

BBVA BANCO CONTINENTAL AND SUBSIDIARIES

Consolidated Financial Statements

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

(Translation of a report originally issued in Spanish)

BBVA BANCO CONTINENTAL AND SUBSIDIARIES

CONTENTS

Consolidated Financial Statements

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

Consolidated Statements of Financial Position	3
Consolidated Statements of Income	4
Consolidated Statements of Income and Other Comprehensive Income	5
Consolidated Statements of Changes in Shareholders' Equity	6
Consolidated Statements of Cash Flow	7-8
Notes to the Consolidated Financial Statements	9-27

BBVA BANCO CONTINENTAL AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As of June 30, 2016 and December 31, 2015
In thousands of S/

ASSETS	Notes	2016	2015	LIABILITIES AND NET EQUITY	Notes	2016	2015
Cash and due from banks	3	21,095,409	23,432,484	Obligations to the public	8	44,734,195	46,439,852
Inter-bank funds	9	296,013	363,589	Inter-bank funds	9	325,038	128,015
Investments at fair value through profit or loss	4	120,013	94,887	Deposits from financial entities and international financial organizations		1,525,264	1,376,558
Available-for-sale investments	4	3,332,299	4,720,019	Due to banks and financial obligations	10	13,125,833	14,370,386
Held-to-maturity investments	4	467,480	462,732	Trading derivatives	15	941,025	1,265,340
Loan portfolio, net	5	47,669,205	47,848,768	Hedging derivatives	15	63,469	118,915
Trading derivatives	15	1,184,898	1,327,552	Payables	7	9,010,320	9,702,873
Hedging derivatives	15	139,093	7,467	Current tax		799	608
Receivables		59,949	25,432	Provisions	7	465,322	488,426
Asset seized and recovered through legal actions, net		177,206	155,399	Other liabilities	7	412,054	925,390
Investments in associates		3,104	3,881	TOTAL LIABILITIES		<u>70,603,319</u>	<u>74,816,363</u>
Property, furniture and equipment, net	6	859,691	878,263	NET EQUITY			
Current tax		257,065	242,935	Capital stock	11 (a)	4,401,368	3,784,146
Deferred tax		450,461	376,798	Legal reserves	11 (b)	1,249,092	1,111,786
Other assets	7	775,972	1,132,330	Adjustments to equity	11 (d)	(4,431)	(11,549)
Goodwill		5,289		Retained earnings	11 (c)	643,799	1,371,790
				TOTAL NET EQUITY		<u>6,289,828</u>	<u>6,256,173</u>
TOTAL ASSETS		<u>76,893,147</u>	<u>81,072,536</u>	TOTAL LIABILITIES AND NET EQUITY		<u>76,893,147</u>	<u>81,072,536</u>
CONTINGENT RISKS AND COMMITMENTS	15	24,844,414	26,042,872	CONTINGENT RISKS AND COMMITMENTS	15	24,844,414	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 six-months periods ended June 30, 2016 and 2015
In thousands of S/

	<u>Notes</u>	<u>2016</u>	<u>2015</u>
Interest Income	16	2,221,088	1,940,963
Interest Expenses	17	(803,423)	(601,880)
GROSS FINANCIAL MARGIN		1,417,665	1,339,083
Provisions for direct loans		(309,954)	(328,142)
NET FINANCIAL MARGIN		1,107,711	1,010,941
Income from financial services	19	520,815	479,502
Expenses for financial services	19	(101,487)	(93,987)
NET FINANCIAL MARGIN OF INCOME AND EXPENSES FOR FINANCIAL SERVICES		1,527,039	1,396,456
GAIN/LOSS FROM FINANCIAL OPERATIONS (ROF)		238,996	333,466
OPERATING MARGIN		1,766,035	1,729,922
Administrative expenses	18	(809,440)	(739,732)
NET OPERATING MARGIN		956,595	990,190
Valuation of assets and provisions		(72,806)	(72,927)
OPERATING REVENUE		883,789	917,263
OTHER INCOME AND EXPENSES		(13,052)	(412)
PROFIT FOR THE PERIOD BEFORE INCOME TAX		870,737	916,851
Income tax		(227,124)	(253,790)
NET PROFIT FOR THE PERIOD		643,613	663,061
Basic and diluted earnings per share in Soles		0.146	0.151

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 six-months periods ended June 30, 2016 and 2015

In thousands of S/

	<u>2016</u>	<u>2015</u>
NET PROFIT FOR THE PERIOD	643,613	663,061
Other comprehensive income:		
Available-for-sale investments	10,352	(11,220)
Cash flow hedging	(4,341)	(1,219)
Participation in other comprehensive income of associates and joint ventures	49	-
Income tax on other comprehensive income items	<u>1,058</u>	<u>1,909</u>
Other comprehensive income for the period, net of taxes	<u>7,118</u>	<u>(10,530)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u><u>650,731</u></u>	<u><u>652,531</u></u>

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

BBVA BANCO CONTINENTAL AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN NET EQUITY
For the six-months periods ended June 30, 2016 and 2015
In thousands of \$/

	Reserves			Adjustments to Equity				
	Capital stock	Mandatory reserves	Voluntary reserves	Retained earnings	Cash flow hedging	Available-for-sale investments and other comprehensive income from associates	Total adjustments to equity	Total net 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:								
Profit for the period	-	-	-	663,061	-	-	-	663,061
Other comprehensive income	-	-	-	-	(902)	(9,628)	(10,530)	(10,530)
Total comprehensive income	-	-	-	663,061	(902)	(9,628)	(10,530)	652,531
Changes in net equity (not included in comprehensive income)								
Cash dividends	-	-	-	(671,891)	-	-	-	(671,891)
Issuance of capital stock (not related to "Business Combination")	537,615	-	(103)	(537,512)	-	-	-	-
Transfers to reserves and others	-	134,299	103	(134,378)	-	-	-	24
Total changes in equity	537,615	134,299	-	(680,720)	(902)	(9,628)	(10,530)	(19,336)
Balances as of June 30, 2015	3,784,146	1,111,649	-	663,215	1,326	(1,648)	(322)	5,558,688
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:								
Profit for the period	-	-	-	643,613	-	-	-	643,613
Other comprehensive income	-	-	-	-	(3,213)	10,331	7,118	7,118
Total comprehensive income	-	-	-	643,613	(3,213)	10,331	7,118	650,731
Changes in net equity (not included in comprehensive income)								
Cash dividends	-	-	-	(617,222)	-	-	-	(617,222)
Issuance of capital stock (not related to "Business Combination")	617,222	-	-	(617,222)	-	-	-	-
Transfers to reserves and others	-	137,306	-	(137,160)	-	-	-	146
Total changes in equity	617,222	137,306	-	(727,991)	(3,213)	10,331	7,118	33,655
Balances as of June 30, 2016	4,401,368	1,249,092	-	643,799	(2,640)	(1,791)	(4,431)	6,289,828

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

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

	<u>2016</u>	<u>2015</u>
RECONCILIATION OF NET PROFIT OF THE GROUP WITH CASH FLOWS AND CASH EQUIVALENTS FROM OPERATING ACTIVITIES:		
Profit for the period	643,613	663,061
Adjustments	520,030	579,465
Depreciation and amortization	54,013	48,995
Provisions	329,407	352,135
Other adjustments	136,610	178,335
Net changes in assets and liabilities	(1,771,226)	1,544,830
Net (increase) decrease in assets	1,134,542	(5,202,867)
Loans	(624,334)	(2,369,385)
Investments at fair value through profit or loss	(25,126)	608,039
Available-for-sale investments	473,488	(372,358)
Receivables and other accounts	1,310,514	(3,069,163)
Net increase (decrease) in liabilities	(2,905,768)	6,747,697
Financial liabilities, unsubordinated debt	(1,321,195)	6,600,765
Payables and other accounts	(1,584,573)	146,932
Profit for the period, after net changes in assets and liabilities and adjustments	(607,583)	2,787,356
Paid income taxes	(198,304)	(149,152)
NET CASH FLOWS FROM OPERATING ACTIVITIES	(805,887)	2,638,204
INVESTMENT ACTIVITIES:		
Purchases of intangibles and property, furniture and equipment	(56,730)	(45,081)
Purchases in participations	(98,061)	-
Other proceeds related to investment activities	12,099	41,609
NET CASH FLOWS FROM INVESTMENT ACTIVITIES	(142,692)	(3,472)
FINANCING ACTIVITIES:		
Issuance of subordinated financial liabilities	-	-
Rescate of subordinated financial liabilities	-	(96,030)
Other proceeds related to financing activities	22,551	-
Cash dividends	(616,724)	(671,404)
NET CASH FLOWS TO (FROM) FINANCING ACTIVITIES	(594,173)	(767,434)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF EXCHANGE RATE FLUCTUATION	(1,542,752)	1,867,298
Effect of exchange rate fluctuation on cash and cash equivalents	(745,796)	853,703
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(2,288,548)	2,721,001
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	12,981,611	14,903,181

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

BBVA BANCO CONTINENTAL AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the six-months periods ended June 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 ACCOUNTS BALANCES IN THE FINANCIAL POSITION STATEMENTS		
CASH AND CASH EQUIVALENTS AS OF JUNE 30, 2016 AND 2015	12,981,611	14,903,181
Guarantee funds	8,409,811	5,354,497
Inter-bank funds	(296,013)	(60,363)
Investments with maturities less than 90 days	<u>-</u>	<u>(432,045)</u>
CASH AND DUE FROM BANKS PER CONSOLIDATED STATEMENTS OF FINANCIAL POSITION	<u>21,095,409</u>	<u>19,765,270</u>

BBVA BANCO CONTINENTAL AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF JUNE 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 Holding Continental S.A. which owns 92.24% of the capital stock of the Bank. Banco Bilbao Vizcaya Argentaria and Inversiones Breca S.A. own 50% respectively of the capital stock of Holding Continental S.A. The Bank is a public company incorporated in 1951, authorized to operate by the 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 right legal entities operating in the financial and insurance system are subject to.

As of June 30, 2016 and December 31, 2015, the Bank carried 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 June 30, 2016 and December 31, 2015 was 5,541 and 5,424, respectively.

As of June 30, 2016 and December 31, 2015, the Bank held 100% of the capital stock and voting rights of its 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. Although the Bank has no interest in the share capital or voting rights of Continental DPR Finance Company (DPR), given the characteristics of its corporate purpose and its relationship with the Bank, accounting standards require the DPR's financial statements to be included, on a consolidated basis, with those of the Bank. All the above companies together with the Bank are hereinafter referred to as Grupo Continental.

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:

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

In summary, the assets, liabilities and equity of the acquired entities 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 as the sole shareholder of Forum Comercializadora del Perú S.A through a shareholder's meeting 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. 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 June 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 June 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	76,928	81,116	70,640	74,860	6,288	6,256
Continental Bolsa - Sociedad Agente de Bolsa S.A.	41	36	23	8	18	28
BBVA Asset Management Continental S.A. Sociedad Administradora de Fondos	59	75	13	13	46	62
Continental Sociedad Titulizadora S.A.	3	2	-	-	3	2
Inmuebles y Recuperaciones Continental S.A.	45	40	3	2	42	38
Continental DPR Finance Company	633	824	633	824	-	-
BBVA Consumer Finance Edpyme	254	-	194	-	60	-
Forum Comercializadora S.A	6	-	1	-	5	-
Forum Distribuidora S.A	65	-	38	-	27	-

2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies as of June 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 requirements for credit risk, the rules for liquidity risk management and the accounting manual for financial entities, these modifications were made to conform 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 June 2015</u>	<u>Reclassification</u>	<u>Restructured balance as of June 2015</u>
INTEREST EXPENSES			
Due to banks and other financial obligations	(391,224)	73,733	(317,491)
Payables	-	(73,733)	(73,733)

- (b) SBS Resolution No. 5780-2015, dated September 24, 2015, approved the new special rules applicable to related parties and economic groups, and amended SBS Resolution N° 472-2006, which contains prudential regulation for financial transactions with related parties. For the calculation of the lending limit on the total exposure to related parties (Article 202° of the General Law), the changes are as follows:

In the case of a natural person related to the financial institution, all financing granted to such person's relatives and spouse should also be considered as an exposure to that natural person. Likewise, the exposure to such natural person should include all financing granted to a legal person or entity in which the related natural person, their relatives or spouse, exercises control either individually, or as part of an economic group of individuals acting as a decision-making unit.

In the case of a legal person or entity related to the financial institution, all financing granted to another legal person or entity belonging to their economic group should also be considered as an exposure to the aforementioned legal person or entity.

This change in the regulation of transactions with related parties entered into force the day after its publication. Consequently, the comparative figures as of June 30, 2015, included in Note 14 "Transactions with related parties" have been restated in accordance with the guidelines set forth by SBS Resolution No. 5780-2015.

3. CASH AND DUE FROM BANKS

As of June 30, 2016, cash and due from banks includes approximately US\$ 1,175 and S/1,375 million (US\$ 2,864 and S/ 1,800 million as of December 31, 2015) which represent the legal reserve that Peruvian entities must maintain as a guarantee of third party deposits. These funds are deposited in the entities' vaults and in the Banco Central de Reserva del Perú (BCRP).

As of June 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).

The reserve funds, representing the legal minimum, which is 6.5%, do not bear interest. The 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 June 31, 2016, interest income earned from these deposits was S/ 4 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 June 30, 2016 and December 31, 2015, cash and due from banks included restricted funds for S/ 2 million for both periods, required in connection with legal proceedings against the Bank to guarantee any potential liabilities generated by these lawsuits.

As of June 30, 2016 and December 31, 2015, cash and due from Banks includes guarantee funds, which are used to secure foreign exchange repurchase agreements entered with BCRP, balances for S/ 8,410 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)	2,745,254	4,287,703
Republic of Peru Sovereign Bonds (b)	504,920	383,961
Local Company Shares (c)	48,189	47,718
Corporate Bonds	33,299	637
Foreign Company Shares	637	-
	<u>3,332,299</u>	<u>4,720,019</u>
Held-to-maturity financial assets		
Republic of Peru Sovereign Bonds (b)	<u>467,480</u>	<u>462,732</u>
Investments assets at fair value through profit or loss		
Republic of Peru Sovereign Bonds (b)	105,500	58,550
Investments in Mutual Funds (d)	11,935	23,823
Certificates of Deposit of BCRP (a)	2,578	12,514
	<u>120,013</u>	<u>94,887</u>

- (a) BCRP certificates of deposits are freely tradable securities, with maturities up to December 2017, which were acquired in public auctions or secondary markets at interest rates offered by financial entities. As of June 30, 2016 the annual interest rate of these certificates in local currency range between 4.18% and 5.08% (3.75% and 4.79% as of December 31, 2015) and in foreign currency 0.49% (0.33% and 0.56% as of December 31, 2015).
- (b) As of June 30, 2016 those bonds accrued annual interest at rates between 2.10% and 6.85% (1.05% and 7.82% as of December 31, 2015) in local currency with maturities up to February 2055 (August 2046 as of December 2015).
- (c) As of June 30, 2016 and December 31, 2015 this balance mainly included shares of the Lima Stock Exchange for a total of S/ 45 million.
- (d) As of June 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, NET

a) The loan portfolio is comprised as follows:

In thousands of S/	2016		2015	
		%		%
Direct loans				
Loans	18,518,401	39	18,781,546	39
Mortgages	10,638,957	22	10,391,383	22
Foreign trade	5,281,808	11	5,989,028	13
Leasing	5,252,418	11	5,058,271	11
Consumer	4,150,627	9	3,966,611	8
Discounted notes	1,043,460	2	1,235,909	2
Other	2,652,715	6	2,365,682	5
	47,538,386	100	47,788,430	100
Refinanced and restructured loans	880,014	2	858,275	2
Past-due loans and loans in legal collection	1,236,211	2	1,077,109	2
	49,654,611	104	49,723,814	104
Plus: Accrued interest	375,802	1	361,338	1
	50,030,413	105	50,085,152	105
Deferred income from loan transactions	(46,414)	-	(43,740)	-
Direct loan losses allowance	(2,314,794)	(5)	(2,192,644)	(5)
TOTAL	47,669,205	100	47,848,768	100
Indirect loans	16,506,557		17,295,093	

Loans secured by collateral granted by customers, mainly comprise mortgages, deposits, letters of guarantee, warrants and financial lease operations, amounted to S/ 37,105 million at June 30, 2016 and S/ 37,931 million, at December 31, 2015.

As of June 30, 2016 a part of the mortgage loan portfolio is a guarantee of a debt received from Fondo Mi Vivienda - Mi Hogar for up to approximately S/ 552 million (S/ 557 million as of December 31, 2015) (Note 10-b).

As of June 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	8.33	6.75	7.97	7.07
Mortgages	8.78	8.03	8.89	8.22
Consumer	23.74	23.84	23.57	22.33

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

In thousands of S/	2016		2015	
		%		%
Medium-sized business	10,929,674	22	11,047,529	23
Mortgages	10,912,539	22	10,648,922	21
Corporate	10,363,053	21	10,530,514	21
Large business	9,293,096	19	9,677,097	19
Consumer	4,452,663	9	4,072,869	8
Small business	1,272,007	3	1,367,083	3
Public sector entities	935,123	2	991,556	2
Financial system companies	836,999	2	777,099	2
Stock brokers	384,688	-	430,255	1
Multilateral development banks	158,252	-	74,003	-
Micro businesses	116,518	-	106,887	-
	49,654,611	100	49,723,814	100

- c) As of June 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	15,183,007	31	14,721,791	30
Manufacturing	9,123,274	18	9,428,349	19
Trade	9,020,554	18	9,169,786	18
Transportation, warehouse and communication	2,845,516	6	2,765,868	6
Real estate, business and leasing	2,615,756	5	2,740,541	6
Mining	1,874,360	4	2,094,120	4
Electricity, gas and water	1,676,299	3	1,563,036	3
Agriculture and livestock	1,390,357	3	1,472,168	3
Financial intermediation	1,340,517	3	1,214,975	2
Construction	924,275	2	920,767	2
Others	3,660,696	7	3,632,413	7
Total	49,654,611	100	49,723,814	100

- d) For the six-months period ended June 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	888,850	1,330,866
Recoveries and reversals	(561,676)	(692,650)
Portfolio sales	(144,249)	(565,084)
Foreign exchange difference and other adjustments	(60,775)	146,489

Balance as of June 30

2,314,794

2,192,644

Management considers that level of the provision for loan losses is adequate to cover potential losses in the portfolio as of the date of the consolidated statement of financial position and all applicable laws and regulations have been complied with.

As of June 30, 2016 and December 31, 2015, the loan portfolio general provision of S/ 1,167 million (S/ 1,205 million as of December 31, 2015) includes voluntary and pro-cyclical provisions of S/ 798 million (S/ 836 million as of December 31, 2015).

During 2016, Grupo Continental sold a loan portfolio for a principal amount of approximately S/ 157 million (S/ 430 million as of December 31, 2015). The sale price was S/ 23 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 activity in property, furniture and equipment, net 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	-	4,142	19,305	1,078	2,815	7,529	48	34,917
Disposals	-	-	(19)	-	-	-	-	(19)
Transfers and others	(161)	7,500	(566)	-	6,654	(17,715)	(458)	(4,746)
Balance as of June 30, 2016	120,661	794,906	526,285	8,489	227,592	13,402	300	1,691,635
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	-	17,641	23,431	347	10,574	-	-	51,993
Disposals	-	-	(14)	-	-	-	-	(14)
Transfers and others	-	(1,021)	(2,248)	-	14	-	-	(3,255)
Balance as of June 30, 2016	-	436,820	286,034	6,076	103,014	-	-	831,944
Net cost:								
Balance as of June 30, 2016	120,661	358,086	240,251	2,413	124,578	13,402	300	859,691
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 June 30, 2016 and December 31, 2015 these captions consisted of the following balances:

- (a) Other assets as of June 30, 2016 mainly include S/ 143 million deferred charges (S/ 94 million as of December 31, 2015) and S/ 523 million for transactions in process (S/ 954 million as of December 31, 2015).
- (b) Payables as of June 30, 2016 mainly include outstanding payments to suppliers for S/ 203 million (S/ 137 million as of December 31, 2015), sundry payables for S/ 19 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 institutions for S/ 154 million (S/ 100 million as of December 31, 2015) and dividends, employees' sharing profit and remunerations payable for S/ 50 million (S/ 97 million as of December 31, 2015) and currency repo transactions with BCRP (Note 3) and certificates of deposit with BCRP (Note 4) for S/ 8,412 million (S/ 9,339 million as of December 31, 2015)
- (c) Other liabilities as of June 30, 2016 mainly include S/ 391 million of transactions in process (S/ 903 million as of December 2015).
- (d) Provisions include provisions for indirect loans, litigation, claims, and provisions for staff, among others, which as of June 30, 2016 and December 31, 2015 amounted to S/ 465 and S/ 488 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 June 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 June 30, 2016 and December 31, 2015, these deposits were classified as follows:

In thousands of S/	<u>2016</u>	<u>2015</u>
Time deposits	17,026,287	18,292,642
Demand deposits	15,168,764	15,410,179
Savings deposits	12,485,954	12,683,995
Other obligations	53,190	53,036
Total	<u>44,734,195</u>	<u>46,439,852</u>

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

9. INTER-BANK FUNDS

As of June 30, 2016, inter-bank funds assets had current maturities, accrued interest at an average annual interest rate of 0.40% in foreign currency (0.40% in foreign currency as of December 31, 2015) and were unsecured.

As of June 30, 2016, inter-bank funds liabilities had current maturities, accrued interest at an average annual interest rate of 4.25% in local currency (4% in local currency as of December 31, 2015) 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 Institutions (a)	4,087,774	5,407,644
Programa Mi Vivienda - Mi Hogar and local financial entities(b)	555,191	556,965
International Financial Organizations (c)	169,149	190,041
Private Debt Agreement (d)	98,670	170,550
Corporación Financiera de Desarrollo – COFIDE	68,922	38,956
Accrued Interest Payable	64,842	68,652
	<u>5,044,548</u>	<u>6,432,808</u>
Securities and bonds		
Corporate Bonds	5,569,672	5,235,626
Subordinated Bonds	1,664,301	1,707,919
Notes (Debt Instruments)	447,147	561,597
Financial Lease Bonds	200,000	285,275
Marketable Certificates of Deposit	110,229	56,017
Accrued Interest Payable	89,936	91,144
	<u>8,081,285</u>	<u>7,937,578</u>
	<u>13,125,833</u>	<u>14,370,386</u>

Some of the loan agreements with foreign financial institutions and international financial organizations include standard compliance covenants regarding attainment of financial ratios and other specific conditions which at June 30, 2016 and December 31, 2015 have been fully complied into Grupo Continental Management's opinion.

(a) Foreign financial institutions

As of June 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):

Foreign financial institution	2016		2015		Due date
	US\$	S/	US\$	S/	
Goldman Sachs Bank (i)	500,780	1,647,067	500,427	1,706,956	January 2017
Deutsche Bank (ii)	368,972	1,213,549	344,540	1,175,227	November 2020
Credit Suisse (iii)	200,000	657,800	200,000	682,200	October 2040
Wells Fargo Bank	120,553	396,499	179,673	612,866	July and August 2016
The Bank of New York	30,000	98,670	-	-	June 2017
China Development Bank	8,000	26,312	15,000	51,165	December 2016
DEG Deutsche Investitions	7,500	24,667	10,000	34,110	October 2017
Other	7,057	23,210	11,714	39,956	July 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>1,242,862</u>	<u>4,087,774</u>	<u>1,585,354</u>	<u>5,407,644</u>	
Accrued interest payable	19,136	62,939	19,600	66,854	
	<u>1,261,998</u>	<u>4,150,713</u>	<u>1,604,954</u>	<u>5,474,498</u>	

- (i) Loan for a nominal amount of US\$ 500 million, at a fixed rate of 5.75% with the principal due date in January 2017 ("bullet") that is carried at a fair value hedge through an interest rate swap. As of June 30, 2016 the Bank recorded cumulative loss of S/ 3 million, relating to changes in the fair value of the hedged risk (interest rate) (S/ 1 million of cumulative losses at 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/68 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) Corresponding to a subordinated loan in foreign currency at an interest rate of 7.38%, approved by the SBS, which meets the conditions to be considered as Tier 1 Regulatory Capital up to the limit allowed under the General Law.

(b) Fondo Mi Vivienda – Mi Hogar

These liabilities mainly included liabilities from the social housing program “Mi Vivienda” of S/ 536 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). These loans have different maturities until June 2036 and bear interest at an annual effective rate of 7.75% on the foreign currency portion and 6.25% on the principal plus the Constant Adjustment Index (hereinafter VAC, for its Spanish acronym) on the local currency portion.

At June 30, 2016, the obligation with Fondo Mi Vivienda – Mi Hogar of S/ 552 million (S/ 557 million as of December 31, 2015) was secured by a portion of the mortgage loan portfolio up to that amount (Note 5). Loans include specific conditions about how these funds should be used, financial covenants that the borrower must meet, as well as administrative terms.

(c) International Financial Organizations

Debts to international financial organizations accrued interest at international market rates between 1.35% and 6.38% as of June 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/000	US\$	S/	
Banco Interamericano de Desarrollo - BID (i)	30,000	98,670	30,000	102,330	February 2017
Internacional Finance Corporation - IFC	21,429	70,479	25,714	87,711	December 2018
	<u>51,429</u>	<u>169,149</u>	<u>55,714</u>	<u>190,041</u>	
Accrued expenses payable	395	1,300	386	1,316	
	<u>51,824</u>	<u>170,449</u>	<u>56,100</u>	<u>191,357</u>	

(d) Private Debt Agreement

As of June 30, 2016, liabilities included a Private Loan Agreement (Note 15-b) for a total amount of US\$ 30 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 June 30, 2016 and December 31, 2015 securities and bonds have the following details:

In thousands of S/ and US\$

<u>Program</u>	<u>Authorized amount</u>	<u>Issuance</u>	<u>Series</u>	<u>Currency</u>	<u>Nominal issuance value</u>	<u>2016</u>	<u>2015</u>	<u>Maturity date</u>
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	August 2020
		Second	A	PEN	80,000	80,000	80,000	August 2020
		Third	A	PEN	100,000	100,000	100,000	August 2018
Fifth	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	187,673	175,531	April 2019
		Sixth	A	USD	54,000	177,606	184,194	July 2016
Sixth	USD 250 millones	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	1,661,306	1,705,500	August 2022
Second International Issuance	USD 300 million	Second	Single	USD	300,000	1,021,747	1,022,918	July 2016
Third International Issuance	USD 500 million	Third	Single	USD	500,000	1,641,340	1,667,483	April 2018
						5,569,672	5,235,626	
Subordinated Bonds								
First	USD 50 million or S/. 158.30 million	First	A	PEN	40,000	39,806	39,793	May 2022
		Second	A	USD	20,000	65,780	68,220	May 2027
		Third	A	PEN	55,000	74,544	73,208	June 2032
Second	USD 100 million	First	A	USD	20,000	65,449	67,866	September 2017
		Second	A	PEN	50,000	66,368	65,180	November 2032
		Third	A	USD	20,000	65,780	68,220	February 2028
		Fourth	Single	PEN	45,000	57,643	56,610	July 2023
		Fifth	Single	PEN	50,000	63,221	62,088	September 2023
		Sixth	A	PEN	30,000	37,279	36,611	December 2033
Third	USD 55 million	First	Single	USD	45,000	148,005	153,495	October 2028
First International Issuance	USD 300 million	First	Single	USD	300,000	980,426	1,016,628	September 2029
						1,664,301	1,707,919	
Notes								
	USD 235 million	Second	2012-A, 2012-B, 2012-C and 2012-D	USD	235,000	447,147	561,597	June 2017 and June 2022
						447,147	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						110,229	56,017	
Accrued interests payable on securities and bonds						89,936	91,144	
						8,081,285	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 June 30, 2016 (between 5.8% and 7.5% as of December 31, 2015), and between 2.3% and 5% in foreign currency as of June 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 June 30, 2015, the Bank has included accumulated adjustments of S/12 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/ 17 million for losses to the carrying amount as of June 30, 2016 (Note 15), which corresponds to the variation of fair value of hedged interest rate risk (S/ 24 million as of December 31, 2015 of cumulative losses)

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/ 0.4 million for losses to the carrying amount as of June 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 losses).

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 June 30, 2016 cumulative adjustments for S/ 35 million of loss, resulting from changes in the fair value of the hedged risk (Note 15-a).

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 and 7.2% in foreign currency, are secured by loan transactions in the form of financial leases and have been financed by those bonds.

As of June 30, 2016 and December 31, 2015, the Bank holds in accounts payable (Note 7-b) in the statement of financial position a balance of S/13 and S/14 million, respectively, for amortized cost, which correspond to issuance costs and will be accrued in a maximum term of 25 years.

The issuance of notes in June 2012, amounting to US\$ 136 million as of June 30, 2016, includes a debt for US\$ 34 million, which matures in June 2022 and has a cash flow hedge through an IRS (Note 15-a)

11. NET EQUITY

(a) Capital Stock

As of June 30, 2016, the Bank's authorized, issued and fully paid-in capital in accordance with its by-laws consisted of 4,401,368 thousands of outstanding ordinary shares with a face value of S/ 1 each (3,784,146 thousands of outstanding ordinary shares with a face value of S/ 1 each as of December 31, 2015).

The 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.

The Bank's ordinary stocks are listed in the Lima Stock Exchange. As of June 30, 2016 the stock market quotation value of the Bank's stock was S/ 3.36 per share (S/ 2.78 per share as of December 31, 2015), with a

trading frequency of 95% (90.48% as of December 31, 2015)

As of June 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	8,070	4.04
From 1.01 to 5	3	3.72
From 80.01 to 100	1	92.24
	8,074	100.00

(b) Reserves

Pursuant to applicable law, all Peruvian banks must create and maintain a legal reserve. Each year a Peruvian bank must allocate 10% of its net profit to its legal reserve until the legal reserve is equal to 35% of its paid-in capital.

In the 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

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%.

In the 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/ 4 million corresponding to the available-for-sale investment portfolio (S/ 14 million as of December 31, 2015), S/ 2 million corresponding to unrealized gains for held-to-maturity investments (S/ 2 million as of December 31, 2015) and unrealized losses for S/ 3 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 June 30, 2016 the Bank uses 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 achieved in five years, with its first tranche being 40% of the total requirement as from July 2012, at a rate of 15%, reaching 100% on July 31, 2016. These regulations are enabled and disabled on the basis of pro-cyclical provisions rule applicable to credits.

On an individual basis, as of June 30, 2016 the Regulatory Capital of the Bank and BBVA Consumer Finance EDPYME, determined in accordance with current legal standards, amounts to S/ 8,348 million (S/ 8,209 million as of December 31, 2015) and S/ 63 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.

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/ 60,418 million (S/ 61,682 million as of December 31, 2015) and S/ 281 million, respectively as of June 30, 2016.

As of June 30, 2016, the capital adequacy ratio by credit market and operational risk of the Bank and BBVA Consumer Finance EDPYME was 13.89% (13.31% as of December 31, 2015) and 22.24%, respectively.

13. BASIC AND DILUTED EARNINGS PER SHARE

The basic and diluted earnings per share were as follows:

	Quantity of shares	
	(in million)	
	Six months ended June 30, 2016	Six months ended June 30, 2015
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)	643,613	663,061
Basic and diluted earnings per share (in Soles)	0.146	0.151

14. TRANSACTIONS WITH RELATED PARTIES

As of June 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 ending balances are:

In thousands of S/	2016	2015
Assets:		
Cash and due from banks	40,224	57,614
Loans portfolio	524,166	736,891
Other assets	385,274	191,441
Liabilities:		
Deposits and obligations	433,903	1,213,068
Due to banks and financial obligations	61,510	54,419
Other liabilities	588,850	1,012,010
Contingent and memorand accounts:		
Contingent and memoranda accounts	9,193,215	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 June 30, 2016 and June 30, 2015 consisted of the following:

In thousands of S/	<u>2016</u>	<u>2015</u>
Financial income	1,746	3,580
Financial expenses	(722)	(741)
Other income (expenses), net	(47,893)	(49,102)

Personnel Loans

As of June 30, 2016 and December 31, 2015 directors, executives and employees of Grupo Continental 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 June 30, 2016 and December 31, 2015 direct loans to employees, directors, executives and key personnel amounted to S/ 411 million.

Likewise, as of June 30, 2016 the remuneration of key staff and directors amounted to S/ 6 million (S/ 6 million as of June 30, 2015).

15. CONTINGENT AND MEMORANDA ACCOUNTS

a) Derivatives financial instruments

As of June 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:

		<u>2016</u>			
		<u>Underlying</u>	<u>Nominal</u>	<u>Asset</u>	<u>Liability</u>
Trading derivatives					
	Currency forward		10,334,457	358,256	108,998
	Commodities and others options		1,968,012	34,913	24,482
	Interest rate options		143,391	13	13
	Currency swap		10,907,467	684,905	623,608
	Interest rate swap		5,660,923	110,673	183,924
	Provision for country risk		-	(3,862)	-
	Total trading derivatives		<u>29,014,250</u>	<u>1,184,898</u>	<u>941,025</u>
Hedging derivatives					
	At fair value (i)		7,516,822	139,093	59,653
	Currency Swap	Bond issuance	248,132	-	59,653
	Interest rate swap	Due to banks	2,992,990	29,952	-
	Interest rate swap	Bond issuance	4,275,700	109,141	-
	Cash flow (ii)		211,436	-	3,816
	Interest rate swap	Due to banks	112,766	-	2,020
	Currency Swap	Due to banks	98,670	-	1,796
	Total hedging derivatives		<u>7,728,258</u>	<u>139,093</u>	<u>63,469</u>
	TOTAL		<u>36,742,508</u>	<u>1,323,991</u>	<u>1,004,494</u>

2015			
Underlying	Nominal	Asset	Liability
Trading derivatives			
Currency forward	12,755,766	222,348	193,992
Commodities and others options	3,312,282	35,608	66,532
Interest rate options	204,110	141	141
Currency swap	12,209,946	1,029,192	925,968
Interest rate swap	6,461,804	45,087	78,707
Provision for country risk	-	(4,824)	-
Total trading derivatives	34,943,908	1,327,552	1,265,340
Hedging derivatives			
At fair value (i)	6,789,401	7,202	118,540
Currency Swap	Bond issuance 257,336	-	81,043
Interest rate swap	Due to banks 3,121,065	7,202	19,017
Interest rate swap	Bond issuance 3,411,000	-	18,480
Cash flow (ii)	672,454	265	375
Interest rate swap	Due to banks 672,454	265	375
Total hedging derivatives	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 June 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/ 248 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 June 30, 2016 the fair value of the cross currency swap amounts to S/ 12 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 June 30, 2016 the Bank has entered into interest rate swap contracts for a nominal amount equivalent to S/ 7,269 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 June 30, 2016 the total variation in the fair value of interest rate swaps amounts to S/ 176 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 June 30, 2016 the Bank has entered into interest rate swap (IRS) contracts for a nominal amount of S/ 113 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 June 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 June 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/ 99 million. Through this cross currency swap, the Bank changes its debts from variable-rate US dollar to a fixed-rate domestic currency. As of June 30, 2016 the fair value of the cross currency swap amounts to S/ 1 million of loss 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 June 30, 2016 was US\$30 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\$ 136 million. This note issue has two maturities: (i) US\$ 42 million maturing on June 15, 2017; and (ii) US\$ 94 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\$ 60 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 June 30, 2016.

16. INTEREST INCOME

Interest income for the six months ended June 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, profit from hedging transaction, and cash and due from banks.

17. INTEREST EXPENSE

Interest expense for the six months ended June 30, 2016 compared to the same period on 2015 increased by 33%, 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 six months ended June 30, 2016 compared to the same period on 2015, administrative expenses increased by 11%. This category includes personnel expenses, expenses for services received from third parties and taxes and contributions.

19. FEES (NET)

During the six months ended June 30, 2016 compared to the same period on 2015, income and expenses from financial services increased by 9%. This category includes commissions for contingent transaction operations, transfer, consulting, and other income and expenses.

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 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 Resolution SBS 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.