484	Obligations to the public	8	45,895,613	46,439,852
Interbank funds	9	5,001	363,589	Interbank funds	9	-	128,015
Investments at fair value through profit or loss	4	296,778	94,887	Deposits of financial entities and international financial organizations		1,498,274	1,376,558
Available-for-sale investments	4	4,426,630	4,720,019	Due to banks and financial obligations	10	12,331,303	14,370,386
Held-to-maturity investments	4	467,096	462,732	Trading derivatives	15	819,362	1,265,340
Loan portfolio, net	5	48,224,188	47,848,768	Hedging derivatives	15	71,454	118,915
Trading derivatives	15	984,623	1,327,552	Payable	7	8,486,373	9,702,873
Hedging derivatives	15	95,016	7,467	Current taxes		784	608
Accounts receivable		43,568	25,432	Provisions	7	492,239	488,426
Asset seized and recovered through legal actions, net		185,196	155,399	Other liabilities	7	639,324	925,390
Investments in associates		3,496	3,881	TOTAL LIABILITIES		70,234,726	74,816,363
Property, furniture and equipment, net	6	859,750	878,263	EQUITY			
Current taxes		201,704	242,935	Capital stock	11 (a)	4,401,368	3,784,146
Deferred income tax		445,927	376,798	Reserves	11 (b)	1,249,092	1,111,786
Other assets	7	867,287	1,132,330	Adjustments to equity	11 (d)	1,330	(11,549)
Goodwill		5,289	-	Retained earnings	11 (c)	977,560	1,371,790
				TOTAL EQUITY		6,629,350	6,256,173
TOTAL ASSETS		76,864,076	81,072,536	TOTAL LIABILITIES AND EQUITY		76,864,076	81,072,536
CONTINGENT RISKS AND COMMITMENTS	15	25,225,778	26,042,872	CONTINGENT RISKS AND COMMITMENTS	15	25,225,778	26,042,872

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

BBVA BANCO CONTINENTAL AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF INCOME**

For the nine-months periods ended September 30, 2016 and 2015

In thousands of \$

	<u>Notes</u>	<u>2016</u>	<u>2015</u>
Interest income	16	3,377,450	2,961,332
Interest expenses	17	(1,215,936)	(955,074)
GROSS FINANCIAL MARGIN		2,161,514	2,006,258
Provisions for direct loans		(472,776)	(477,503)
NET FINANCIAL MARGIN		1,688,738	1,528,755
Income from financial services	19	794,011	736,331
Expenses for financial services	19	(203,291)	(139,201)
NET FINANCIAL MARGIN OF INCOME AND EXPENSES FOR FINANCIAL SERVICES		2,279,458	2,125,885
GAIN/LOSS FROM FINANCIAL OPERATIONS (ROF)		367,104	491,134
OPERATING MARGIN		2,646,562	2,617,019
Administrative expenses	18	(1,167,171)	(1,131,679)
NET OPERATING MARGIN		1,479,391	1,485,340
Valuation of assets and provisions		(123,033)	(115,284)
OPERATING PROFIT/LOSS		1,356,358	1,370,056
OTHER INCOME AND EXPENSES		(28,250)	19,523
PROFIT FOR THE PERIOD BEFORE INCOME TAX		1,328,108	1,389,579
Income tax		(350,734)	(383,312)
NET PROFIT FOR THE PERIOD		977,374	1,006,267
Basic and diluted earnings per share in Soles	13	0.222	0.229

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

BBVA BANCO CONTINENTAL AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF INCOME AND OTHER COMPREHENSIVE INCOME**

For the nine-months periods ended September 30, 2016 and 2015

In thousands of S/

	<u>2016</u>	<u>2015</u>
NET PROFIT FOR THE PERIOD	977,374	1,006,267
Other comprehensive income:		
Available-for-sale investments	10,725	(17,854)
Cash flow hedges	569	(3,658)
Participation in other comprehensive income of associates	53	-
Income tax related to items of other comprehensive income	<u>1,532</u>	<u>3,301</u>
Other comprehensive income for the period, net of taxes	<u>12,879</u>	<u>(18,211)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u><u>990,253</u></u>	<u><u>988,056</u></u>

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

BBVA BANCO CONTINENTAL AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY**

For the nine-months periods ended September 30, 2016 and 2015

In thousands of S/

	Reserves			Adjustments to Equity			Total equity	
	Capital stock	Mandatory reserves	Voluntary reserves	Retained earnings	Cash flow hedges	Available-for-sale investments and other comprehensive income from associates		Total adjustments to equity
	Note 11 (a)	Note 11 (b)	Note 11 (b)	Note 11 (c)	Note 11 (d)	Note 11 (d)		
Balances as of January 1, 2015	3,246,531	977,350	-	1,343,935	2,228	7,980	10,208	5,578,024
Changes in equity:								
Comprehensive income:								
Net profit for the period	-	-	-	1,006,267	-	-	-	1,006,267
Other comprehensive income	-	-	-	-	(2,707)	(15,504)	(18,211)	(18,211)
Total comprehensive income	-	-	-	1,006,267	(2,707)	(15,504)	(18,211)	988,056
Changes in net equity (not included in comprehensive income)								
Declared dividends in cash	-	-	-	(671,891)	-	-	-	(671,891)
Issuance of equity shares (different than business combination)	537,615	-	(103)	(537,512)	-	-	-	-
Transfers to reserves and others movements	-	134,430	103	(134,378)	-	-	-	155
Total changes in equity	537,615	134,430	-	(337,514)	(2,707)	(15,504)	(18,211)	316,320
Balances as of September 30, 2015	3,784,146	1,111,780	-	1,006,421	(479)	(7,524)	(8,003)	5,894,344
Balances as of January 1, 2016	3,784,146	1,111,786	-	1,371,790	573	(12,122)	(11,549)	6,256,173
Changes in equity:								
Comprehensive income:								
Net profit for the period	-	-	-	977,374	-	-	-	977,374
Other comprehensive income	-	-	-	-	421	12,458	12,879	12,879
Total comprehensive income	-	-	-	977,374	421	12,458	12,879	990,253
Changes in net equity (not included in comprehensive income)								
Declared dividends in cash	-	-	-	(617,222)	-	-	-	(617,222)
Issuance of equity shares (different than business combination)	617,222	-	-	(617,222)	-	-	-	-
Transfers to reserves and others movements	-	137,306	-	(137,160)	-	-	-	146
Total changes in equity	617,222	137,306	-	(394,230)	421	12,458	12,879	373,177
Balances as of September 30, 2016	4,401,368	1,249,092	-	977,560	994	336	1,330	6,629,350

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

BBVA BANCO CONTINENTAL AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the nine-months periods ended September 30, 2016 and 2015
In thousands of S/

	<u>2016</u>	<u>2015</u>
RECONCILIATION OF NET PROFIT FOR THE PERIOD OF THE GROUP WITH CASH AND CASH EQUIVALENTS PROVIDED BY OPERATING ACTIVITIES:		
Net Profit for the period	977,374	1,006,267
Adjustments	859,588	882,354
Depreciation and amortization	82,259	73,605
Provisions	500,676	526,759
Other adjustments	276,653	281,990
Net variation in assets and liabilities	(2,953,472)	(636,405)
(Net increase) net decrease in assets	1,524,208	(11,569,258)
Loans	(869,594)	(2,719,076)
Investments at fair value through profit or loss	(201,891)	586,012
Available-for-sale investments	819,797	(1,168,252)
Receivables and other accounts	1,775,896	(8,267,942)
(Net decrease) net increase in liabilities	(4,477,680)	10,932,853
Financial liabilities, unsubordinated debt	(2,476,263)	3,340,718
Accounts payable and others	(2,001,417)	7,592,135
Profit for the period, after net changes in assets and liabilities and adjustments	(1,116,510)	1,252,216
Paid income tax	(368,074)	(359,933)
NET CASH FLOWS OF OPERATING ACTIVITIES	(1,484,584)	892,283
CASH FLOWS OF INVESTMENT ACTIVITIES:		
Outflows for purchases of intangibles and property, furniture and equipment	(81,342)	(73,244)
Purchases in participations	(98,061)	-
Other inflows related to investment activities	18,146	70,938
NET CASH FLOWS OF INVESTMENT ACTIVITIES	(161,257)	(3,472)
CASH FLOWS OF FINANCING ACTIVITIES:		
Outflow for recovery of subordinated financial liabilities	-	(96,031)
Other proceeds related to financing activities	33,951	-
Dividends paid	(616,367)	(669,162)
NET CASH FLOWS OF FINANCING ACTIVITIES	(582,416)	(765,193)
(NET DECREASE) NET INCREASE IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF EXCHANGE RATE VARIATION	(2,228,256)	124,784
Effect of exchange rate variation on cash and cash equivalents	(67,470)	1,113,749
(NET DECREASE) NET INCREASE IN CASH AND CASH EQUIVALENTS	(2,295,726)	1,238,533
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	15,270,159	12,182,180
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	12,974,433	13,420,713

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

BBVA BANCO CONTINENTAL AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the nine-months periods ended September 30, 2016 and 2015
In thousands of S/

	<u>2016</u>	<u>2015</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD WITH ACCOUNT BALANCES IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION		
CASH AND CASH EQUIVALENTS AS OF SEPTEMBER 30, 2016 AND 2015	12,974,433	13,420,713
Guarantee funds	8,226,406	9,184,402
Interbank funds	(5,001)	(82,560)
Investments with maturities less than 90 days	<u>(1,443,311)</u>	<u>(2,181,439)</u>
CASH AS PER CONSOLIDATED STATEMENTS OF FINANCIAL POSITION	<u>19,752,527</u>	<u>20,341,116</u>

BBVA BANCO CONTINENTAL AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF SEPTEMBER 30, 2016

(In thousands of Soles)

1. INCORPORATION, ECONOMIC ACTIVITY AND APPROVAL OF FINANCIAL STATEMENTS

Incorporation

BBVA Banco Continental (hereinafter the Bank) is a subsidiary of Newco Perú S.A.C, which owns 46.12% of the capital stock of the Bank. Banco Bilbao Vizcaya Argentaria owns 100% of the shares of Newco Perú S.A.C. The Bank is a public company incorporated in 1951, authorized to operate by the Peruvian Banking Regulator (The Superintendency of Banking, Insurance and Private Administrators of Pension Funds, hereinafter the SBS, for its Spanish acronym) based in Lima, Peru. The Bank's main office legal address is Av. República de Panamá No. 3055, San Isidro, Lima.

Economic Activity

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

As of September 30, 2016, and December 31, 2015, the Bank carries out its activities through a network of 335 and 345 offices, respectively. The total number of employees of the Bank and its subsidiaries as of September 30, 2016, and December 31, 2015 was 5,600 and 5,424, respectively.

As of September 30, 2016 and December 31, 2015, the Bank has an equity interest and voting rights on 100% of the following subsidiaries: Continental Bolsa Sociedad Agente de Bolsa S.A., BBVA Asset Management Continental S.A., Sociedad Administradora de Fondos, Continental Sociedad Titulizadora S.A., Inmuebles y Recuperaciones Continental S.A., BBVA Consumer Finance EDPYME, Forum Comercializadora del Perú S.A. and Forum Distribuidora del Perú S.A (these three aforementioned companies are subsidiaries since April, 2016). Even though the Bank does not have interest or voting rights in Continental DPR Finance Company (DPR), due to the characteristics of its business purpose and its relationship with the Bank, accounting standards require that DPR's financial statements should be included on a consolidated basis with those of the Bank (all these companies will be referred to as Grupo Continental).

Change of the parent company

On July 1st, 2016 the Bank's shares held by Holding Continental were evenly spin off between Newco Perú S.A.C. and Holding Continental S.A. resulting each with 46.12% of the total shares of the bank. The spin off has been authorized by the SBS through SBS Resolution N° 3304-2016 dated June 15, 2016.

With this spin off Inversiones Breca S.A. continue to hold its shares through Holding Continental S.A. and Banco Bilbao Vizcaya Argentaria S.A. through Newco Perú S.A.C.

Acquisition of subsidiaries

On April 6, 2016, the Bank acquired 51.68% of shares of capital stock from BBVA Consumer Finance EDPYME, Forum Comercializadora del Perú S.A. and Forum Distribuidora del Perú S.A. and on April 29, 2016, the Bank acquired 48.32% of the remaining shares of capital stock of the mentioned entities.

Acquisition value of the entities are as a follow:

In thousands of S/

<u>Entity</u>	<u>Acquisition value</u>	<u>% Participation</u>
BBVA Consumer Finance EDPYME	67,021	100
Forum Comercializadora del Perú S.A	16,941	100
Forum Distribuidora del Perú S.A.	21,499	100

The assets, liabilities and equity of the entities acquired as of March 31, 2016, are as follows:

In thousands of S/

<u>Entity</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Equity</u>
BBVA Consumer Finance EDPYME	231,369	170,222	61,147
Forum Comercializadora del Perú S.A	13,944	1,090	12,854
Forum Distribuidora del Perú S.A.	55,246	29,075	26,171

Additionally, the Bank through a shareholder's Meeting dated April 29, 2016 of Forum Comercializadora del Perú S.A reduced its capital stock by S/ 7.4 million.

On May 1, 2016, the Bank sold one share from the Forum Comercializadora del Perú S.A. and Forum Distribuidora del Perú S.A for a S/ 1 to Inmuebles y Recuperaciones Continental S.A.

Approval of the consolidated financial statements

The consolidated financial statements for the period ended September 30, 2016, were approved for issuance by the management of Grupo Continental.

Subsidiaries and SPE (Special Purpose Entities)

The consolidated financial statements include the financial statements of the Bank, its subsidiaries and an SPE.

Below are assets, liabilities and shareholders' equity of the entities that comprised Grupo Continental as of September 30, 2016 and December 31, 2015:

<u>Entity</u>	<u>(In millions of Soles)</u>					
	<u>Assets</u>		<u>Liabilities</u>		<u>Equity</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
BBVA Banco Continental	76,892	81,116	70,263	74,860	6,629	6,256
Continental Bolsa - Sociedad Agente de Bolsa S.A.	43	36	25	8	18	28
BBVA Asset Management Continental S.A. Sociedad Administradora de Fondos	51	75	2	13	49	62
Continental Sociedad Titulizadora S.A.	3	2	-	-	3	2
Inmuebles y Recuperaciones Continental S.A.	45	40	2	2	43	38
Continental DPR Finance Company	571	824	571	824	-	-
BBVA Consumer Finance Edpyme	298	-	240	-	58	-
Forum Comercializadora S.A	3	-	-	-	3	-
Forum Distribuidora S.A	77	-	49	-	28	-

2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies as of September 30, 2016 remained unchanged with respect to those in the audit report issued on February 19, 2016, by Beltrán, Gris y Asociados S. Civil de R.L.; representatives of Deloitte, for the years ended December 31, 2015 and 2014, except for:

- (a) SBS Resolution N° 6231-2015, dated October 14, 2015, modified the rules for regulatory capital requirement for credit risk, the rules for liquidity risk management and the accounting manual for financial entities, these modifications were made to adequate the mentioned rules to the regulation established for the repurchase agreement transactions applicable to financial entities and approved by SBS Resolution N° 5790-2014. These changes were effective since January 2016. The modifications into the accounting manual for financial entities, have generated the following representatives reclassifications in the comparative figures for 2015:

In thousands of S/

<u>Consolidated Statement of Financial Position</u>	<u>Ending balance as of December 2015</u>	<u>Reclassification</u>	<u>Restructured balance as of December 2015</u>
LIABILITIES			
Due to banks and other financial obligations	23,709,577	(9,339,191)	14,370,386
Payables	363,682	9,339,191	9,702,873

In thousands of S/

<u>Consolidated Statement of Income</u>	<u>Ending balance as of September 2015</u>	<u>Reclassification</u>	<u>Restructured balance as of September 2015</u>
INTEREST EXPENSES			
Due to banks and other financial obligations	(630,506)	153,000	(477,506)
Payables	-	(153,000)	(153,000)

- (b) Through SBS Resolution N° 7932-2015, dated on December 30, 2015, the new rules for management of country risk was approved. The main changes are:

Financial entities must classified countries in which keep exposure, for these purpose there are eight different country risk categories based on the most conservative external ratings of sovereign debts. These external ratings must have been determined by recognized international ratings agencies.

The country risk allowance must be calculate taking account country risk categories and the following percentages:

Country risk categories	Country risk allowance (Exposure as a percentage of regulatory capital of the entities)		
	Less than 10% (A)	Between 10% and 30% (B)	More than 30% (C)
I	0%	0%	0.7%
II	0.5%	1%	2.5%
III	1.5%	3%	7.5%
IV	3%	6%	15%
V	7.5%	15%	37.5%
VI	50%	100%	100%
VII	100%	100%	100%
VIII	50%	100%	100%

This change is effective since July 1st, 2016. The impact on the statement of income for this new rule was approximately S/ 11 million.

- (c) Through SBS Resolution N° 975-2016, dated on February 24, 2016, the new rules on subordinated debt issued by financial entities was approved. The main changes are the following:

Subordinated debt that could be included on Tier 1 capital has to be perpetual (maturity date more than 60 years) and without step up. This change is applicable to subordinated debt that will be issue since January 1st, 2017. For the subordinated debt issued before this new rule was enter into force, could be including on Tier 1 capital subject to a 10% annual discount since January 2017. The amount that could not be consider as a Tier 1 capital, could be included as hybrid debt instrument of Tier 2 capital, as long as meet the requirements established by the new rule.

A minimal threshold has been established by the new rule in which the loss absorption mechanism (characteristic of subordinated debt) is activated. For this purpose, the definition of adjusted regulatory capital has been made. This loss absorption mechanism including: debt capitalization and write off debt (temporary or permanent)

3. CASH AND DUE FROM BANKS

As of September 30, 2016, cash and due from banks include approximately US\$ 2,413 and S/1,889 million (US\$ 2,864 and S/ 1,800 million as of December 31, 2015), which correspond to the required reserve that Peruvian entities must maintain for deposits and obligations to third parties. These funds are deposited in the entities' vaults and in BCRP.

As of September 30, 2016, the cash and due from banks balances are subject to reserve in local and foreign currency at an implicit rate in local currency of 6.5% and in foreign currencies of 44.33% over total obligations subject to reserve (TOSE) in local and foreign currency as required by BCRP (as of December 31, 2015, the applicable implicit rates in local and in foreign currencies were 6.5% and 44.33%, respectively).

Reserve funds, representing the legal minimum, which is 6.5%, do not bear interest. Reserve funds corresponding to the additional reserve required in foreign currency and local currency, bear interest at an annual nominal rate set by the BCRP. As of September 30, 2016, interest income earned from these deposits was S/ 6 million (S/ 4 million as of December 31, 2015), and it is included in the category "Interest from deposits in financial institutions" of the consolidated statement of income. Pursuant to legal provisions in force, these reserves cannot be seized.

As of September 30, 2016 and December 31, 2015, cash and due from banks include restricted funds for S/ 2 million for both periods, required in connection with legal proceedings against the Bank and to secure any liabilities generated by these lawsuits.

As of September 30, 2016 and December 31, 2015, cash and due from banks include guarantee funds, which are used to secure foreign exchange repurchase agreements entered with BCRP, balances for S/ 8,226 and S/ 9,447 million, respectively (Note 7-b).

4. INVESTMENT IN SECURITIES

Investments in securities according to the type of financial instrument are as follows:

In thousands of S/

	<u>2016</u>	<u>2015</u>
Available-for-sale investments assets		
Certificates of deposit of BCRP (a)	3,936,733	4,287,703
Sovereign Bonds of the Republic of Peru (b)	412,267	383,961
Shares in local companies (c)	42,313	47,718
Corporate Bonds	34,680	-
Share in foreign companies	637	637
	<u>4,426,630</u>	<u>4,720,019</u>
Held-to-maturity financial assets		
Sovereign bonds of the Republic of Peru (b)	<u>467,096</u>	<u>462,732</u>
Investments assets at fair value through profit or loss		
Sovereign bonds of the Republic of Peru (b)	154,886	58,550
U.S. Treasury bonds	111,442	-
Certificates of deposit of BCRP (a)	19,486	12,514
Investments in mutual funds (d)	10,964	23,823
	<u>296,778</u>	<u>94,887</u>

- (a) BCRP certificates of deposits are freely tradable securities, with maturities up to February 2018, which were acquired in public auctions or secondary markets at interest rates offered by financial entities. As of September 30, 2016 the annual interest rate of these certificates in local currency range between 4.21% and 4.80% (3.75% and 4.79% as of December 31, 2015) and in foreign currency 0.48% (0.33% and 0.56% as of December 31, 2015).
- (b) As of September 30, 2016 those bonds accrued annual interest at rates between 2% and 6.55% (1.05% and 7.82% as of December 31, 2015) in local currency with maturities up to February 2055 (August 2046 as of December 31, 2015).
- (c) As of September 30, 2016 and December 31, 2015 this balance mainly includes shares of the Lima Stock Exchange for a total of S/ 38 million.
- (d) As of September 30, 2016 and December 31, 2015, the investment in mutual funds corresponds to ownership interest held by Grupo Continental in several mutual funds managed by BBVA Asset Management Continental S.A. Sociedad Administradora de Fondos.

5. LOAN PORTFOLIO

a) The loan portfolio comprises the following:

In thousands of S/	2016		2015	
		%		%
Direct loans				
Loans	17,871,488	37	18,781,546	39
Mortgages loans	10,852,046	23	10,391,383	22
Foreign trade loans	5,728,122	12	5,989,028	13
Financial lease	5,294,287	11	5,058,271	11
Consumer	4,466,850	9	3,966,611	8
Discounted notes	1,236,607	3	1,235,909	2
Others	2,625,457	5	2,365,682	5
	48,074,857	100	47,788,430	100
Refinanced and restructured credits	961,606	2	858,275	2
Past-due loans and under legal collection loans	1,235,588	2	1,077,109	2
	50,272,051	104	49,723,814	104
Plus: Accrued interest	377,612	1	361,338	1
	50,649,663	105	50,085,152	105
Deferred income from loan transactions	(48,714)	-	(43,740)	-
Allowance for loan losses	(2,376,761)	(5)	(2,192,644)	(5)
TOTAL	48,224,188	100	47,848,768	100
Indirect loans	16,640,380		17,295,093	

Loan secured by guarantees received from customers, mainly comprised by mortgages, deposits, letters of guarantee, warrants and financial lease operations, amount to S/ 37,822 and S/ 37,931 million as of September 30, 2016 and December 31, 2015, respectively.

As of September 30, 2016, part of the mortgage loan portfolio is secured by a debt with "Mi Vivienda - Mi Hogar" Fund for up to about S/ 550 million (S/ 557 million as of December 31, 2015) (Note 10-b).

As of September 30, 2016 and December 31, 2015, the annual average interest rates of main products were as follows:

	2016		2015	
	Loans in		Loans in	
	S/	US\$	S/	US\$
	%	%	%	%
Loans and discounts	8.24	6.81	7.97	7.07
Mortgages	8.73	7.92	8.89	8.22
Consumer	25.50	27.00	23.57	22.33

b) The table below presents the balances of the direct loan portfolio as of September 30, 2016 and December 31, 2015, under the distribution established by SBS Resolution No. 11356-2008, as follows:

In thousands of S/	2016		2015	
		%		%
Medium businesses	11,338,333	23	11,047,529	23
Mortgage	11,149,572	22	10,648,922	21
Corporate	10,595,723	21	10,530,514	21
Large businesses	9,301,228	19	9,677,097	19
Consumer	4,618,026	9	4,072,869	8
Small businesses	1,291,621	3	1,367,083	3
Public sector entities	902,480	2	991,556	2
Financial system companies	651,674	1	777,099	2
Stock brokers	211,677	-	430,255	1
Multilateral Development Banks	122,750	-	74,003	-
Micro-businesses	88,963	-	106,887	-
Sovereign	4	-	-	-
	50,272,051	100	49,723,814	100

- c) As of September 30, 2016 and December 31, 2015, the loan portfolio was distributed in the following economic sectors:

In thousands of S/	2016		2015	
		%		%
Mortgage and consumer loans	15,767,597	31	14,721,791	30
Manufacture	9,582,306	19	9,428,349	19
Commerce	9,334,270	19	9,169,786	18
Real estate, business and leasing	2,740,027	5	2,740,541	6
Transportation, storage and communications	2,682,614	5	2,765,868	6
Mining	1,639,664	3	2,094,120	4
Electricity, gas and water	1,588,356	3	1,563,036	3
Agriculture and livestock	1,521,303	3	1,472,168	3
Construction	932,856	2	920,767	2
Financial intermediation	886,244	2	1,214,975	2
Others	3,596,814	7	3,632,413	7
Total	50,272,051	100	49,723,814	100

- d) For the nine-months period ended September 30, 2016 and the year ended December 31, 2015, the movement in the allowance for direct loan losses was:

In thousands of S/	2016	2015
Balance as of January 1	2,192,644	1,973,023
Provisions	1,148,974	1,330,866
Recoveries and reversals	(671,650)	(692,650)
Portfolio sales	(296,087)	(565,084)
Foreign exchange difference and other adjustments	(11,114)	146,489
Balances transferred by acquisition	13,994	-
Balance as of September 30	2,376,761	2,192,644

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

As of September 30, 2016 and December 31, 2015, the general provision for the loan portfolio amounts to S/ 1,183 million (S/ 1,205 million as of December 31, 2015) and includes voluntary and procyclical provisions for S/ 811 million (S/ 836 million as of December 31, 2015).

During 2016, Grupo Continental sold a loan portfolio for a principal amount of approximately S/ 211 million (S/ 430 million as of December 31, 2015). The sale price was S/ 34 million (S/ 63 million in 2015) and was recorded in item "Gain/loss from financial operations" caption in the consolidated statement of income.

6. PROPERTY, FURNITURE AND EQUIPMENT, NET

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

In thousands of S/

	<u>Land</u>	<u>Buildings and facilities</u>	<u>Furniture and equipment</u>	<u>Vehicles</u>	<u>Facilities and leasehold improvements</u>	<u>Works in progress</u>	<u>In - transit and replacement units</u>	<u>Total</u>
Cost:								
Balance as of January 1, 2015	123,982	717,011	452,745	6,961	203,727	53,706	1,998	1,560,130
Additions	-	12,004	54,771	503	7,761	47,425	2,807	125,271
Disposals	-	-	(9)	-	-	-	-	(9)
Transfers and others	(3,160)	54,249	58	(53)	6,635	(77,543)	(4,095)	(23,909)
Balance as of December 31, 2015	120,822	783,264	507,565	7,411	218,123	23,588	710	1,661,483
Additions	-	6,408	30,179	1,088	4,509	19,563	295	62,042
Disposals	-	-	(14)	-	-	-	-	(14)
Transfers and others	(179)	13,168	4,872	-	10,099	(32,774)	(578)	(5,392)
Balance as of September 30, 2016	120,643	802,840	542,602	8,499	232,731	10,377	427	1,718,119
Accumulated depreciation:								
Balance as of January 1, 2015	-	389,593	228,859	5,235	72,287	-	-	695,974
Additions	-	34,979	44,172	547	20,293	-	-	99,991
Disposals	-	-	(10)	-	-	-	-	(10)
Transfers and others	-	(4,372)	(8,156)	(53)	(154)	-	-	(12,735)
Balance as of December 31, 2015	-	420,200	264,865	5,729	92,426	-	-	783,220
Additions	-	26,449	35,836	555	16,021	-	-	78,861
Disposals	-	-	(14)	-	-	-	-	(14)
Transfers and others	-	(1,463)	(2,249)	-	14	-	-	(3,698)
Balance as of September 30, 2016	-	445,186	298,438	6,284	108,461	-	-	858,369
Net cost:								
Balance as of September 30, 2016	120,643	357,654	244,164	2,215	124,270	10,377	427	859,750
Balance as of December 31, 2015	120,822	363,064	242,700	1,682	125,697	23,588	710	878,263

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

As of September 30, 2016 and December 31, 2015 these captions consisted of the following balances:

- (a) Other assets as of September 30, 2016 mainly include S/ 144 million deferred charges (S/ 94 million as of December 31, 2015) and S/ 617 million for transactions in process (S/ 954 million as of December 31, 2015).
- (b) Payables as of September 30, 2016 mainly include outstanding payments to suppliers for S/ 201 million (S/ 137 million as of December 31, 2015), sundry accounts payable for S/ 20 million (S/ 23 million as of December 31, 2015), premiums to Fondo de Seguro de Depósitos (Deposit insurance fund), contributions and obligations with tax collection entities for S/ 149 million (S/ 100 million as of December 31, 2015) and dividends, employees' sharing profit and remunerations payable for S/ 79 million (S/ 97 million as of December 31, 2015) and currency repo transactions with BCRP (Note 3) for S/ 7,864 million (S/ 9,339 million as of December 31, 2015) of currency repo transactions with BCRP and certificates of deposit with BCRP)
- (c) Other liabilities as of September 30, 2016 mainly include S/ 617 million of transactions in process (S/ 903 million as of December 31, 2015).
- (d) Provisions include provisions for indirect loans, litigation, claims, and provisions for employees, among others, which as of September 30, 2016 and December 31, 2015 amounted to S/ 492 and S/ 486 million, respectively. Grupo Continental has several lawsuits and litigation currently in progress and other court actions related to its core activities. Management and legal counsel consider that the outcome, of these legal actions will not result in additional provisions. Therefore, as of September 30, 2016 and December 31, 2015, Management has not considered necessary to make additional provision higher than what is recorded for these contingencies and court actions, which amounted to S/ 174 and S/ 177 million, respectively.

8. OBLIGATIONS TO THE PUBLIC

As of September 30, 2016 and December 31, 2015, these deposits were classified as follows:

In thousands of S/	<u>2016</u>	<u>2015</u>
Time deposits	18,005,149	18,292,642
Demand deposits	14,798,861	15,410,179
Savings deposits	13,019,541	12,683,995
Other obligations	72,062	53,036
Total	<u>45,895,613</u>	<u>46,439,852</u>

Interest rates for borrowing transactions are determined by Grupo Continental considering current market interest rates.

9. INTERBANK FUNDS

As of September 30, 2016, interbank funds assets had current maturities, accrued interest at an average annual interest rate of 4.25% in local currency (4.20% in local currency as of December 31, 2015) and were unsecured.

As of September 30, 2016, interbank funds liabilities had current maturities. As of December 31, 2015 interbank funds liabilities had accrued interest at an average annual interest rate of 4% in local currency and were unsecured.

10. DUE TO BANKS AND FINANCIAL OBLIGATIONS

Bellow are details of financial debts and obligations:

In thousands of S/	<u>2016</u>	<u>2015</u>
Due to banks and financial obligations		
Foreign financial entities (a)	4,377,319	5,407,644
“Mi Vivienda - Mi Hogar” program and local financial entities (b)	560,800	556,965
International financial organizations (c)	174,857	190,041
Private debt agreement (d)	68,000	170,550
Corporación Financiera de Desarrollo – COFIDE	35,027	38,956
Accrued interests payable	<u>71,671</u>	<u>68,652</u>
	<u>5,287,674</u>	<u>6,432,808</u>
Securities and bonds		
Corporate bonds	4,506,728	5,235,626
Subordinated bonds	1,738,378	1,707,919
Notes (Debt Instruments)	413,464	561,597
Financial lease bonds	200,000	285,275
Negotiable certificates of deposit	111,301	56,017
Accrued interests payable	<u>73,758</u>	<u>91,144</u>
	<u>7,043,629</u>	<u>7,937,578</u>
	<u>12,331,303</u>	<u>14,370,386</u>

Some loan agreements include standard clauses regarding the compliance with financial ratios, the use of funds and other administrative matters. Management believes that, as of September 30, 2016 and December 31, 2015, these clauses are being fully complied with and do not represent any restriction for the operations of Grupo Continental.

(a) Foreign financial entities

As of September 30, 2016 these balances accrued interest at market rates, ranging between 1.2% and 7.4% (1.2% and 7.4% as of December 31, 2015):

In thousands of S/ and US \$

Foreign financial entities	2016		2015		Due date
	US\$	S/	US\$	S/	
Goldman Sachs Bank (i)	500,352	1,701,197	500,427	1,706,956	January 2017
Deutsche Bank (ii)	351,971	1,196,701	344,540	1,175,227	November 2020
Credit Suisse (iii)	200,000	680,000	200,000	682,200	October 2040
Sumitomo Bank	70,000	238,000	99,000	337,689	October and November 2016
Wells Fargo Bank	60,043	204,146	179,673	612,866	October and December 2016
The Bank of New York (iv)	48,000	163,200	-	-	June and August 2017
Banco del Estado de Chile	30,000	102,000	-	-	October 2016
China Development Bank	8,000	27,200	15,000	51,165	December 2016
DEG Deutsche Investitions	7,500	25,500	10,000	34,110	October 2017
Other	11,581	39,375	11,714	39,956	October 2016
Standard Chartered	-	-	130,000	443,430	
Bank of America	-	-	80,000	272,880	
Sumitomo Bank	-	-	74,000	252,414	
Citibank NA	-	-	40,000	136,440	
	<u>1,287,447</u>	<u>4,377,319</u>	<u>1,585,354</u>	<u>5,407,644</u>	
Accrued interest payable	20,511	69,739	19,600	66,854	
	<u>1,307,958</u>	<u>4,447,058</u>	<u>1,604,954</u>	<u>5,474,498</u>	

- (i) Loan for a nominal amount of US\$500 million, arranged at an annual fixed rate of 5.75% with principal maturity in January 2017 ("bullet"). This loan was carried at a fair value hedge through an interest rate swap (IRS), for which the Bank recorded accumulated adjustments of S/1 million for losses to the carrying amount as of September 30, 2016, which corresponds to the variation of fair value of the hedged interest rate risk (S/1 million for accumulated losses as of December 31, 2015).
- (ii) Loan for a nominal amount of US\$350 million, at a fixed rate of 5.50% and due in November 2020. This loan was carried at a fair value hedge through an interest rate swap (IRS), for which the Bank recorded accumulated adjustments of S/12 million for losses to the carrying amount, which corresponds to the variation of fair value of the hedged interest rate risk (S/12 million for accumulated profits as of December 31, 2015).
- (iii) Corresponds to a subordinated loan in foreign currency at an interest rate of 7.38% approved by the SBS. Pursuant to SBS Resolution No. 975-2016, this loan will continue to be considered as Tier 1 Regulatory Capital observing the adequacy period established by the new rules of subordinated debt effective since February 2016.
- (iv) This item includes two loans for a total amount of US\$ 48 million with maturities in June and August, 2017, and includes a cash flow hedge through a cross currency swap – CCS (Note 15-a).

(b) “Mi Vivienda – Mi Hogar” Program

As of September 30, 2016, these debts mainly include resources obtained for the social housing program “Mi Vivienda” for S/ 535 million in local currency and US\$5 million in foreign currency (S/ 538 million in local currency and US\$ 6 million in foreign currency as of December 31, 2015). This loan has different maturities until September 2036 and accrues interests at an annual effective rate of 7.75% in U.S. dollars and 6.25% in local currency on principal plus the Constant Adjustment index (hereinafter VAC, for its Spanish acronym).

As of September 30, 2016, debts with “Mi Vivienda – Mi Hogar” Fund which amount to S/ 550 million (S/ 557 million as of December 31, 2015) are secured by a portion of the mortgage loan portfolio up to such amount (Note 5). Loans include specific arrangements about how these funds should be used, financial covenants that the borrower must meet, as well as other administrative matters.

(c) International financial organizations

Debts to international financial organizations accrued interest at international market rates between 1.35% and 6.38% as of September 30, 2016 (1.35% and 6.38% as of December 31, 2015), and are unsecured.

In thousands of S/ and US\$

International financial Organization	2016		2015		Due date
	US\$	S/	US\$	S/	
Interamerican Development Bank- IDB	30,000	102,000	30,000	102,330	February 2017
International Finance Corporation - IFC	21,429	72,857	25,714	87,711	December 2018
	<u>51,429</u>	<u>174,857</u>	<u>55,714</u>	<u>190,041</u>	
Accrued expenses payable	360	1,223	386	1,316	
	<u>51,789</u>	<u>176,080</u>	<u>56,100</u>	<u>191,357</u>	

(d) Private debt agreement

As of September 30, 2016, liabilities included a Private Loan Agreement (Note 15-b) for a total amount of US\$ 20 million (US\$ 50 million as of December 31, 2015) with maturities up to March, 2017 at an interest rate of 2%.

(e) Securities and bonds

As of September 30, 2016 and December 31, 2015 securities and bonds have the following details:

In thousands of S/

Program	Authorized amount	Issuance	Series	Currency	Nominal issuance value	Balance at September 2016	Balance at December 2015	Maturity date
Corporate bonds								
Third	USD 100 million or S/. 315 million	Seventh	Single	PEN	60,000	60,000	60,000	May 2018
Fourth		USD 100 million	First	Single	PEN	40,000	40,000	40,000
		Second	A	PEN	80,000	80,000	80,000	August 2020
		Third	A	PEN	100,000	100,000	100,000	August 2018
Fifth	USD 250 million	First	A	PEN	50,000	50,000	50,000	December 2016
		Second	A	PEN	150,000	150,000	150,000	December 2026
		Fifth	Single	PEN	200,000	191,660	175,531	April 2019
		Sixth	A	USD	54,000	-	184,194	July 2016
Sixth	USD 250 million	First	A	PEN	150,000	150,000	-	April 2019
		First	B	PEN	100,000	100,000	-	April 2019
		Second	A	PEN	150,000	150,000	-	June 2021
First International Issuance	USD 500 million	First	Single	USD	500,000	1,748,409	1,705,500	August 2022
Second International Issuance	USD 300 million	Second	Single	USD	300,000	-	1,022,918	July 2016
Third International Issuance	USD 500 million	Third	Single	USD	500,000	1,686,659	1,667,483	April 2018
						4,506,728	5,235,626	
Subordinated Bonds								
First	USD 50 million or S/. 158.30 million	First	A	PEN	40,000	39,815	39,793	May 2022
		Second	A	USD	20,000	68,000	68,220	May 2027
		Third	A	PEN	55,000	74,976	73,208	June 2032
Second	USD 100 million	First	A	USD	20,000	67,664	67,866	September 2017
		Second	A	PEN	50,000	66,754	65,180	November 2032
		Third	A	USD	20,000	68,000	68,220	February 2028
		Fourth	Single	PEN	45,000	57,977	56,610	July 2023
		Fifth	Single	PEN	50,000	63,587	62,088	September 2023
		Sixth	A	PEN	30,000	37,495	36,611	December 2033
Third	USD 55 million	First	Single	USD	45,000	153,000	153,495	October 2028
First International Issuance	USD 300 million	First	Single	USD	300,000	1,041,110	1,016,628	September 2029
						1,738,378	1,707,919	
Notes								
	USD 235 million	Second	2012-A, 2012-B, 2012-C and 2012-D	USD	235,000	413,464	561,597	June 2017 and June 2022
						413,464	561,597	
Leasing bonds								
First	USD 200 million	First	A	USD	25,000	-	85,275	April 2016
Second	USD 250 million	First	A	PEN	200,000	200,000	200,000	May 2017
						200,000	285,275	
Negotiable Certificates of Deposit								
						111,301	56,017	
Accrued interests payable on securities								
						73,758	91,144	
						7,043,629	7,937,578	

Corporate bonds are unsecured and accrue interests at annual rates in local currency ranging between 5.8% and 7.5% as of September 30, 2016 (between 5.8% and 7.5% as of December 31, 2015), and between 2.3% and 5% in foreign currency as of September 30, 2016 (between 2.3% and 5% as of December 31, 2015).

The issuance of corporate bonds for S/ 200 million is hedged with a cross currency swap (CCS). As of September 30, 2016, the Bank has included accumulated adjustments of S/ 8 million for profits to the carrying amount (Note 15-a), which corresponds to the variation of fair value of hedged currency risk (S/24 million of cumulative gains as of December 31, 2015).

In August 2012, the Bank carried out an international issuance for a nominal amount of US\$500 million, at an annual fixed rate of 5%, maturing in August 2022. Principal will be fully paid off upon maturity. Also, such issuance has a fair value hedged through an IRS, for which the Bank recorded accumulated adjustments of S/ 48 million for losses to the carrying amount as of September 30, 2016 (Note 15-a), which corresponds to the variation of fair value of hedged interest rate risk (S/ 24 million as of December 31, 2015 of cumulative gains)

In April 2013, the Bank carried out an international issuance for a nominal amount of US\$500 million, at an annual fixed interest rate of 3.25%, maturing in April 2018. Principal will be fully paid off upon maturity. Also, such issuance has a fair value hedged through an IRS, for which the Bank recorded accumulated adjustments of S/ 10 million of gains to the carrying amount as of September 30, 2016 (Note 15-a), which corresponds to the variation of fair value of hedged interest rate risk (S/ 10 million as of December 31, 2015 of cumulative gains).

In September 2014, the bank carried out an international issuance for a nominal amount of US\$300 million, at an annual fixed interest rate of 5.25%, maturing in September 2029. Principal will be fully paid off upon maturity. Also, such issuance has a fair value hedged through an IRS, for which the Bank has accounted for their carrying amount at September 30, 2016 cumulative adjustments for S/ 27 million of loss (Note 15-a), resulting from changes in the fair value of the hedged risk.

Subordinated bonds were issued according to the General Law requirements and with annual interest rates between VAC plus a spread and 5.9% for local currency and between Libor plus a spread and 6.5% in foreign currency.

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

As of September 30, 2016 and December 31, 2015, the Bank holds in accounts payable (Note 7) in the statement of financial position a balance of S/ 12 and S/ 14 million, respectively, which correspond to issuance costs.

The issuance notes of June, 2012, amounting to US\$ 122 million as of September 30, 2016 (Note 15-b), includes a debt for US\$ 33 million, with maturity date on June, 2022, and has a cash flow hedge through an IRS (Note 15-a). Additionally, these notes include a debt for US\$ 58 million at an annual fixed rate of 5%, with maturity date on June, 2022 and carried out a fair value hedge through an IRS, for which the Bank has recorded accumulated adjustments of S/ 0.1 million for losses to the carrying amount as of September 30, 2016, which corresponds to the variation of fair value of hedge interest rate risk (accumulated gains of S/ 3 million as of December 31, 2015).

11. EQUITY

(a) Capital Stock

As of September 30, 2016, in accordance with the Articles of Incorporation of the Bank and its amendments, the Bank's authorized, issued and fully paid capital is represented by 4,401,368 thousands commons outstanding shares with a face value of S/1 per share (3,784,146 thousand shares as of December 31, 2015).

At Annual Mandatory Shareholders' Meetings held on March 31, 2016 and March 26, 2015, authorized an increase the capital stock for S/ 617 and S/ 538 million, respectively, by the capitalization of retained earnings and voluntary reserve.

Common shares are listed in the Lima Stock Exchange (BVL). As of September 30, 2015 and December 31, 2015, the stock market value of the Bank's shares was S/ 3.86 and S/ 2.78 per share, respectively, with a trading frequency of 95.45% and 90.48%, respectively.

As of September 30, 2016 the number of shareholders and the shareholding ownership structure of the Bank were as follows:

Individual capital shareholding	Number of shareholders	Total Shareholding (%)
Up to 1	8,010	3.47
From 1.01 to 5	3	4.29
From 45.01 to 100	2	92.24
	8,015	100.00

(b) Reserves

Pursuant to applicable legal regulations in force, the Bank must reach a legal reserve of not less than 35% of its paid capital. This reserve is established by transferring not less than 10% of its net profit on an annual basis.

At Annual Mandatory Shareholders' Meetings held on March 31, 2016 and March 26, 2015, it was approved to establish a legal reserve for the equivalent of 10% of net profit for 2015 (S/ 137 million) and for 2014 (S/ 134 million), respectively.

(c) Retained earnings

At Annual Mandatory Shareholders' Meetings held on March 31, 2016 and March 26, 2015, authorized the distribution of dividends for approximately S/ 617 and S/ 672 million, respectively.

Dividends for 2016 and onward are subject to a withholding income tax at rates from 6.8% to 9.3%.

At Annual Mandatory Shareholders' Meetings held on March 31, 2016 and March 26, 2015, capitalization of retained earnings for S/ 617 and S/ 538 million, respectively.

(d) Adjustments to equity

Adjustments to equity include unrealized losses for S/ 2 million corresponding to the available-for-sale investment portfolio (S/ 14 million as of December 31, 2015), S/ 2.3 million corresponding to unrealized gains for held-to-maturity investments (S/ 2 million as of December 31, 2015) and unrealized gains for S/ 1 million for the valuation of cash flow hedge derivatives (S/ 0.5 million for the valuation of cash flow hedge derivatives as of December 31, 2015).

12. REGULATORY CAPITAL AND LEGAL LIMITS

According to the General Law, the regulatory capital amount cannot be less than 10% of credit, market and operational risk average weighted assets which include contingent loans. As of September 30, 2016 the Bank and Consumer Finance EDPYME use the standard method for the calculation of the Regulatory Capital by credit, market and operational risk.

Likewise, banks are required to meet the rules for additional regulatory capital for economic cycle, credit concentration risk (individual and per sector), market concentration risk, interest rate in the banking book and other risks.

This additional regulatory capital requirement must be reached within five years and its first part should be 40% of total requirement as from July 2012. This additional requirement will increase annually at a 15% rate, and will achieve 100% on July 31, 2016. The additional regulatory capital requirement per economic

cycle is activated and deactivated on the same dates the standard of procyclical provisions for loans is activated and deactivated.

Through SBS Resolution N° 975-2016 dated February 24, 2016 risk weight factor over the following assets have been modified:

Type of asset	Risk weight factor	Time Schedule
• Deferred income tax asset related to unused credit tax for tax losses	1000%	Since January 2017 to January 2026 (100% per year)
• Intangibles assets and the assets related to the difference between the fair value and the nominal amount from acquired loan portfolio net of its amortization	1000%	Since January 2017 to January 2026 (100% per year)
• Deferred income tax asset netted of deferred tax liabilities related to temporary differences (if not exceed 10% of adjusted regulatory capital)	250%	Since January 2017 to January 2026 (25% per year)
• Deferred income tax asset netted of deferred tax liabilities related to temporary differences (for the amount that exceed 10% of adjusted regulatory capital)	1000%	Since January 2017 to January 2026 (100% per year)

On an individual basis, as of September 30, 2016 the Regulatory Capital of the Bank and BBVA Consumer Finance EDPYME, determined in accordance with current legal standards, amounts to S/ 8,970 million (S/ 8,209 million as of December 31, 2015) and S/ 62 million, respectively. This amount is used to calculate certain limits and restrictions applicable to all financial entities in Peru. In Grupo Continental's Management opinion, such limits and restrictions have been fully met.

As of September 30, 2016, credit, market and operational risk weighted average assets and contingent loans of the Bank and BBVA Consumer Finance EDPYME, in accordance with current legal standards, amount to S/ 61,172 million (S/ 61,682 million as of December 31, 2015) and S/ 324 million, respectively.

As of September 30, 2016, the capital adequacy ratio by credit, market and operational risk of the Bank and BBVA Consumer Finance EDPYME was 14.66% (13.31% as of December 31, 2015) and 19.18%, respectively.

13. BASIC AND DILUTED EARNINGS PER SHARE

The basic and diluted earnings per share were as follows:

	Quantity of shares (in million)	
	Nine-months ended <u>September 2016</u>	Nine-months ended <u>September 2015</u>
Outstanding at the beginning of the period	3,784.1	3,246.5
Capitalization of profits	617.2	1,154.8
Outstanding at the end of the period	4,401.3	4,401.3
Net profit for the period (in thousands of Soles)	977,374	1,006,267
Basic and diluted earnings per share (in Soles)	<u>0.222</u>	<u>0.229</u>

14. TRANSACTIONS WITH RELATED PARTIES

As of September 30, 2016 and December 31, 2015, Grupo Continental has granted loans, provided and requested banking correspondent services, transactions involving financial derivatives booked at their face values, among others, with related companies, whose balances are detailed below:

In thousands of S/	<u>2016</u>	<u>2015</u>
Assets:		
Cash and due from banks	25,127	57,614
Loans portfolio	513,362	736,891
Other assets	291,451	191,441
Liabilities:		
Deposits and obligations	1,040,756	1,213,068
Due to banks and financial obligations	61,510	54,419
Other liabilities	590,580	1,012,010
Contingent and memoranda accounts	10,047,021	14,960,617

Transactions of Grupo Continental with related companies have been carried out in the normal course of business and subject to the same conditions that would have been applied to third parties.

Transactions with related companies, included in the consolidated statement of income for the periods ended September 30, 2016 and September 30, 2015 consisted of the following:

In thousands of S/	<u>2016</u>	<u>2015</u>
Financial income	1,830	5,177
Financial expenses	(527)	(3,432)
Other income (expenses), net	(72,904)	(71,430)

Personnel Loans

As of September 30, 2016 and December 31, 2015 directors, executives and employees of the bank and BBVA Consumer Finance EDPYME, maintain transactions with the Bank within the provisions of the Peruvian General Law, which regulates and establishes certain limits on transactions with directors, executives and employees of banks in Peru. As of September 30, 2016 and December 31, 2015 direct loans to employees, directors, executives and key personnel amounted to S/ 408 and 411 million respectively.

Likewise, as of September 30, 2016 the remuneration of key personnel and directors amounted to S/ 8 million (S/ 8 million as of September 30, 2015).

15. CONTINGENT AND MEMORANDA ACCOUNTS

a) Derivatives financial instruments

As of September 30, 2016 and December 31, 2015, the notional amount equivalent in thousands of soles and the fair value of derivative financial instruments were as follows:

In thousands of S/

				2016			
		<u>Underlying</u>	<u>Nominal</u>	<u>Asset</u>	<u>Liability</u>		
Trading derivatives							
			13,261,768	196,792	79,636		
			1,340,666	19,691	19,734		
			148,230	(8,128)	(8,128)		
			7,530,686	690,371	573,979		
			5,960,752	92,505	154,141		
			-	(6,608)	-		
			28,242,102	984,623	819,362		
Hedging derivatives							
At fair value (i)			7,762,006	94,148	70,239		
		Bond issuance	256,506	-	63,235		
		Due to banks	3,085,500	17,190	-		
		Bond issuance	4,420,000	76,958	7,004		
Cash flow (ii)			274,914	868	1,215		
		Due to banks	111,714	-	1,165		
		Due to banks	163,200	868	50		
			8,036,920	95,016	71,454		
TOTAL			36,279,022	1,079,639	890,816		

In thousands of S/

				2015			
		<u>Underlying</u>	<u>Nominal</u>	<u>Asset</u>	<u>Liability</u>		
Trading derivatives							
			12,755,766	222,348	193,992		
			3,312,282	35,608	66,532		
			204,110	141	141		
			12,209,946	1,029,192	925,968		
			6,461,804	45,087	78,707		
			-	(4,824)	-		
			34,943,908	1,327,552	1,265,340		
Hedging derivatives							
At fair value (i)			6,789,401	7,202	118,540		
		Bond issuance	257,336	-	81,043		
		Due to banks	3,121,065	7,202	19,017		
		Bond issuance	3,411,000	-	18,480		
Cash flow (ii)			672,454	265	375		
		Due to banks	672,454	265	375		
			7,461,855	7,467	118,915		
TOTAL			42,405,763	1,335,019	1,384,255		

Hedging derivative at fair value

- (i) As of September 30, 2016 the Bank has entered into a cross currency swap to hedge the fair value of bonds issued for a nominal value equivalent to S/ 256 million. Through this cross currency swap, the Bank changes its issuance into a variable rate US dollar issuance from a fixed rate domestic currency issuance. As of September 30, 2016 the fair value of the cross currency swap amounts to S/ 16 million (gains), included in “Gain/loss from financial operations” in the consolidated statement of income (at December 31, 2015 the fair value amounted to a loss of S/ 6 million).

As of September 30, 2016 the Bank has entered into interest rate swap contracts for a nominal amount equivalent to S/ 7,505 million to hedge interest rates for debts received. Through these interest rate swaps the Bank gets a fixed interest rate in US dollars and pays for a variable interest rate in the same currency. At September 30, 2016 the total variation in the fair value of interest rate swaps amounts to S/ 127 million (gains), is included in “Gain/loss from financial operations” in the consolidated statement of income (at December 31, 2015 the variation in the fair value amounted to a loss of S/ 39 million).

Cash flows hedging derivative

- (ii) As of September 30, 2016 the Bank has entered into interest rate swap (IRS) contracts for a nominal amount of S/ 112 million to hedge interest rates of debts received. By these interest rate swaps, the Bank gets a variable interest rate in US dollars and pays for a fixed interest rate in the same currency. As of September 30, 2016 the variation in the fair value of interest rate swaps amounts to S/ 1 million of loss and is recorded in equity accounts (profit of S/ 0.5 million as of December 31, 2015).

As of September 30, 2016 the Bank has entered into a cross currency swap to hedge the fair value of debts received for a nominal value equivalent to S/ 163 million. Through this cross currency swap, the Bank changes its debts from variable rate US dollar to a fixed rate domestic currency. As of September 30, 2016 the fair value of the cross currency swap amounts to S/ 2 million of gains and is recorded in equity accounts.

b) Other Creditors

In April 2010, Continental DPR Finance Company, entered into a debt agreement through a private contract, which residual amount as of September 30, 2016 was US\$20 million (Series 2010-A). This series expire on March 15, 2017 with quarterly coupons with a 2-year grace period. The aforementioned debt accrues interest at Libor plus a spread (Note 10).

In June 2012, Continental DPR Finance Company placed an issue via a private notes issue (debt instruments) for US\$ 122 million. This note issue has two maturities: (i) US\$ 31 million maturing on June 15, 2017; and (ii) US\$ 90 million, maturing on June 15, 2022. All notes have quarterly coupons, take two-year and three-year grace periods into account respectively prior to scheduled principal payments and accrue interest at Libor plus a spread, except for part of the 10-year issue for US\$ 58 million, which was issued at a fixed rate (Note 10).

The liabilities issued by Continental DPR Finance Company are secured by the Bank’s selling to Continental DPR Finance Company the present and future flows generated by electronic payment orders of customers (Diversified Payments Rights - DPRs) sent to the Bank using the SWIFT (Society for Worldwide Interbank Financial Telecommunications Network) system. The mentioned sale, conducted just once, took place on December 31, 2008.

The operative documents for the issuance of the notes include covenants requiring compliance by the Bank with certain financial ratios and other specific conditions related to transferred flows. The Bank’s Management believes it was in compliance with such conditions as of September 30, 2016.

16. INTEREST INCOME

Interest income for the nine months ended September 30, 2016 compared to the same period on 2015 increased by 14%, mainly due to the net effect of increased income on loans, available for sale investments and profit from hedging transaction.

17. INTEREST EXPENSE

Interest expense for the nine months ended September 30, 2016 compared to the same period on 2015 increased by 27%, mainly due to the net effect of increased in interest in due to banks and financial obligations, interest in obligations to the public, interest for deposits of financial entities and international financial organizations and interest for accounts payable related to the currency repo transactions and certificates of deposit with BCRP

18. ADMINISTRATION EXPENSES

During the nine months ended September 30, 2016 compared to the same period on 2015, administrative expenses increased by 3%. This category includes personnel expenses, expenses for services received from third parties and taxes and contributions.

19. FEES (NET)

During the nine months ended September 30, 2016 compared to the same period on 2015, there are not significant differences.

20. SUBSEQUENT EVENTS

We are not aware of any subsequent events that may have occurred from the closing date of the financial statements to the reporting date that may have a significant impact on those financial statements, except for the following:

On October 27, 2016, the Bank issued the following lease bonds. The principal will be fully paid off upon maturity:

In thousands of S/

<u>Issuance</u>	<u>Currency</u>	<u>Amount</u>	<u>Maturity date</u>	<u>Annual Interest rate</u>
Financial lease bonds	S/	205,100	3 years	5.47%