

Intercorp Financial Services Inc. and Subsidiaries

Consolidated financial statements as of December 31, 2015
(unaudited) and 2014 (audited)

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Consolidated statements of financial position

As of December 31, 2015 (unaudited) and December 31, 2014 (audited)

	Note	2015 S/(000)	2014 S/(000)		Note	2015 S/(000)	2014 S/(000)
Assets				Liabilities and equity			
Cash and due from banks:	3			Deposits and obligations:	8		
Non-interest bearing		2,092,189	1,705,611	Non-interest bearing		3,977,782	4,366,859
Interest bearing		6,689,335	3,741,755	Interest bearing		<u>24,509,884</u>	<u>19,014,568</u>
Restricted funds		3,650,261	911,138			28,487,666	23,381,427
		<u>12,431,785</u>	<u>6,358,504</u>	Due to banks and correspondents	9	6,191,726	3,140,914
Inter-bank funds		245,028	310,030	Bonds, notes and other obligations	10	4,925,413	4,565,288
Trading securities		105,189	105,782	Due from customers on acceptances		27,118	18,833
Investments available-for-sale	4	8,067,164	8,303,176	Insurance contract liabilities	11	4,477,089	3,743,007
Held-to-maturity investments		479,561	-	Accounts payable, provisions and other liabilities	7	1,426,762	1,203,083
Loans, net:	5			Deferred income tax liability, net		<u>4,164</u>	<u>10,401</u>
Loans, net of unearned income		27,035,814	23,436,885	Total liabilities		<u>45,539,938</u>	<u>36,062,953</u>
Allowance for loan losses		<u>(1,041,579)</u>	<u>(819,678)</u>	Equity	12		
		25,994,235	22,617,207	Equity attributable to IFS's shareholders:			
Investment property	6	713,262	652,881	Capital stock		963,446	963,446
Property, furniture and equipment, net		579,158	577,202	Treasury stock		(322,214)	(285,776)
Due from customers on acceptances		27,118	18,833	Capital surplus		268,077	268,077
Accounts receivable and other assets, net	7	1,316,810	1,411,312	Reserves		2,000,000	-
Deferred income tax asset, net		41,559	10,300	Unrealized results, net		(369,801)	141,707
Total assets		<u>50,000,869</u>	<u>40,365,227</u>	Retained earnings		<u>1,806,443</u>	<u>3,103,600</u>
						4,345,551	4,191,054
				Non-controlling interest		<u>115,380</u>	<u>111,220</u>
				Total equity		<u>4,460,931</u>	<u>4,302,274</u>
				Total liabilities and equity		<u>50,000,869</u>	<u>40,365,227</u>

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

Intercorp Financial Services Inc. and Subsidiaries

Consolidated income statements

For the years ended December 31, 2015 (unaudited) and December 31, 2014 (audited)

	Note	2015 S/(000)	2014 S/(000)
Interest and similar income	14	3,342,686	2,828,651
Interest and similar expenses	14	(921,695)	(788,862)
Net interest and similar income		<u>2,420,991</u>	<u>2,039,789</u>
Provision for loan losses, net of recoveries	5(b)	(645,824)	(425,512)
Net interest and similar income after provision for loan losses		<u>1,775,167</u>	<u>1,614,277</u>
Other income			
Fee income from financial services, net	15	818,366	704,140
Net gain on foreign exchange transactions		521,194	216,836
Net gain on sale of securities		134,901	128,144
Net trading income (loss)		(111,834)	22,344
Rental income		18,045	28,665
(Loss) profit from sale of investment property		(1,259)	6,734
Valuation gain from investment property	6(b)	26,700	63,500
Other	16	99,788	73,460
Total other income		<u>1,505,901</u>	<u>1,243,823</u>
Insurance premiums and claims			
Net premiums earned	17	364,454	160,612
Net claims and benefits incurred for life insurance contracts and others		(258,911)	(181,110)
Total premiums earned less claims and benefits		<u>105,543</u>	<u>(20,498)</u>
Other expenses			
Salaries and employee benefits		(682,595)	(639,526)
Administrative expenses		(772,912)	(680,788)
Depreciation and amortization		(111,060)	(105,397)
Impairment loss on available-for-sale investments	4(c)	(78,285)	(20,155)
Expenses related to rental income		(811)	(7,130)
Other	16	(124,458)	(87,978)
Total other expenses		<u>(1,770,121)</u>	<u>(1,540,974)</u>
Income before translation result and income tax		1,616,490	1,296,628
Translation result		(25,100)	(25,016)
Income tax		(352,586)	(309,106)
Profit for the period		<u>1,238,804</u>	<u>962,506</u>
Attributable to:			
Equity holders of the Group		1,231,766	949,104
Non-controlling interest		7,038	13,402
		<u>1,238,804</u>	<u>962,506</u>
Basic and diluted earnings per share attributable to IFS (stated in Soles)	18	<u>11.295</u>	<u>8.676</u>
Weighted average number of outstanding shares (in thousands)	18	<u>109,058</u>	<u>109,393</u>

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

Intercorp Financial Services Inc. and Subsidiaries

Consolidated statements of comprehensive income

For the years ended December 31, 2015 (unaudited) and December 31, 2014 (audited)

	2015 S/(000)	2014 S/(000)
Profit for the period	1,238,804	962,506
Other comprehensive income		
Unrealized (loss) gain on available-for-sale investments	(548,953)	80,434
Unrealized gain on cash flow hedges	2,995	7,234
Translation results of foreign operations	33,833	27,011
	<hr/>	<hr/>
Total comprehensive income for the year, net of income tax	<u>726,679</u>	<u>1,077,185</u>
Attributable to:		
Equity holders of IFS	720,258	1,063,719
Non-controlling interest	6,421	13,466
	<hr/>	<hr/>
	<u>726,679</u>	<u>1,077,185</u>

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

InterCorp Financial Services Inc. and Subsidiaries

Consolidated statements of changes in equity

For the years ended December 31, 2015 (unaudited) and December 31, 2014 (audited)

	Number of shares (in thousands)					Attributable to IFS Group shareholders									Non-controlling interest	Total equity
	Issued	In treasury	Capital stock	Other paid in capital	Treasury stock	Capital Surplus	Reserves	Unrealized results, net			Retained earnings	Total				
								Available-for-sale investments	Derivatives Instruments designated as cash flow hedges	Foreign currency translation reserve						
			S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)		
Balances as of January 1, 2014	93,615	(3,315)	799,581	246,400	(227,707)	268,077	-	20,139	(10,607)	17,560	2,578,774	3,692,217	20,229	3,712,446		
Comprehensive income																
Net income	-	-	-	-	-	-	-	-	-	-	949,104	949,104	13,402	962,506		
Unrealized results																
Other comprehensive income	-	-	-	-	-	-	-	80,420	7,184	27,011	-	114,615	64	114,679		
Total comprehensive income	-	-	-	-	-	-	-	80,420	7,184	27,011	949,104	1,063,719	13,466	1,077,185		
Declared and paid dividends											(443,551)	(443,551)	-	(443,551)		
Dividends paid to minority shareholders in Subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(2,061)	(2,061)		
Net variation of treasury stock held by Subsidiaries, Note 12(b)	-	(435)	-	-	(58,069)	-	-	-	-	-	-	(58,069)	-	(58,069)		
Dividends received by Subsidiaries on treasury stock	-	-	-	-	-	-	-	-	-	-	16,775	16,775	-	16,775		
Spin-off of Inteligo Real Estate	-	-	-	(82,535)	-	-	-	-	-	-	1,941	(80,594)	80,594	-		
Transfer of Inteligo Group's capital stock, Note 1(b)	19,495	-	163,865	(163,865)	-	-	-	-	-	-	-	-	-	-		
Other	-	-	-	-	-	-	-	-	-	-	557	557	(1,008)	(451)		
Balances as of December 31, 2014	113,110	(3,750)	963,446	-	(285,776)	268,077	-	100,559	(3,423)	44,571	3,103,600	4,191,054	111,220	4,302,274		
Balances as of January 1, 2015	113,110	(3,750)	963,446	-	(285,776)	268,077	-	100,559	(3,423)	44,571	3,103,600	4,191,054	111,220	4,302,274		
Comprehensive income																
Net income	-	-	-	-	-	-	-	-	-	-	1,231,766	1,231,766	7,038	1,238,804		
Unrealized results																
Other comprehensive income	-	-	-	-	-	-	-	(548,336)	2,995	33,833	-	(511,508)	(617)	(512,125)		
Total comprehensive income	-	-	-	-	-	-	-	(548,336)	2,995	33,833	1,231,766	720,258	6,421	726,679		
Declared and paid dividends											(564,178)	(564,178)	-	(564,178)		
Dividends paid to minority shareholders in Subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(2,232)	(2,232)		
Net variation of treasury stock held by Subsidiaries, Note 12(b)	-	(540)	-	-	(36,438)	-	-	-	-	-	-	(36,438)	-	(36,438)		
Dividends received by Subsidiaries on treasury stock	-	-	-	-	-	-	-	-	-	-	19,234	19,234	-	19,234		
Purchase of new shares	-	-	-	-	-	-	-	-	-	-	(289)	(289)	-	(289)		
Transfer to reserves	-	-	-	-	-	-	2,000,000	-	-	-	(2,000,000)	-	-	-		
Other	-	-	-	-	-	-	-	-	-	-	15,910	15,910	(29)	15,881		
Balances as of December 31, 2015	113,110	(4,290)	963,446	-	(322,214)	268,077	2,000,000	(447,777)	(428)	78,404	1,806,043	4,345,551	115,380	4,460,931		

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

Intercorp Financial Services Inc. and Subsidiaries

Consolidated statements of cash flows

For the years ended December 31, 2015 (unaudited) and 2014 (audited)

	2015 S/(000)	2014 S/(000)
Operating activities		
Profit for the period	1,238,804	962,506
Adjust of net profit		
Add (deduct)		
Provision for loan losses, net of recoveries	645,824	425,512
Depreciation and amortization	111,060	105,397
Deferred income tax	31,143	(7,815)
Net gain on sale of securities	(133,642)	(128,144)
Impairment loss on available-for-sale investments	78,285	20,155
Valuation gain from investment property	(26,700)	(70,234)
Net trading loss (income)	111,834	(22,344)
Translation result	25,100	25,016
Increase in receivable interest accrued	(57,441)	(27,861)
Increase in payable interest accrued	70,636	52,260
Net changes in assets and liabilities		
Net increase in loan portfolio	(3,976,455)	(2,547,970)
Increase in restricted funds	(2,739,123)	(717,243)
Net increase in other assets	(168,634)	(227,860)
Net increase in deposits and obligations	5,086,476	1,300,554
Net increase in other liabilities	1,629,887	1,082,813
Net cash provided by operating activities	<u>1,927,054</u>	<u>224,742</u>

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

Intercorp Financial Services Inc. and Subsidiaries

Consolidated statements of cash flows (continued)

	2015 S/(000)	2014 S/(000)
Investing activities		
Net increase of trading securities, available-for-sale and held-to-maturity investments	(539,649)	(2,748,706)
(Purchase) sale of investments at fair value through profit or loss, net	(111,240)	55,554
Purchase of property, furniture and equipment	(65,086)	(73,340)
(Purchase) sale of investment property, net	(34,940)	209,776
Purchase of intangible assets	(101,455)	(49,473)
	<u>(852,370)</u>	<u>(2,606,189)</u>
Financing activities		
Net (decrease) increase in bonds, notes and other obligations	(252,079)	894,079
Net increase in due to banks and correspondents	3,012,961	380,629
Net decrease (increase) in receivable inter-bank funds	65,002	(107,462)
Increase in payable inter-bank funds	-	(100,022)
Payments of dividends	(564,178)	(443,551)
Payments of dividends to minority shareholders	(2,232)	(2,061)
	<u>2,259,474</u>	<u>621,612</u>
Net cash provided by financing activities	<u>2,259,474</u>	<u>621,612</u>
Net increase (decrease) in cash	3,334,158	(1,759,835)
Cash at the beginning of period	<u>5,447,366</u>	<u>7,207,201</u>
Cash at the end of period	<u>8,781,524</u>	<u>5,447,366</u>

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

Intercorp Financial Services Inc. and Subsidiaries

Notes to the consolidated financial statements

As of December 31, 2015 and December 31, 2014

1. Business activity and Group reorganization

(a) Business activity -

Intercorp Financial Services Inc. and Subsidiaries, hereinafter "IFS" or "the Company", is a limited liability holding company incorporated in the Republic of Panama on September 19, 2006 and is subsidiary of Intercorp Perú Ltd., hereinafter "Intercorp Perú", a holding company incorporated in 1997 in the Commonwealth of the Bahamas. As of December 31, 2015 and 2014, Intercorp Perú owns 78.08% and 77.60%, respectively, of IFS's issued capital stock (77.22% and 76.84% of IFS's outstanding capital stock).

As of December 31, 2015 and 2014, IFS held 99.30% of the capital stock of Banco Internacional del Peru S.A.A. – Interbank (hereinafter "Interbank") and 100% of Interseguro Compañía de Seguros S.A. (hereinafter "Interseguro") and Inteligo Group Corp. The operations of Interbank and Interseguro are concentrated in Peru and the operations of Inteligo Group are concentrated in Panama and Peru.

IFS's legal domicile is located at Av. Carlos Villarán 140 Urb. Santa Catalina, La Victoria, Lima, Perú.

The main activities of IFS's Subsidiaries and their assets, liabilities and equity, are presented in Note 1(c).

The consolidated financial statements of IFS and Subsidiaries as of December 31, 2015 were approved by the Board of Directors held on February 15, 2016. The consolidated financial statements of IFS and Subsidiaries as of December 31, 2014 were approved by the General Shareholders' Meeting held on April 14, 2015.

(b) Group reorganization -

As of December 31, 2013, Intercorp Perú held 100% of Inteligo Group Corp. capital stock. At that date, Inteligo Group Corp., a holding corporation incorporated in the Republic of Panama, held 100% of the capital stock of Inteligo Bank Ltd. (hereinafter "Inteligo Bank"), Inteligo Sociedad Agente de Bolsa S.A., Inteligo Real Estate Corp. and Inteligo Real Estate Perú S.A.C.

The reorganization of Inteligo Group Corp. and IFS was approved in July 2014. The effective date was August 1, 2014 and included: (i) the spin-off of Inteligo Group's real estate subsidiaries to Intercorp Perú Ltd.; and, (ii) the contribution of all of the outstanding shares of Inteligo Group to IFS in exchange of 19,495,413 new shares issued by IFS to Intercorp Perú.

The exchange ratio was of 23.28 shares of IFS per one share of Inteligo Group Corp. and was fixed based on the Lima Stock Exchange quotation as of the date of the transaction. After this reorganization IFS holds 100% of Inteligo Group Corp. and Subsidiaries and Intercorp Perú increased its holding of IFS issued capital stock to 77.60% (76.84% of IFS's outstanding capital stock).

Given that the reorganization did not lead to a change in Intercorp Perú's control of Inteligo Group Corp. and Subsidiaries, now grouped under IFS, in accordance with the IFRS, the reorganization is considered a transaction among entities under common control. As a result, the reorganization was accounted for using the

Notes to the consolidated financial statements (continued)

pooling-of-interest method, thus giving retroactive effect to the reorganization as if it had occurred in the beginning of the earliest period presented; also, no fair value adjustment or goodwill was recognized and all amounts have been accounted for at their book values. The main effect of giving retroactive treatment to the reorganization under common control is that the “Capital stock” caption in these consolidated financial statements reflects only the balance related to IFS, the total equity amount remains the same, and Inteligo Group Corp’s capital stock is presented as “Other paid-in capital” until August 1, 2014, which is the effective date of the reorganization, when it was then transferred to the caption “Capital stock” to reflect the new shares issued by IFS in order to perform the reorganization.

Under consolidated basis, total net assets of Inteligo Group Corp. as of August 1, 2014 amounted to S/509,973,000, of which S/80,594,000 was transferred to Intercorp Perú as a result of the afore mentioned spin-off and the remaining S/429,379,000 were contributed to IFS.

(c) Subsidiaries

IFS’s Subsidiaries are the following:

(i) Banco Internacional del Perú S.A.A. - Interbank and Subsidiaries -

Interbank is incorporated in Peru and is authorized by the Superintendence of Banking, Insurance and Private Pension Funds Administrators (hereafter “the SBS”, for its Spanish acronym) to operate as a universal bank in accordance with Peruvian legislation. The Bank’s operations are governed by the General Act of the Financial and Insurance System and the Organic Act of the Superintendence of Banks and Insurance SBS - Act 26702 (hereafter the “Banking and Insurance Act”), that establishes the requirements, rights, obligations, restrictions and other operating conditions that Peruvian financial and insurance entities must comply with.

As of December 31, 2015 and 2014 Interbank had 290 and 287 offices, respectively and a branch established in the Republic of Panama. Additionally, it holds 100% of the shares of the following Subsidiaries:

Entity	Activity
Interfondos S.A. Sociedad Administradora de Fondos	Manages mutual funds and investment funds.
Internacional de Títulos Sociedad Titulizadora S.A. – Intertítulos S.T.	Manages securitization funds.
Inversiones Huancavelica S.A.	Real estate activities.
Contacto Servicios Integrales de Crédito y Cobranzas S.A.	Collection services
Corporación Inmobiliaria de La Unión 600 S.A.	Real estate activities.
Compañía de Servicios Conexos S.A. – Expressnet	Services related to credit card transactions or products related to the brand “American Express”.
IBK Securitizadora	A consolidated special purpose entity (SPE), by which Interbank issued negotiable long.

Notes to the consolidated financial statements (continued)

(ii) Interseguro Compañía de Seguros S.A. and Subsidiaries -

Interseguro is incorporated in Peru and its operations are governed by the Banking and Insurance Act. It is authorized by the SBS to issue life and general risk insurance contracts and owns the following Subsidiary:

Entity	Activity
Centro Comercial Estación Central S.A.	Administration of "Centro Comercial Estación Central", located in downtown Lima. As of December 31, 2015 and 2014 Interseguro holds 75 % of its shares.
Empresa Administradora Hipotecaria S.A.	Was established in February 2014 in Peru; does not have operations. As of December 31, 2015 and 2014, Interseguro holds 100 percent of its shares and has a paid in capital of S/2,550.

Patrimonio Fideicometido D.S.093-2002-EF, Interproperties Perú (herein after "the Patrimonio Fideicometido – Interproperties Perú") is a structured entity, incorporated in April 2008, in which several investors contributed investment properties; each investor or investors have ownership of and controls the specific contributed investment property. The fair values include in this structured entity as of December 31, 2015 and 2014, amounted to S/545,026,000 and S/434,000,000, respectively, see Note 6 for further details. For accounting purposes these assets included in this structure are considered "silos" under IFRS 10 because they are ring-fenced parts of the wider structured entity (the Patrimonio Fideicometido - Interproperties Perú). The Group has ownership of and decision making power over these properties, and the Group has the exposure or rights to their returns; therefore, the Group has consolidated the silos containing the investment properties that it controls.

(iii) Inteligo Group Corp. and Subsidiaries

Inteligo Group Corp. is a holding corporation incorporated in the Republic of Panama. As of December 31, 2015 and 2014, it holds 100 percent of the shares of the following Subsidiaries:

Entity	Activity
Inteligo Bank Ltd.	It is incorporated in The Commonwealth of the Bahamas and has a branch established in the Republic of Panama that operates under an international license issued by the Superintendence of Banks of the Republic of Panama. Its main activities are private banking services.
Inteligo Sociedad Agente de Bolsa S.A. -	It is incorporated in Peru and provides brokerage services.

Until August 1, 2014, Inteligo Group Corp. held 100 percent of the capital stock of Inteligo Real Estate Corp. and Inteligo Real Estate Perú S.A.C. At said date, Inteligo Group Corp. performed a spin-off of these Subsidiaries to Intercorp Perú, as explained in Note 1(b).

(iv) San Borja Global Opportunities S.A.C. (previously AFP Interactiva S.A.)

Its corporate purpose is the acquisition and holding of shares and securities. As of December 31, 2015, it did not have operations and maintains paid in capital amounting to S/1,000.

Notes to the consolidated financial statements (continued)

The table below presents a summary of the financial statements under IFRS of the main Subsidiaries before adjustments for consolidation, as of December 31, 2015 and 2014:

	Banco Internacional del Perú S.A.A. – Interbank and Subsidiaries		Interseguro Compañía de Seguros S.A. and Subsidiaries		Inteligo Group Corp. and Subsidiaries	
	2015 S/(000)	2014 S/(000)	2015 S/(000)	2014 S/(000)	2015 S/(000)	2014 S/(000)
Consolidated statements of financial position						
Trading securities, available-for-sale and held- to-maturity investments	3,652,771	3,560,366	4,138,555	3,912,047	1,084,093	1,138,862
Loans, net	24,308,737	21,186,928	-	-	1,685,549	1,430,304
Investment property	-	-	713,262	652,881	-	-
Total assets	41,652,030	32,904,861	5,253,987	4,743,443	3,376,035	2,934,118
Deposits and obligations	25,880,904	21,124,096	-	-	2,706,931	2,314,548
Due to banks and correspondents	6,138,544	3,219,075	50,988	-	68,269	119,726
Bonds, notes and other obligations	4,689,925	4,197,227	174,192	167,492	-	-
Insurance contracts liabilities	-	-	4,477,089	3,743,007	-	-
Total liabilities	37,907,010	29,628,640	4,916,095	4,052,058	2,796,288	2,455,471
Equity attributable to Group’s shareholders	3,745,020	3,276,221	248,580	603,073	579,747	478,647
Non-controlling interest – equity	-	-	89,312	88,312	-	-
Consolidated income statements						
Interest and similar income and expenses, net	2,102,886	1,802,322	247,735	194,440	87,052	55,915
Allowance for loan losses, net of recoveries	(643,917)	(425,512)	-	-	(1,907)	-
Valuation gain and gain from sale of investment properties	-	-	25,441	70,234	-	-
Fee income from financial services	733,722	645,085	(3,225)	(2,317)	121,946	95,894
Total premiums earned minus claims and benefits	-	-	105,543	(20,498)	-	-
Profit for the year attributable to Group’s shareholders	868,378	731,053	310,967	146,239	105,551	136,457
Non-controlling interest	-	-	994	8,299	-	-

Notes to the consolidated financial statements (continued)

2. Accounting principles and practices

The accompanying consolidated financial statements have been prepared in accordance with the IFRS as issued by the International Accounting Standards Board (henceforth “IASB”). The main accounting practices and principles to December 31, 2015 are consistent from those applied with respect to December 31, 2014 and summarized in the audited report dated March 23, 2015.

These consolidated financial statements do not include all the information and disclosures required for the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements as of December 31, 2014 dated March 23, 2015.

3. Cash and due from banks

(a) This item is made up as follows:

	2015 S/(000)	2014 S/(000)
Cash and clearing	1,700,838	1,488,881
Deposits in Central Reserve Bank of Peru – BCRP (b)	6,054,778	3,269,683
Deposits in banks (c)	1,025,545	688,677
Restricted funds (d)	<u>3,650,261</u>	<u>911,138</u>
	12,431,422	6,358,379
Accrued interest	<u>363</u>	<u>125</u>
Total	<u>12,431,785</u>	<u>6,358,504</u>

(b) As of December 31, 2015 this caption includes approximately US\$1,929,852,000 and S/888,767,000 (US\$1,274,503,000 and S/811,605,000 as of December 31, 2014), which represent the legal reserve that Interbank must maintain for its obligations with the public. These funds are held in Interbank and in the Central Reserve Bank of Peru (henceforth “BCRP”, for its Spanish acronym) and are within the limits required by prevailing Peruvian regulations at those dates.

The legal reserve funds maintained at the BCRP are non-interest bearing, except for the part that exceeds the minimum reserve required. As of December 31, 2015, the excess in US Dollars amounted to approximately US\$241,115,000, equivalent to approximately S/822,444,000, and bear interest at an annual average rate of 0.09 percent (US\$313,121,000, equivalent to S/934,980,000, and an annual average rate of 0.04 percent as of December 31, 2014). On the other hand, the excess amount in Soles amounted to approximately S/3,708,920,000 and bear interest at annual average rate of 0.48 percent (S/243,092,000, at annual average rate of 0.35 percent as of December 31, 2014).

(c) Deposits in banks are mainly in Soles and US Dollars. All amounts bear interests at market rates. As of December 31, 2015 and 2014, the Group does not have significant deposits in any specific financial institution.

(d) As of December 31, 2015, restricted funds caption included US\$960,688,000 equivalent to S/3,276,907,000 (US\$224,423,000 equivalent to S/670,127,000 as of December 31, 2014) that correspond to deposits in BCRP as a guarantee for loans received from this entity; see Note 9(d). Additionally, as of December 31, 2015 and 2014, this caption included S/372,954,000 and S/240,715,000, respectively, which mainly relate to requirements from counterparties of derivative financial instruments transactions, see Note (7d).

Notes to the consolidated financial statements (continued)

4. Available-for-sale investments

(a) This item is made up as follow:

	2015				2014			
	Amortized Cost S/(000)	Unrealized gross amount		Estimated fair value S/(000)	Amortized Cost S/(000)	Unrealized gross amount		Estimated fair value S/(000)
		Gains S/(000)	Losses S/(000)			Gains S/(000)	Losses S/(000)	
Debt Instruments								
Corporate, leasing and subordinated bonds	3,409,558	19,136	(404,821)	3,023,873	3,351,642	73,979	(126,912)	3,298,709
Peruvian sovereign bonds	1,117,769	269	(133,672)	984,366	1,163,727	1,247	(83,273)	1,081,701
Negotiable Certificates of Deposit issued by BCRP	877,165	1	(2,846)	874,320	429,883	316	(2)	430,197
Mutual funds and investments participations	942,232	41,108	(67,396)	915,944	613,651	31,997	(17,798)	627,850
Bonds guaranteed by the Peruvian Government	446,040	4,018	(20,129)	429,929	316,479	20,599	(5,004)	332,074
Peruvian Global Bonds	351,245	-	(8,187)	343,058	207,076	599	(926)	206,749
Sovereign and Global bonds from foreign countries	66,065	-	(1,150)	64,915	162,932	-	(2,592)	160,340
Indexed Certificates of Deposit issued by BCRP	668,699	176	(1,527)	667,348	1,381,319	17,541	(2)	1,398,858
Total	7,878,773	64,708	(639,728)	7,303,753	7,626,709	146,278	(236,509)	7,536,478
Listed shares								
Peruvian and foreign entities	337,737	2,308	(35,083)	304,962	316,786	71,744	(15,508)	373,022
InRetail Perú Corp. (d)	110,866	43,675	(5,434)	149,107	96,142	59,722	-	155,864
Non listed shares and participations								
Royalty Pharma (e)	154,334	74,667	-	229,001	84,741	83,844	-	168,585
Other	985	-	(430)	555	862	-	(377)	485
	603,922	120,650	(40,947)	683,625	498,531	215,310	(15,885)	697,956
	8,482,695	185,358	(680,675)	7,987,378	8,125,240	361,588	(252,394)	8,234,434
Add – Accrued Interest on investments				79,786				68,742
Total				8,067,164				8,303,176

Notes to the consolidated financial statements (continued)

- (b) The Group has determined that the unrealized losses as of December 31, 2015 and 2014 are of temporary nature. The Group intends and has the ability to hold each investment for a period of time sufficient to allow for an anticipated recovery in fair value or up to maturity.

The Group has considered the following criteria in determining whether a loss is temporary or not for equity investments (shares):

- the length of time and the extent to which fair value has been below cost;
- the severity of the impairment;
- the cause of the impairment and the financial condition and near-term prospects of the issuer; and
- activity in the market of the issuer, which may indicate adverse credit conditions.

The Group has considered the following criteria in determining whether a loss is temporary or not for debt investments (fixed maturity):

- Assess whether it is probable that the Group will receive all amounts due according to the contractual terms of the security (principal and interest). The identification of credit-impaired securities considers a number of factors, including the nature of the security and the underlying collateral, the amount of subordination or credit enhancement supporting the security, published credit rating and other information and other evidentiary analyses of the probable cash flows from the security. If recovery of all amounts due is not probable, "credit impairment" is deemed to exist and the unrealized loss is recorded directly in the consolidated income statement. This unrealized loss recorded in income represents the security's decline in fair value, including the decline due to forecasted cash flow shortfalls as well as general market spread widening.
 - For financial instruments with unrealized losses but not identified as impaired, the Group determines whether it has the positive intent and ability to hold each investment for a period of time sufficient to allow for an anticipated recovery in its amortized cost. The Group estimates the forecasted recovery period using current estimates of volatility in market interest rates (including liquidity and risk premiums). The Group assertion regarding its intent and ability to hold investments considers a number of factors, including a quantitative estimate of the expected recovery period and the length of that period (which may extend to maturity), the severity of the impairment and the Group intended strategy with respect to the identified security or portfolio. If the Group does not have the intent and ability to hold the security for a sufficient time period, the unrealized loss is recorded directly in the consolidated statements of income.
- (c) As a result of the impairment assessment of its investments available-for-sale, the Group recorded impairment loss amounting to S/78,285,000 during 2015 (S/20,155,000 during 2014), which is presented in the caption "Impairment loss on available-for-sale investments" of the consolidated income statements.

Notes to the consolidated financial statements (continued)

As of December 31, 2015 and 2014, the detail of unrealized losses on debt instruments is as follows:

Issuer	2015 S/(000)	2014 S/(000)
Peruvian Sovereign bonds	133,672	83,273
Participations in mutual funds and investment funds.	67,396	17,798
Odebrecht S.A	65,800	22,489
Banco Votorantim S.A	47,392	6,505
Vale S.A	36,574	3,362
Southern Perú Copper Corporation S.A.A	30,129	6,884
Corporación Financiera de Desarrollo S.A	28,727	15,667
Bonds guaranteed by the Peruvian Government	20,129	5,004
H2Olmos S.A.	17,194	11,786
Línea Amarilla S.A.C.	14,506	7,920
Other less than S/10,000,000	178,209	55,821
	<u>639,728</u>	<u>236,509</u>

- (d) As of December 31, 2015 and 2014, the Group held 3,125,199 and 2,836,653 shares of InRetail Perú Corp. (a related entity), which represented 3.04 and 2.76 percent, of its capital stock, respectively.
- (e) Corresponds to participations in RPI International Holding, LP (RPI Partnership) and Royalty Pharma Cayman Holding, LP (RPS Partnership), which invest in Royalty Pharma Investments and Royalty Pharma Select, respectively, with medical patents and biotechnology investments. The participations in RPI Partnership and RPS Partnership are not liquid and require authorization for their trading.

During 2015, the Group sold 54,978 and 135,000 participations of RPS Partnership and RPI Partnership, respectively, at their fair value of approximately US\$23,496,000, with gains of approximately US\$18,347,000 (equivalent to approximately S/60,343,000), that was recorded as part of the “Net gain on sale of securities” caption of the consolidated income statements. Said sale was made to a related entity and the receivable balance amounts to approximately US\$19,496,000 (equivalent to approximately S/66,502,000), that is included as part of “Accounts receivable and other assets, net” caption of the consolidated statements of financial position; see Note 7(a).

During 2014, the Group sold 250,000 shares of RPI Partnership, at their fair value generating a gain of approximately US\$6,635,000 (equivalent to approximately S/19,812,110), that was recorded as part of the “Net gain on sale of securities” caption of the consolidated income statements.

During 2015, the Group has received dividends from these participations for approximately S/20,148,000 (S/8,889,000 as of December 2014), which are included in the “Interest and similar income” caption in the consolidated income statements.

Notes to the consolidated financial statements (continued)

As of December 31, 2015, the Group held 300,000 and 283,537 participations of RPS Partnership and RPI Partnership, respectively, with fair values amounting to approximately US\$27,423,000 and US\$39,713,000 (equivalent to approximately S/93,541,000 and S/135,460,000, respectively). As of December 31, 2014, the Group held 354,978 and 251,286 participations of RPS Partnership and RPI Partnership respectively, with fair values amounting to approximately US\$29,822,000 and US\$26,636,000 (equivalent to approximately S/89,048,000 and S/79,537,000, respectively).

Notes to the consolidated financial statements (continued)

5. Loan Portfolio, net

(a) This caption is made up as follows:

	2015 S/(000)	2014 S/(000)
Direct loans		
Loans	19,481,899	16,341,735
Credit cards	3,708,647	3,187,954
Leasing	2,010,253	2,179,375
Discounted notes	438,044	372,988
Factoring	213,824	294,687
Advances and overdrafts	66,682	139,026
Refinanced loans	249,216	140,688
Past due and under legal collection loans	<u>589,107</u>	<u>540,659</u>
	26,757,672	23,197,112
Add (less)		
Accrued interest	302,586	256,189
Unearned interest	(24,444)	(16,416)
Allowance for loan losses (b)	<u>(1,041,579)</u>	<u>(819,678)</u>
Total direct loans, net	<u>25,994,235</u>	<u>22,617,207</u>
Indirect loans	<u>4,969,865</u>	<u>4,483,721</u>

(b) The changes in the allowance for loan losses is as follows:

	2015 S/(000)	2014 S/(000)
Balance as of January 1	835,205	707,508
Provision	645,824	425,512
Recoveries of written-off loans	108,730	94,016
Written-off loan portfolio	(564,794)	(406,541)
Translation result	<u>40,227</u>	<u>14,710</u>
Balance as of December 31 (*)	<u>1,065,192</u>	<u>835,205</u>

(*) The allowance for loan losses includes allowance for indirect loans amounting to S/23,613,000 and S/15,527,000 as of December 31, 2015 and 2014, respectively, which is presented in the “Accounts payable, provisions and other liabilities” caption of the consolidated statements of financial position; see Note 7(a).

In Management’s opinion, the allowance for loan losses recorded as of December 31, 2015 and 2014, has been calculated in accordance with IAS 39 and is sufficient to cover incurred losses on the loan portfolio.

Notes to the consolidated financial statements (continued)

6. Investment property

(a) This item is made up as follow:

	2015 S/(000)	2014 S/(000)	Acquisition or construction year	2015 Hierarchy (i)	Valuation methodology	
					2015	2014
Land -						
Piura	36,752	31,118	2009	Level 3	Appraisal	Appraisal
Lurín	23,530	21,420	2012	Level 3	Appraisal + DCF	Appraisal
Talara	23,000	-	2015	Level 3	Cost	-
Nuevo Chimbote	8,247	-	2015	Level 3	Cost	-
Other	15,303	14,187	-	Level 3	Appraisal	Appraisal
	<u>106,832</u>	<u>66,725</u>				
Investment property						
Shopping mall "Real Plaza"-						
Pucallpa	219,549	209,615	2014	Level 3	DCF	DCF
Sullana	23,896	81,670	2014	Level 3	Appraisal	DCF
	<u>243,445</u>	<u>291,285</u>				
Buildings -						
Ate Vitarte	46,612	41,116	2006	Level 3	DCF	DCF
Pardo y Aliaga	3,233	3,218	2010	Level 3	DCF	DCF
	<u>49,845</u>	<u>44,334</u>				
Built on leased land -						
Other	1,668	1,900	-	Level 3	DCF	DCF
	<u>1,668</u>	<u>1,900</u>				
Investment property under construction -						
Land	226,283	223,216	2008	Level 3	Appraisal	Appraisal
Work in progress	85,189	25,421	2015	Level 3	Cost	Cost
	<u>311,472</u>	<u>248,637</u>				
Total investment property	<u>713,262</u>	<u>652,881</u>				

DCF: Discounted cash flow

(i) There were no transfers between levels of hierarchy in the reported period.

(ii) As of December 31, 2015 and 2014, there were no levies on any investment property, see Note 23.

Notes to the consolidated financial statements (continued)

(b) The movement of this caption for the years ended as of December 31, 2015, and 2014, was as follows:

	2015 S/(000)	2014 S/(000)
Balance as of January 1	652,881	792,423
Additions	92,426	91,597
Sale of property	(58,745)	(294,639)
Fair value adjustment	26,700	63,500
Balance as of December 31	<u>713,262</u>	<u>652,881</u>

Notes to the consolidated financial statements (continued)

7. Accounts receivable and other assets, net; accounts payable, provisions and other liabilities

(a) This caption is made up as follows:

	2015 S/(000)	2014 S/(000)
Accounts receivable and other assets		
Financial instruments		
Accounts receivable related to derivative financial instruments (d)	324,268	241,195
Other accounts receivable	272,823	140,661
Accounts receivable from sale of investments	86,544	265,789
Insurance operation receivables, net	42,912	13,784
Operations in process (c)	28,411	103,216
Accounts receivable from reinsurance and coinsurance entities	21,347	8,058
Credit card commissions	17,864	15,542
Accounts receivable from shareholder	-	57,362
Total	<u>794,169</u>	<u>845,607</u>
Non-financial instrument		
Intangible assets, net	199,361	145,836
Value-Added-Tax credit (b)	165,223	241,182
Prepaid expenses	48,356	51,750
Investments in associates	49,513	42,655
Income tax credit	30,249	54,378
Prepaid expenses to related entity	16,819	20,737
Other	13,120	9,167
	<u>522,641</u>	<u>565,705</u>
Total	<u>1,316,810</u>	<u>1,411,312</u>
Accounts payable, provisions and other liabilities		
Financial instruments		
Other accounts payable	427,152	311,963
Accounts payable related to derivative financial instruments (d)	384,734	278,430
Accounts payable for acquisitions of investments	165,074	226,245
Workers' profit sharing and salaries payable	115,182	97,278
Operations in process (c)	82,064	168,936
Taxes payable	57,910	13,944
Accounts payable to reinsurance and coinsurance entities	47,479	6,841
Allowance for indirect loan losses, Note 5(b)	23,613	15,527
	<u>1,303,208</u>	<u>1,119,164</u>
Non-financial instrument		
Deferred fee income	58,055	57,467
Other	65,449	26,452
	<u>123,554</u>	<u>83,919</u>
Total	<u>1,426,762</u>	<u>1,203,083</u>

Notes to the consolidated financial statements (continued)

- (b) Corresponds to the Value-Added-Tax resulting from the purchase of goods devoted mostly to grant financial leasing loans, which shall be recovered through the collection of the loans.
- (c) Operations in process include transactions performed in the last days of the month and other similar types of transactions which are reclassified to their final balance sheets accounts in the following month. These transactions do not affect the consolidated results.
- (d) The following table presents as of December 31, 2015 and 2014 the fair value of derivative financial instruments recorded as an asset or a liability, including their (gross) notional amounts. The notional amount is the derivative's underlying financial instrument and is the base over which changes in fair value are measured.

	2015			Maturity	Hedged Instruments
	Assets S/(000)	Liabilities S/(000)	Notional amount S/(000)		
Derivatives held for trading (i)					
Foreign currency forward contracts	20,868	53,882	5,131,814	Between January 2016 and February 2017	
Interest rate swaps	32,898	26,186	2,933,951	Between February 2016 and December 2029	
Currency swaps	268,262	207,464	3,581,877	Between January 2016 and January 2025	
Cross currency swaps (CCS)	-	92,919	200,765	Between January 2016 and June 2017	
Foreign currency options	2,240	3,545	459,087	January 11, 2023	
	<u>324,268</u>	<u>383,996</u>	<u>12,307,494</u>		
Derivatives held as hedges -					
Cash flow hedges:					
Interest rate swaps (IRS)	-	738	66,146	June 15, 2016	Negotiable notes (DPR)
	<u>-</u>	<u>738</u>	<u>66,146</u>		
	<u>324,268</u>	<u>384,734</u>	<u>12,373,640</u>		
2014					
	Assets S/(000)	Liabilities S/(000)	Notional amount S/(000)	Maturity	Hedged Instruments
Derivatives held for trading (i)					
Foreign currency forward contracts	44,669	95,286	9,198,156	Between January 2015 and January 2016	
Interest rate swaps	19,268	31,899	1,511,488	Between March 2015 and August 2024	
Currency swaps	176,841	88,855	5,294,379	Between January 2015 and September 2024	
Cross currency swaps (CCS)	213	55,406	175,750	January 11, 2023	
Foreign currency options	204	1,868	119,960	Between March 2015 and December 2015	
	<u>241,195</u>	<u>273,314</u>	<u>16,299,733</u>		
Derivatives held as hedges -					
Cash flow hedges:					
Interest rate swaps (IRS)	-	461	39,813	June 15, 2015	Negotiable notes (DPR)
Interest rate swaps (IRS)	-	4,609	162,856	June 15, 2016	Negotiable notes (DPR)
Interest rate swaps (IRS)	-	46	1,633	November 4, 2015	Mortgage bonds
	<u>-</u>	<u>5,116</u>	<u>204,302</u>		
	<u>241,195</u>	<u>278,430</u>	<u>16,504,035</u>		

Notes to the consolidated financial statements (continued)

- (i) Derivatives for trading are mainly to satisfy client's needs. The Group may also take positions with the expectation of profiting from favorable movements in prices or rates.

8. Deposits and obligations

- (a) As of December 31, 2015 and 2014 this caption is made up as follows:

	2015 S/(000)	2014 S/(000)
Time deposits	11,208,110	10,510,023
Savings deposits	8,198,498	5,076,302
Demand deposits	9,053,339	7,787,146
Other obligations	<u>27,719</u>	<u>7,956</u>
Total	<u>28,487,666</u>	<u>23,381,427</u>

- (b) Interest rates for deposits and obligations are based on market interest rates.
- (c) As of December 31, 2015 and 2014 approximately S/7,556,786,000 and S/6,454,401,000, respectively, of deposits and obligations are covered by the Deposit Insurance Fund.

Notes to the consolidated financial statements (continued)

9. Due to banks and correspondents

(a) This caption is made up as follows:

	2015 S/(000)	2014 S/(000)
By type -		
Loans received from foreign entities (b)	1,496,490	1,095,008
Promotional credit lines (c)	1,628,189	1,378,310
Central Bank of Peru (BCRP) (d)	<u>3,005,900</u>	<u>644,300</u>
	6,130,579	3,117,618
Interest and commissions payable	<u>61,147</u>	<u>23,296</u>
	<u>6,191,726</u>	<u>3,140,914</u>
By term -		
Short term	2,128,167	565,389
Long term	<u>4,063,559</u>	<u>2,575,525</u>
Total	<u>6,191,726</u>	<u>3,140,914</u>

(b) As of December 31, 2015 and 2014, includes the following:

Entity	Country	Final Maturity	2015 S/(000)	2014 S/(000)
Syndicated loans	-	2016	679,989	596,135
Wells Fargo Bank & Co.	United States of America	2016	170,550	89,580
HSBC Bank PLC	England	2016	170,550	-
Bank of America	United States of America	2016	102,330	-
Corporación Andina de Fomento - CAF	Multilateral	2016	85,275	74,650
Bladex	Panama	2018	83,996	140,267
Bank J. Safra Sarasin AG	Switzerland	2016	68,269	-
JP Morgan Chase & Co.	United States of America	2016	68,220	-
Scotiabank Perú S.A.A.	Peru	2016	30,000	-
BBVA Banco Continental	Peru	2016	20,256	-
China Development Bank	China	2016	17,055	44,790
Cobank	United States of America	2015	-	29,860
RBC Wealth Management	United States of America	2015	-	119,726
			<u>1,496,490</u>	<u>1,095,008</u>

(c) Promotional credit lines represent loans in Soles and US Dollars granted by Corporación Financiera de Desarrollo ("COFIDE"). These liabilities are guaranteed by a loan portfolio amounting to S/1,628,189,000 and S/1,378,310,000 as of December 31, 2015 and 2014, respectively. These borrowings accrued interest at interest rates that fluctuated between 4.02 percent and 9.85 percent during 2015 (between 4.00 percent and 9.85 percent as of December 31, 2014), and have maturities between April 2016 and December 2029, as of December 31, 2015 (between January 2015 and April 2028, as of December 31, 2014).

Notes to the consolidated financial statements (continued)

- (d) As of December 31, 2015 corresponds to repo operations with BCRP, through which Interbank receives a loan in Soles and sends US dollars (for an equivalent amount) to BCRP. This amount is recorded as “Cash and due from banks” until maturity of the loan. These operations have maturities between February 2016 and March 2019 (between December 2015 and July 2016, as of December 31, 2014) and accrued interest with effective rates between 3.00 percent and 6.16 percent (3.02 percent and 3.61 percent as of December 31, 2014).

Notes to the consolidated financial statements (continued)

10. Bonds, notes and other obligations

(a) This item is made up as follow:

Issuer	Issuance	Annual interest rate	Interest payment	Maturity	Authorized amount (000)	Used amount (000)	Outstanding balances	
							2015 S/(000)	2014 S/(000)
Subordinated bonds (b) – First Program								
Interbank	Second (B series)	9.50%	Semiannually	2023	US\$50,000	US\$30,000	102,330	89,580
Interbank	Third (A series)	3.5% + VAC	Semiannually	2023	S/135,000	S/110,000	110,000	110,000
Interbank	Fifth (A series)	8.50%	Semiannually	2019	S/135,000	S/3,300	3,300	3,300
Interbank	Sixth (A series)	8.16%	Semiannually	2019	US\$45,000	US\$15,110	51,540	45,118
Interbank	Eighth (A series)	6.91%	Semiannually	2022	S/300,000	S/137,900	137,900	137,170
Interseguro	First	9.00%	Quarterly	2016	US\$5,000	US\$5,000	171	14,930
Interseguro	Second (First Tranch)	6.97%	Semiannually	2024	US\$35,000	US\$35,000	119,385	104,510
Interseguro	Second (Second Tranch)	6.00%	Semiannually	2024	US\$15,000	US\$15,000	51,164	44,790
							<u>575,790</u>	<u>549,398</u>
Subordinated bonds (b) – Second Program								
Interbank	Second (A Series)	5.81%	Semiannually	2023	S/450,000	S/150,000	149,641	149,601
Interbank	Third (A Series)	7.50%	Semiannually	2023	US\$125,000	US\$50,000	169,305	148,829
							<u>318,946</u>	<u>298,430</u>
Subordinated bonds (c) – International Issuance								
Interbank	First	6.625%	Semiannually	2029	US\$300,000	US\$300,000	1,016,314	889,094
							<u>1,016,314</u>	<u>889,094</u>
Negotiable notes (DPR)								
IBK DPR Securitizadora (d)		Libor 3M + 2.75% / Libor3M + 3.00%	Quarterly	2014-2015	US\$200,000	US\$200,000	-	39,790
IBK DPR Securitizadora (e)		Libor 3M + 4.25%	Quarterly	2016	US\$121,200	US\$121,200	66,075	162,442
							<u>66,075</u>	<u>202,232</u>
Mortgage bonds – First Program								
Interbank	Second (A and B series)	5.6355% - Libor 6M + 0.90 bps	Semiannually	2015	US\$10,000	US\$10,000	-	1,792
							<u>-</u>	<u>1,792</u>
International Issuance through Panamanian Branch								
Junior subordinated notes (f)		8.50%	Semiannually	2070	US\$200,000	US\$200,000	668,566	586,357
Senior bonds (g)		5.75%	Semiannually	2020	US\$400,000	US\$400,000	1,356,245	1,185,919
Senior bonds (g)		5.75%	Semiannually	2020	US\$250,000	US\$250,000	825,199	766,810
							<u>2,850,010</u>	<u>2,539,086</u>
							98,278	85,256
Interest payable							<u>4,925,413</u>	<u>4,565,288</u>

Notes to the consolidated financial statements (continued)

- (b) Subordinated bonds do not have specific guarantees and in accordance to SBS rules they qualify as second level equity (Tier 2), in the determination of regulatory capital, see note 12(e).
- (c) Starting in March 2024, interest rate becomes a floating rate equal to the 3 month Libor rate for US dollar deposits plus 576 basis points. Starting at that date and on any interest payment date, Interbank can redeem 100 percent of the bonds without penalties. The principal payment will take place at the maturity date or when Interbank redeems the bonds.

This issuance qualifies in accordance to SBS rules as second level regulatory capital (Tier 2).

- (d) These notes were issued in two tranches, US\$60,000,000 and US\$140,000,000, respectively, and accrue interest at 3 month Libor rate plus a margin between 300 and 275 basis points. They are guaranteed by remittances received by Interbank through SWIFT transfers.

In order to hedge the variable rate component, Interbank has entered into two interest-rate swap agreements, with notional amounts of US\$60,000,000 and US\$140,000,000, respectively, by which it receives the 3 month Libor rate and pays annual fixed rates of 3.70 percent and 3.75 percent, respectively. The swaps' payment schedules are identical to those of the notes and were designated as cash flow hedges, see note 7(d).

- (e) These notes are guaranteed by remittances received by Interbank through SWIFT transfers.

In order to hedge the variable rate component, Interbank has entered into an interest-rate swap agreement, with notional amount of US\$121,000,000, by which it receives the 3 month Libor rate plus 425 basis points and pays an annual fixed rate of 7.90 percent, starting in September 2009. The swap payment schedule is identical to those of the notes and was designated as a cash-flow hedge, see note 7(d).

- (f) These notes accrue interest at a fixed annual interest rate of 8.50 percent for the first ten years, which starting April 2020 becomes a floating rate equal to the 3 month Libor rate for US dollar deposits plus 674 basis points, provided that the floating rate for any interest period will not be less than 10.5 percent per annum. Starting at that date and on any interest payment date, Interbank can redeem 100 percent of the notes without penalties.

This issuance qualifies as Tier 1 equity. However, the SBS establishes a 17.65 percent limit, which is computed over capital, reserves and retained earnings with capitalization agreement; any excess qualifies as Tier 2 equity.

- (g) Starting in April 2016, Interbank can redeem, on any coupon payment date, these bonds, paying as a penalty an interest rate equal to the United States of America Treasury Bonds rate plus 50 basis points. The principal payment of both issuances will take place at the maturity date of the bonds or when Interbank redeems them.

- (h) International issuances are listed at the Luxembourg Stock Exchange. On the other hand, local and international issuances have standard "covenants" related to financial ratios, use of funds and other administrative matters, which in Management's opinion, do not limit the Group's operations and the Group has complied with at the dates of the consolidated statements of financial position.

Notes to the consolidated financial statements (continued)

11. Insurance contract liabilities

(a) This caption is made up as follows:

	2015 S/(000)	2014 S/(000)
Technical reserves (b)	4,347,734	3,698,020
Claims reserves	<u>129,355</u>	<u>44,987</u>
	<u>4,477,089</u>	<u>3,743,007</u>

(b) As of December 31, 2015 and 2014 the balance of this caption is made up as follows:

	2015 S/(000)	2014 S/(000)
Annuities	4,061,692	3,437,762
Retirement, disability and survival annuities	122,527	129,349
Life insurance	131,186	98,363
General insurance	<u>32,329</u>	<u>32,546</u>
	<u>4,347,734</u>	<u>3,698,020</u>

Notes to the consolidated financial statements (continued)

(c) The movement of technical reserves disclosed (by type of insurance) for the years ended as of December 31, 2015 and, 2014, is as follows:

	2015				
	Annuities	Retirement, disability and survival annuities	Life insurance	General insurance	Total
	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
Balances as of January 1	3,437,762	129,349	98,363	32,546	3,698,020
Claims	642,672	-	4,968	24,823	672,463
Adjustments to prior years claim	(242,915)	(6,822)	20,826	(25,538)	(254,449)
Maturities and recoveries	-	-	(7,363)	-	(7,363)
Exchange differences	224,173	-	14,392	498	239,063
Balances as of December 31	<u>4,061,692</u>	<u>122,527</u>	<u>131,186</u>	<u>32,329</u>	<u>4,347,734</u>
	2014				
	Annuities	Retirement, disability and survival annuities	Life insurance	General insurance	Total
	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
Balances as of January 1	2,823,489	144,193	80,569	22,082	3,070,333
Claims	585,034	-	1,666	34,806	621,506
Adjustments to prior years claim	(77,297)	(14,844)	15,752	(24,775)	(101,164)
Maturities and recoveries	-	-	(5,489)	-	(5,489)
Exchange differences	106,536	-	5,865	433	112,834
Balances as of December 31	<u>3,437,762</u>	<u>129,349</u>	<u>98,363</u>	<u>32,546</u>	<u>3,698,020</u>

Notes to the consolidated financial statements (continued)

12. Equity

(a) Capital stock -

As of December 31, 2015 and 2014, IFS's capital stock is represented by 113,110,864 common shares issued and paid, the issuance value of those shares amounts to US\$9.72 per share with no par value.

Other paid-in capital -

Due to the reorganization explained in Note 1(b), until August 1, 2014 the effective date of the reorganization, the equity caption "Other paid-in capital" represented Inteligo Group Corp.'s capital stock, which on August 1, 2014 was transferred to the equity caption "Capital stock" to reflect the new shares issued by IFS to effect the reorganization.

As explained in Note 1(b), on August 1, 2014; 19,495,413 shares of IFS, with a price per share of US\$32.7 each equivalent to S/1,782,450,000, were issued to acquire Inteligo Group Corp and IFS recorded a "Capital stock" increase for the same amount. As the share exchange ratio was performed at fair value, and the pooling-of-interest method was used to account for the acquisition, which requires all amounts to be accounted for at their carryover book values, IFS recorded a "Capital stock" decrease of S/1,536,050,000, which is the amount required to match Inteligo Group Corp.'s capital stock before the reorganization (S/246,400,000).

IFS's Shareholders Meeting held on April 14, 2015 agreed to distribute dividends corresponding to 2014 for US\$ 180,977,000 (equivalent to approximately S/564,178,000).

IFS's Shareholders held on April 7, 2014 agreed to distribute dividends corresponding to 2013 for US\$150,000,000 (equivalent to approximately S/424,056,000).

(b) Treasury stock held by Subsidiaries

As of December 31, 2015, the Group holds 4,290,825 IFS's shares with acquisition cost amounted to S/322,214,000 (3,750,459 shares with acquisition cost amounted to S/285,776,000 as of 31, December, 2014 respectively). These shares and their acquisition cost are presented deducting the capital stock of the company.

(c) Capital surplus

Corresponds to the difference between the par value of shares issued and their sell or exchange value. Capital surplus is presented net of the expenses incurred and related to the issuance of shares and the difference between par value and acquisition costs of treasury stock.

(d) Reserves

IFS's Shareholders Meeting held on April 14, 2015 agreed to record reserves up to S/2,000,000,000 charged to retained earnings to 2014.

Notes to the consolidated financial statements (continued)

(e) Unrealized results

This caption is made-up as follows:

	2015	2014
	S/(000)	S/(000)
Net unrealized gain from available-for-sale investments (IFS)	43,675	61,516
Net unrealized (loss) gain from available-for-sale investments (subsidiaries)	(491,452)	39,043
Net unrealized loss on valuation of cash flow hedges	(428)	(3,423)
Foreign currency translation	<u>78,404</u>	<u>44,571</u>
Total	<u>(369,801)</u>	<u>141,707</u>

(f) Regulatory capital

IFS and Inteligo Group Corp. are not required to establish shareholders' equity for legal purposes (regulatory capital).

As of December 31, 2015 and 2014, the shareholders' equity for legal purposes required for Interbank, Interseguro and Inteligo Bank are detailed below:

Interbank's Regulatory Capital -

According to the provisions of Legislative Decree No. 1028, Interbank's regulatory capital must be equal to or greater than 10 percent of total risk weighted assets and contingent operations, represented by the sum of: the regulatory capital requirement for market risk multiplied by 10, the regulatory capital requirement for operational risk multiplied by 10 and the weighted assets and indirect credits by credit risk. This calculation must include all balance sheet exposures on assets in Peruvian or foreign currency.

As of December 31, 2015 and 2014, Interbank maintains the following amounts related to weighted assets and contingent credits by total risk and regulatory capital (basic and supplementary):

	2015	2014
	S/(000)	S/(000)
Total risk weighted assets and credits	34,951,504	30,845,129
Total regulatory capital	5,427,924	4,676,843
Basic regulatory capital (Level 1)	3,454,244	2,959,117
Supplementary regulatory capital (Level 2)	1,973,680	1,717,726
Global regulatory capital ratio	15.53%	15.16%

As of December 31, 2015 and 2014, Interbank has complied with SBS requirements as Regulatory Capital Requirements for Operational Risk, Market Risk and Credit Risk, respectively. These resolutions established, mainly, the methodologies to be applied by financial entities to calculate their risk-weighted assets for each type of risk.

Notes to the consolidated financial statements (continued)

Additional Regulatory Capital -

In July 2011, the SBS issued Resolution No. 8425-2011, which states that an entity must determine an additional regulatory capital. In this sense, Peruvian financial institutions must develop a process to assess the adequacy of their regulatory capital in relation with their risk profile, which must follow the methodology described in said resolution. The additional regulatory capital shall be equivalent to the amount of regulatory capital requirements calculated for each of the following components: economic cycle, concentration risk, market concentration risk and interest rate risk, among others. Likewise, financial institutions have a term of five years, starting in July 2012, to bring its regulatory capital into compliance with the new requirements. As of December 31, 2015, the percentage of adequacy established by the SBS is 85 percent, therefore the additional regulatory capital requirement for legal purposes estimated by Interbank amounts to approximately S/569,358,000 (S/539,937,000 with a 70 percent requirement as of December 31, 2014).

Interseguro's Regulatory Capital -

In accordance with SBS Resolution No. 1124-2006, amended by SBS Resolutions No. 8243-2008, No. 12687-2008 and No. 5587-2009, the regulatory capital must be greater than the amount resulting from the sum of the solvency net equity and the guarantee fund.

The solvency net equity is represented by the greater of the solvency margin or the minimal capital. As of December 31, 2015 and 2014, the solvency net equity is represented by the solvency margin. The solvency margin is the complementary support that insurance entities must maintain to deal with possible situations of excess claims not foreseen in the estimation of technical reserves.

The guarantee fund represents the additional equity support that insurance entities must maintain to deal with other risks that can affect them and that are not covered by the regulatory net equity, such as investment risk. The guarantee fund is equivalent to 35 percent of the regulatory net equity, calculated in accordance with SBS Resolution No. 1124-2006.

As of December 31, 2015 and 2014, Interseguro's shareholders' equity for legal purposes is as follows:

	2015	2014
	S/(000)	S/(000)
Regulatory capital	462,151	420,920
Less:		
Solvency equity (solvency margin)	279,564	214,602
Guarantee fund	97,848	75,110
Surplus	84,739	131,208

Inteligo Bank's Regulatory Capital -

The Central Bank of the Bahamas requires Inteligo Bank to maintain capital of not less than 8 percent of its risk weighted assets. Inteligo Bank's capital ratio as of December 31, 2015 and 2014, is the following:

	2015	2014
	US\$(000)	US\$(000)
Total eligible capital	145,663	111,476
Total risk weighed assets	547,526	562,398
Capital adequacy ratio	26.60%	19.82%

Notes to the consolidated financial statements (continued)

13. Tax situation

- (a) IFS and its Subsidiaries incorporated and domiciled in the Republic of Panama and the Commonwealth of the Bahamas – see Note 1(c) – are not subject to any Income Tax, or any taxes on capital gains, equity or property.

As of December 31, 2015 and 2014, there was no Income Tax liability reflected in the financial statements, for Inteligo Bank, as there is no Income Tax imposed by the Government of The Commonwealth of The Bahamas.

In accordance with current tax regulations in Panama, the branches of Inteligo Bank and Interbank are exempt from the payment of income taxes on profits derived from foreign operations.

- (b) Non-Peruvian resident taxpayers (entities or individuals) are subject to a 6.8 percent of Income Tax withholding over the gross amount of dividends distributed by Peruvian entities (4.1 percent as of December 31, 2014). Such Income Tax must be withheld by the Peruvian entity that distributes the dividends.

On the other hand, in accordance with Act No. 30296, the distribution of dividends for the next years will be as follows:

Profit (years)	Dividends tax (%)
2016	6.8
2017 and 2018	8.0
2019 onwards	9.3

In this regard, since IFS controls the distribution of dividends, IFS recognizes the amount of said Income Tax in the period to which dividends corresponds. As of December 31, 2015 and 2014, IFS has recorded expenses for income tax on dividends for S/31,859,000 and S/20,233,000, respectively, in the consolidated income statements.

- (c) The Group’s Subsidiaries incorporated in Peru are subject to Peruvian taxes; hence, they must assess their Income Tax burden on the basis of separate financial statements as of December 31, 2015 and 2014.

In accordance with Act No. 30296, approved on December 31, 2014, and in force since January 1, 2015, the Income Tax rate applicable, upon deducting the workers’ profit sharing, for the following years will be:

Years	%
2016	28
2017 y 2018	27
2019 onwards	26

Notes to the consolidated financial statements (continued)

(d) Peruvian Tax Authority – SUNAT

SUNAT is legally entitled to perform tax audits procedures for up to four years subsequent to the date on which the tax return regarding a taxable period must be filed. SUNAT is also entitled to challenge the Income Tax assessment performed by taxpayers in their tax returns.

Currently, the following taxable periods are pending to be reviewed by SUNAT:

- Interbank: Income Tax regarding years 2010 to 2014.
- Interseguro: Income Tax regarding years 2011 and 2014.

On the other hand, in April 2004, June 2006, February 2007, June 2007, November 2007, October 2008 and December 2010, Interbank was notified with Tax Assessments and Tax Fine Resolutions regarding the corporate Income Tax borne with respect to the fiscal years 2000 to 2006, Interbank filed Tax Claims and Tax Appeals regarding said Tax Assessments and Tax Fine Resolutions. In March 2009, August 2010 and December 2011; SUNAT solved the Tax Claims regarding fiscal years 2000 to 2006 and Interbank filed new tax appeals.

In December 2014, SUNAT declared correct part of the appeal by Interbank for the fiscal year 2001. However, part of the appeal was not accepted by SUNAT; therefore Interbank appealed that resolution.

During 2013 and 2014, SUNAT accomplished the review about corporate Income Tax borne by Interbank with respect to the fiscal years 2007, 2008 and 2009. As a result, SUNAT issued several Tax Assessment Resolutions, but no additional payment was required. Additionally, for the year 2010, the Bank is under the process of reviewed by SUNAT.

During 2014, SUNAT notified to Interbank the beginning of the partial audit process for the fiscal years 2011 y 2013 corresponding to withholding Income Tax to non-Peruvian resident taxpayers, which concluded in 2015 without additional requirements.

Since tax regulations are subject to interpretation by SUNAT, it is not possible to determine up to date whether such tax audits procedures would result in additional liabilities for the Group's Subsidiaries or not. Therefore, any unpaid tax, penalties or interests that might result from said audit procedures will be recorded in the year in which they are determined. Nevertheless, Management and its legal advisors consider that any additional tax assessments would not have a significant impact on the consolidated financial statements as of December 31, 2015 and 2014.

Notes to the consolidated financial statements (continued)

14. Interest and similar income and expenses

This caption is made up as follows:

	2015 S/(000)	2014 S/(000)
Financial Income		
Interest and fees on loan portfolio	2,906,798	2,501,960
Interest on investments	389,924	285,831
Interest on due from banks and inter-bank funds	11,007	11,640
Other financial income	<u>34,957</u>	<u>29,220</u>
Total	<u>3,342,686</u>	<u>2,828,651</u>
Financial Expenses		
Interest and fees on deposits and obligations	361,693	350,682
Interest on bonds, notes and other obligations	311,944	267,685
Interest and fees on due to banks and correspondents	212,106	137,218
Deposits Insurance fund fees	31,096	27,075
Other financial expenses	<u>4,856</u>	<u>6,202</u>
Total	<u>921,695</u>	<u>788,862</u>
Net interest	<u>2,420,991</u>	<u>2,039,789</u>

15. Fee income from financial services, net

This caption is made up as follows:

	2015 S/(000)	2014 S/(000)
Financial incomes		
Maintenance and mailing of accounts, interchange fees, transfers and credit and debit card services	508,477	437,074
Funds management	149,304	117,152
Commissions from banking services	144,989	137,797
Fees for indirect loans	58,639	54,140
Collection services	26,664	21,983
Brokerage and custody services	7,550	11,537
Other	<u>31,539</u>	<u>26,158</u>
Total	<u>927,162</u>	<u>805,841</u>
Financial expenses		
Insurance	57,861	52,239
Fees paid to foreign banks	9,361	10,087
Brokerage and custody services	2,027	1,891
Other	<u>39,547</u>	<u>37,484</u>
Total	<u>108,796</u>	<u>101,701</u>
Net	<u>818,366</u>	<u>704,140</u>

Notes to the consolidated financial statements (continued)

16. Other income and expenses

This caption is made up as follows:

	2015 S/.(000)	2014 S/.(000)
Other income		
ATM rental income	21,109	19,596
Income for portfolio sale	20,746	12,947
Participation from investments in associates	10,605	11,417
Other technical income from insurance operations	9,763	9,889
Services to third parties	7,237	6,936
Other income	<u>30,328</u>	<u>12,675</u>
Total other income	<u>99,788</u>	<u>73,460</u>
Other expenses		
Commissions from insurance activities	22,040	19,347
Sundry technical insurance expenses	14,476	9,167
Provision for indirect loans	10,548	3,932
Other expenses	<u>77,394</u>	<u>55,532</u>
Total other expenses	<u>124,458</u>	<u>87,978</u>

Notes to the consolidated financial statements (continued)

17. Net premiums earned

This caption is made up as follows:

	Premiums assumed		Adjustment of technical reserves		Net premiums (*)		Premiums ceded to reinsurers		Net premiums earned	
	(1)		(2)		(3) = (1) - (2)		(4)		(5) = (3) - (4)	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
Life insurance										
Annuities (**)	548,343	478,295	(399,757)	(507,737)	148,586	(29,442)	-	-	148,586	(29,442)
Group life	107,397	90,689	1,485	143	108,882	90,832	(3,171)	(3,259)	105,711	87,573
Individual life	42,229	33,624	(15,818)	(12,048)	26,411	21,576	(1,917)	(1,477)	24,494	20,099
Retirement, disability and survival	133,170	617	6,822	14,844	139,992	15,461	(124,425)	-	15,567	15,461
Others	2,218	3,906	(4,078)	(232)	(1,860)	3,674	(338)	(72)	(2,198)	3,602
Total Life insurance	833,357	607,131	(411,346)	(505,030)	422,011	102,101	(129,851)	(4,808)	292,160	97,293
Total General insurance	71,617	73,401	715	(10,031)	72,332	63,370	(38)	(51)	72,294	63,319
Total	904,974	680,532	(410,631)	(515,061)	494,343	165,471	(129,889)	(4,859)	364,454	160,612

(*) Includes the annual variation of technical reserves and unearned premiums.

(**) The variation of the adjustment of technical reserves is due to variation in current rates with which the technical reserves are determined.

Notes to the consolidated financial statements (continued)

18. Earnings per share

The following table presents the calculation of the weighted average number of shares and the basic and diluted earnings per share, reflecting the reorganization under common control described:

	IFS Outstanding shares	IFS shares considered in computation	Days as of the end of year	Weighted average number of shares
	(in thousands)	(in thousands)		(in thousands)
Period 2014				
Balance as of January 1	90,300	90,300	365	90,300
Contribution of Inteligo Group Corp.	19,495	19,495	365	19,495
Sales of treasury stock	244	244	199	133
Purchase of treasury stock	<u>(679)</u>	<u>(679)</u>	288	<u>(535)</u>
Balance as of December 31	<u>109,360</u>	<u>109,360</u>		<u>109,393</u>
Net earnings S/(000)				<u>949,104</u>
Earnings per share (Nuevos Soles)				<u>8.676</u>
Period 2015				
Balance as of January 1	109,360	109,360	365	109,360
Sales of treasury stock	23	23	187	12
Purchase of treasury stock	<u>(562)</u>	<u>(562)</u>	203	<u>(313)</u>
Balance as of December 31	<u>108,820</u>	<u>108,820</u>		<u>109,058</u>
Net earnings attributable to IFS S/(000)				<u>1,231,766</u>
Earnings per share (Nuevos Soles)				<u>11.295</u>

Notes to the consolidated financial statements (continued)

19. Transactions with related parties and affiliated companies

(a) The table below presents the balances with related parties and affiliated companies as of December 31, 2015 and 2014:

	2015 S/(000)	2014 S/(000)
Assets		
Trading securities	-	59,323
Investments available-for-sale		
Royalty Pharma, Note 4(e)	229,001	168,585
InRetail Perú Corp. Note 4(d)	149,107	155,864
Corporate Bonds - InRetail Shopping Mall S.A.	-	53,953
Corporate Bonds – Colegios Peruanos S.A.C.	33,844	35,000
Corporate Bonds - Cineplex S.A.	13,850	21,527
Corporate Bonds - Financiera Uno S.A.	20,320	19,917
Corporate Bonds - Intercorp Perú Ltd.	7,965	14,524
Corporate Bonds - Intercorp Retail Inc.	5,977	-
Loan portfolio, net	864,081	768,060
Derivatives receivable	14,229	9,207
Other assets (e)	75,411	87,553
Liabilities		
Deposits and obligations	301,757	312,276
Derivatives payables	-	1,548
Other liabilities	4,819	6,408
Off-balance sheet accounts		
Indirect loans	121,288	99,172
	2015	2014
Income (expense)		
Interest and similar income	75,944	55,681
Interest and similar expenses	(4,779)	(5,726)
Net gain on sale of securities	60,343	-
Rental income	1,788	9,762
(Loss) profit from sale of investment property	(1,259)	5,959
Other, net	(3,436)	17,776
Administrative expenses	(12,963)	(17,042)

Notes to the consolidated financial statements (continued)

- (b) As of December 31, 2015 and 2014, directors, executives and employees of the Group have been involved, directly and indirectly, in credit transactions with certain subsidiaries of the Group, as permitted by Peruvian Banking and Insurance Law, which regulates and establishes credit limits with employees, directors and officers of a bank or an insurance company. At said dates, direct loans granted to employees, directors and key Management amounted to S/146,439,000 and S/122,593,000, respectively.

There are no loans to the Group's directors and key personnel guaranteed with any Subsidiaries' shares.

- (c) The Group's key personnel compensation for the years ended December 31, 2015 and 2014, amounted to S/18,444,000 and S/18,262,000, respectively.
- (d) As of December 31, 2014, IFS and its Subsidiaries participate in domestic and foreign mutual and investment funds, recorded as available-for-sale investments which are managed by Interfondos S.A. Sociedad Administradora de Fondos, that amount to S/7,500,000.
- (e) Corresponds mainly to paid in previous years for concession agreements with Supermercados Peruanos for spaces ceded to Interbank in the stores of Supermercados Peruanos S.A. for the operation of financial stores up to year 2030, and for an amount of approximately S/16,819,000 and S/20,737,000 as of December 31, 2015 and 2014, respectively (see Note 7(a)). Interbank may renew the term of the agreement for an additional term of 15 years. Other assets also include accounts receivables from Intercorp Perú for an amount of US\$ 18,674,000 (equivalent to S/55,761,000) as of December 31, 2014; these accounts generate interest market rates mature between May, 2015 and May 2017; at the date of this report receivable accounts were collected.
- (f) In Management's opinion, transactions with related parties have been performed under normal market conditions and within the limits permitted by SBS, in the case of entities regulated by it. Taxes generated by these transactions and the taxable base used for computing them are those customarily used in the industry and are determined according to prevailing tax standards.

Notes to the consolidated financial statements (continued)

20. Business segments

IFS has the following operating segments based on products and services:

Banking

Principally handling loans, credit facilities, deposits and current accounts.

Insurance

Provider of annuities, traditional life insurance products, as well as other retail focused insurance products.

Wealth management

Provider of financial advisory services and brokerage services.

Notes to the consolidated financial statements (continued)

The following table presents the Group's financial information by business segments for the years ended as of December 31, 2015 and 2014:

	2015					2014				
	Banking	Insurance	Wealth Management	Corporate and eliminations	Total	Banking	Insurance	Wealth Management	Corporate and eliminations	Total
	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
Total income										
Third Party	4,201,971	791,228	271,627	(51,783)	5,213,043	3,483,677	539,987	264,317	(54,895)	4,233,086
Inter-segment	(54,809)	(147)	(3,934)	58,890	-	(50,421)	(4,046)	(800)	55,267	-
Total income (*)	4,147,162	791,081	267,693	7,107	5,213,043	3,433,256	535,941	263,517	372	4,233,086
Extracts of results										
Interest and similar income	2,961,419	259,589	139,749	(18,071)	3,342,686	2,534,853	202,248	104,890	(13,340)	2,828,651
Interest and similar expenses	(858,533)	(11,854)	(52,697)	1,389	(921,695)	(732,531)	(7,808)	(48,975)	452	(788,862)
Net interest and similar income	2,102,886	247,735	87,052	(16,682)	2,420,991	1,802,322	194,440	55,915	(12,888)	2,039,789
Provision for loan losses, net of recoveries	(643,917)	-	(1,907)	-	(645,824)	(425,512)	-	-	-	(425,512)
Net interest and similar income after provision for loan losses	1,458,969	247,735	85,145	(16,682)	1,775,167	1,376,810	194,440	55,915	(12,888)	1,614,277
Fee income from financial services, net	733,722	(3,225)	121,946	(34,077)	818,366	645,085	(2,317)	95,894	(34,522)	704,140
Other income	506,830	170,411	9,932	365	687,538	303,739	179,444	63,533	(7,033)	539,683
Total premiums earned less claims and benefits	-	105,543	-	-	105,543	-	(20,498)	-	-	(20,498)
Depreciation and amortization	(100,553)	(4,449)	(6,058)	-	(111,060)	(99,149)	(3,059)	(3,189)	-	(105,397)
Other expenses	(1,360,392)	(218,797)	(105,558)	25,683	(1,659,064)	(1,187,746)	(181,316)	(75,423)	8,908	(1,435,577)
Income before translation result and income tax	1,238,576	297,218	105,407	(24,711)	1,616,490	1,038,739	166,694	136,730	(45,535)	1,296,628
Translation result	(49,494)	14,835	74	9,485	(25,100)	(23,643)	(8,837)	1,238	6,226	(25,016)
Income tax	(320,704)	(92)	70	(31,860)	(352,586)	(284,043)	(3,319)	(1,511)	(20,233)	(309,106)
Profit for the year	868,378	311,961	105,551	(47,086)	1,238,804	731,053	154,538	136,457	(59,542)	962,506
Attributable to:										
Equity holders of the Group	868,378	310,967	105,551	(53,130)	1,231,766	731,053	146,239	136,457	(64,645)	949,104
Attributable to non-controlling interest	-	994	-	6,044	7,038	-	8,299	-	5,103	13,402
	868,378	311,961	105,551	(47,086)	1,238,804	731,053	154,538	136,457	(59,542)	962,506

Notes to the consolidated financial statements (continued)

	2015				
	Banking S/(000)	Insurance S/(000)	Wealth Management S/(000)	Corporate and eliminations S/(000)	Total Consolidated S/(000)
Total assets	41,652,030	5,253,987	3,376,035	(281,183)	50,000,869
Total liabilities	37,907,010	4,916,095	2,796,288	(79,455)	45,539,938
Impairment loss on available-for-sale investments of the period	(2,362)	(46,514)	(29,409)	-	(78,285)
	2014				
	Banking S/(000)	Insurance S/(000)	Wealth Management S/(000)	Corporate and eliminations S/(000)	Total Consolidated S/(000)
Total assets	32,904,861	4,743,443	2,934,118	(217,195)	40,365,227
Total liabilities	29,628,640	4,052,058	2,455,471	(73,216)	36,062,953
Impairment loss on available-for-sale investments of the period	-	(7,016)	(13,139)	-	(20,155)

Notes to the consolidated financial statements (continued)

21. Financial instruments classification

Following are presented the carrying amounts of financial assets and liabilities in the consolidated statements of financial position, classified by category in accordance with IAS 39 "Financial Instruments":

	2015					2014					
	Financial assets at fair value through profit or loss held for trading or S/(000)	Loans and receivables S/(000)	Investment available-for-sale S/(000)	Held to maturity investments S/(000)	Financial liabilities at amortized cost S/(000)	Total S/(000)	Financial assets at fair value through profit or loss held for trading or S/(000)	Loans and receivables S/(000)	Investment available-for-sale S/(000)	Financial liabilities at amortized cost S/(000)	Total S/(000)
Financial Assets											
Cash and due from banks	-	12,431,785	-	-	-	12,431,785	-	6,358,504	-	-	6,358,504
Inter-bank funds	-	245,028	-	-	-	245,028	-	310,030	-	-	310,030
Trading securities	105,189	-	-	-	-	105,189	105,782	-	-	-	105,782
Investments available-for-sale	-	-	8,067,164	-	-	8,067,164	-	-	8,303,176	-	8,303,176
Loans, net	-	25,994,235	-	-	-	25,994,235	-	22,617,207	-	-	22,617,207
Held to maturity investments	-	-	-	479,561	-	479,561	-	-	-	-	-
Due from customers on acceptances	-	27,118	-	-	-	27,118	-	18,833	-	-	18,833
Accounts receivables and other assets, net	324,268	469,901	-	-	-	794,169	241,195	604,412	-	-	845,607
	<u>429,457</u>	<u>39,168,067</u>	<u>8,067,164</u>	<u>479,561</u>	<u>-</u>	<u>48,144,249</u>	<u>346,977</u>	<u>29,908,986</u>	<u>8,303,176</u>	<u>-</u>	<u>38,559,139</u>
Financial liabilities											
Deposits and obligations	-	-	-	-	28,487,666	28,487,666	-	-	-	23,381,427	23,381,427
Due to banks and correspondents	-	-	-	-	6,191,726	6,191,726	-	-	-	3,140,914	3,140,914
Bonds, notes and other obligations	-	-	-	-	4,925,413	4,925,413	-	-	-	4,565,288	4,565,288
Insurance contract liabilities	-	-	-	-	4,477,089	4,477,089	-	-	-	3,743,007	3,743,007
Due from customers on acceptances	-	27,118	-	-	-	27,118	-	18,833	-	-	18,833
Accounts payables, provision and other liabilities	384,734	-	-	-	918,474	1,303,208	278,430	-	-	840,734	1,119,164
	<u>384,734</u>	<u>27,118</u>	<u>-</u>	<u>-</u>	<u>45,000,368</u>	<u>45,412,220</u>	<u>278,430</u>	<u>18,833</u>	<u>-</u>	<u>35,671,370</u>	<u>35,968,633</u>

Notes to the consolidated financial statements (continued)

22. Financial Risk Management

It comprises the management of the main risks that IFS is exposed to because of the nature of its operations: credit risk, market risk, liquidity risk and insurance risk.

- Credit risk: Probability of loss due to inability or lack of willingness to pay of the debtors, counterparts or third parties bound to comply with their contractual obligations.
 - Market risk: Probability of losses in positions on and off-balance sheets derived from variations in market conditions. It generally includes the following risk types: exchange rate, fair value by interest rate type, and price, among others.
 - Liquidity risk: Probability of loss due to noncompliance with the requirements of financing and fund application that arise from imbalances of cash flows.
 - Insurance risk: Probability of losses due to inadequate processes, personnel and information technologies failures, or external events.
- (a) Credit risk management for loan -
IFS classifies its loan portfolio into one of five risk categories, depending upon the degree of risk of non-payment of each debtor. The categories used are: (i) normal - A, (ii) potential problems - B, (iii) substandard - C, (iv) doubtful - D and (v) loss – E.

Notes to the consolidated financial statements (continued)

The table below presents three groups of direct loans: (i) Non-past-due and non-impaired loans, which comprise direct loans that currently do not present delinquency characteristics and are related to debtors classified as “Normal” and “with Potential problems”; (ii) Past-due but non impaired loans, which comprise past-due loans of debtors classified as “Normal” or “with Potential problems”; and (iii) impaired loans, those past-due loans classified as “Substandard”, “Doubtful” or “Loss”. Also, it is presented the allowance for loan loss for each loan type.

	2015					%
	Commercial loans S/(000)	Mortgage loans S/(000)	Consumer loans S/(000)	Micro-business loans S/(000)	Total S/(000)	
Neither past due nor impaired						
Normal	12,293,413	4,201,926	7,273,052	792,533	24,560,924	95
Potential problems	105,044	28,997	84,111	12,060	230,212	1
	<u>12,398,457</u>	<u>4,230,923</u>	<u>7,357,163</u>	<u>804,593</u>	<u>24,791,136</u>	
Past due but not impaired						
Normal	86,636	274,728	836	32,053	394,253	3
Potential problems	38,458	56,115	236,682	14,601	345,856	1
	<u>125,094</u>	<u>330,843</u>	<u>237,518</u>	<u>46,654</u>	<u>740,109</u>	
Impaired						
Substandard	33,804	76,295	198,768	18,405	327,272	1
Doubtful	24,697	64,979	318,801	21,779	430,256	2
Loss	63,672	129,892	237,413	37,922	468,899	2
	<u>122,173</u>	<u>271,166</u>	<u>754,982</u>	<u>78,106</u>	<u>1,226,427</u>	
Total loan portfolio, gross (*)	<u>12,645,724</u>	<u>4,832,932</u>	<u>8,349,663</u>	<u>929,353</u>	<u>26,757,672</u>	104
Less: Allowance for loan losses	<u>131,397</u>	<u>50,432</u>	<u>767,301</u>	<u>92,449</u>	<u>1,041,579</u>	4
Total, net	<u>12,514,327</u>	<u>4,782,500</u>	<u>7,582,362</u>	<u>836,904</u>	<u>25,716,093</u>	100

(*) Does not include accrued interest, unearned interest or interest collected in advance.

Notes to the consolidated financial statements (continued)

	2014					%	
	Commercial				Micro-business		Total
	loans S/(000)	Mortgage loans S/(000)	Consumer loans S/(000)	loans S/(000)	S/(000)		
Neither past due nor impaired							
Normal	10,802,149	3,594,485	6,263,806	508,797	21,169,237	95	
Potential problem	<u>115,836</u>	<u>15,106</u>	<u>48,466</u>	<u>2,735</u>	<u>182,143</u>	1	
	<u>10,917,985</u>	<u>3,609,591</u>	<u>6,312,272</u>	<u>511,532</u>	<u>21,351,380</u>		
Past due but not impaired							
Normal	185,786	288,883	4,429	11,500	490,598	2	
Potential problem	<u>42,288</u>	<u>64,542</u>	<u>180,195</u>	<u>11,043</u>	<u>298,068</u>	1	
	<u>228,074</u>	<u>353,425</u>	<u>184,624</u>	<u>22,543</u>	<u>788,666</u>		
Impaired							
Substandard	130,340	57,510	142,702	8,038	338,590	1	
Doubtful	34,928	59,854	256,771	8,254	359,807	2	
Loss	<u>57,515</u>	<u>81,579</u>	<u>195,546</u>	<u>24,029</u>	<u>358,669</u>	2	
	<u>222,783</u>	<u>198,943</u>	<u>595,019</u>	<u>40,321</u>	<u>1,057,066</u>		
Total loan portfolio, gross	<u>11,368,842</u>	<u>4,161,959</u>	<u>7,091,915</u>	<u>574,396</u>	<u>23,197,112</u>	104	
Less: Provision for loan losses	<u>144,444</u>	<u>29,490</u>	<u>576,913</u>	<u>68,831</u>	<u>819,678</u>	4	
Total, net	<u>11,224,398</u>	<u>4,132,469</u>	<u>6,515,002</u>	<u>505,565</u>	<u>22,377,434</u>	100	

- (i) In accordance with IFRS 7, total loan balance is considered past due when debtors have failed to make a payment when contractually due.
- (ii) As of December 31, 2015 and 2014, loans amounting to approximately S/740,109,000 and S/788,666,000, respectively, were not impaired and were past due mainly for less than 30 days.
- (iii) As of December 31, 2015 and 2014, refinanced loans amounted to S/249,216,000, and S/140,688,000, respectively. Past due refinanced loans amounted to S/32,321,000, and S/24,072,000, respectively, out of which S/1,666,000 and S/241,000, respectively, are classified as past-due and not-impaired; and S/30,655,000 and S/23,831,000, are impaired, respectively.

Notes to the consolidated financial statements (continued)

(b) Foreign exchange risk -

The Group is exposed to the effects of fluctuations in the exchange rates of foreign currency prevailing on its financial position and cash flows. Managements of the Subsidiaries set limits on the levels of exposure by currency and in total "overnight" transactions, which are monitored daily. Most of the assets and liabilities in foreign currency are stated in US dollars. Transactions in foreign currency are accounted for by using exchange rates prevailing on the market.

As of December 31, 2015, the market exchange rate published by the SBS for transactions in US Dollars was S/3.408 per US\$1.00 bid and S/3.413 per US\$1.00 ask (S/2.981 and S/2.989 as of December 31, 2014, respectively). As of December 31, 2015, the exchange rate for the accounting of asset and liability accounts in foreign currency set by the SBS was S/3.411 per US\$1.00 (S/2.986 as of December 31, 2014).

The table below presents a detail of the Group's currency position:

	2015				2014			
	U.S. Dollars S/(000)	Soles S/(000)	Other currency S/(000)	Total S/(000)	U.S. Dollars S/(000)	Soles S/(000)	Other currency S/(000)	Total S/(000)
Assets								
Cash and due from bank	10,994,640	1,191,209	245,936	12,431,785	5,145,412	992,535	220,557	6,358,504
Inter-bank funds	-	245,028	-	245,028	-	310,030	-	310,030
Trading security	55,257	49,932	-	105,189	89,972	15,810	-	105,782
Investment available-for-sale	4,990,861	3,050,691	25,612	8,067,164	5,598,924	2,639,244	65,008	8,303,176
Investment held-to-maturity	1	479,560	-	479,561	-	-	-	-
Loans, net	8,830,039	17,164,196	-	25,994,235	9,340,865	13,276,342	-	22,617,207
Due from customers on acceptances	27,118	-	-	27,118	18,833	-	-	18,833
Accounts receivables and other assets, net	199,424	585,690	9,055	794,169	283,397	561,168	1,042	845,607
	<u>25,097,340</u>	<u>22,766,306</u>	<u>280,603</u>	<u>48,144,249</u>	<u>20,477,403</u>	<u>17,795,129</u>	<u>286,607</u>	<u>38,559,139</u>
Liabilities								
Deposits and obligations	15,778,230	12,494,433	215,003	28,487,666	11,372,473	11,819,919	189,035	23,381,427
Due to banks and correspondents	1,897,237	4,294,489	-	6,191,726	1,415,497	1,725,417	-	3,140,914
Bonds, notes and other obligations	4,493,006	432,407	-	4,925,413	4,138,794	426,494	-	4,565,288
Due from customers on acceptances	27,118	-	-	27,118	18,833	-	-	18,833
Insurance contract liabilities	1,929,909	2,547,180	-	4,477,089	1,821,767	1,921,240	-	3,743,007
Accounts payables, provision and other liabilities	291,974	977,812	33,422	1,303,208	290,127	811,213	17,824	1,119,164
	<u>24,417,474</u>	<u>20,746,321</u>	<u>248,425</u>	<u>45,412,220</u>	<u>19,057,491</u>	<u>16,704,283</u>	<u>206,859</u>	<u>35,968,633</u>
Forward position, net	(1,071,817)	1,127,898	(56,081)	-	(3,785,182)	3,815,565	(30,383)	-
Currency swaps position, net	1,484,323	(1,484,323)	-	-	3,816,609	(3,816,609)	-	-
Cross currency swaps position, net	-	-	-	-	(175,750)	175,750	-	-
Foreign currency options, net	(354,786)	354,786	-	-	(57,096)	57,096	-	-
Net position	737,586	2,018,346	(23,903)	2,732,029	1,218,493	1,322,648	49,365	2,590,506

As of December 31, 2015, the Group granted indirect loans (contingent operations) in foreign currency for approximately US\$ 819,898,000, equivalent to S/2,796,672,000 (US\$715,957,000, equivalent to S/2,137,848,000 as of December 31, 2014).

Notes to the consolidated financial statements (continued)

23. Fair value

(a) Determination of fair value and fair value hierarchy of financial instruments

The following table analyses the financial instruments measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorized. The amounts are based on the values recognized in the consolidated statements of financial position:

	2015				2014			
	Level 1 S/(000)	Level 2 S/(000)	Level 3 S/(000)	Total S/(000)	Level 1 S/(000)	Level 2 S/(000)	Level 3 S/(000)	Total S/(000)
Assets								
Trading securities	84,802	20,387	-	105,189	46,235	59,547	-	105,782
Available-for-sale investments								-
Debt instruments	4,058,803	2,329,006	-	6,387,809	4,579,505	2,329,123	-	6,908,628
InRetail Perú Corp.	149,107	-	-	149,107	155,864	-	-	155,864
Royalty Pharma	-	-	229,001	229,001	-	-	168,585	168,585
Mutual funds and investments participations	420,244	185,935	309,765	915,944	258,508	123,214	246,128	627,850
Peruvian and foreign entities and other shares	304,779	738	-	305,517	372,836	671	-	373,507
Derivatives receivable	-	324,268	-	324,268	-	241,195	-	241,195
	<u>5,017,735</u>	<u>2,860,334</u>	<u>538,766</u>	<u>8,416,835</u>	<u>5,412,948</u>	<u>2,753,750</u>	<u>414,713</u>	<u>8,581,411</u>
Accrued interest				79,786				68,742
				<u>8,496,621</u>				<u>8,650,153</u>
Liabilities								
Derivatives payable	-	384,734	-	384,734	-	278,430	-	278,430

Financial assets included in Level 1 are those measured on the basis of information that is available in the market, to the extent that their quoted prices reflect an active and liquid market and that are available in some centralized trading mechanism, trading agent, price supplier or regulatory entity.

Financial instruments included in Level 2 are valued with the market prices of other instruments possessing similar characteristics or with financial valuation models based on information of variables that can be available on the market (interest rate curves, price vectors, etc.). The Group uses this method mainly to value derivative financial instruments.

On the other hand, fair value of financial assets included in Level 3 is calculated by using assumptions and data that do not correspond to prices of operations traded on the market. The valuation requires Management to make certain assumptions about the model inputs, including forecast cash flow, the discount rate, credit risk and volatility. The probabilities of the various estimates within the range can be reasonably assessed and are used in Management's estimate of fair value for these unquoted investments.

Notes to the consolidated financial statements (continued)

(b) Financial instruments not measured at fair value

The table below presents the disclosure of the comparison between the carrying amounts and fair values of the Group's financial instruments that are not measured at fair value, presented by level of the fair value hierarchy as of December 31, 2015 and 2014:

	2015					2014				
	Level 1	Level 2	Level 3	Fair Value	Book value	Level 1	Level 2	Level 3	Fair value	Book value
	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
Assets										
Cash and due from banks	-	12,431,785	-	12,431,785	12,431,785	-	6,358,504	-	6,358,504	6,358,504
Inter-bank funds	-	245,028	-	245,028	245,028	-	310,030	-	310,030	310,030
Loans, net	-	26,572,466	-	26,572,466	25,994,235	-	22,881,181	-	22,881,181	22,617,207
Held-to-maturity investments	-	479,561	-	479,561	479,561	-	-	-	-	-
Due from customers on acceptances	-	27,118	-	27,118	27,118	-	18,833	-	18,833	18,833
Accounts receivable and other assets	-	469,901	-	469,901	469,901	-	604,412	-	604,412	604,412
Total	-	40,225,859	-	40,225,859	39,647,629	-	30,172,960	-	30,172,960	29,908,986
Liabilities										
Deposits and obligations	-	28,479,474	-	28,479,474	28,487,666	-	23,378,763	-	23,378,763	23,381,427
Due to banks and correspondents	-	6,090,059	-	6,090,059	6,191,726	-	3,151,772	-	3,151,772	3,140,914
Bonds, notes and notes issued	-	5,168,909	-	5,168,909	4,925,413	-	4,864,883	-	4,864,883	4,565,288
Insurance contract liabilities	-	4,477,089	-	4,477,089	4,477,089	-	3,743,007	-	3,743,007	3,743,007
Due from customers on acceptances	-	27,118	-	27,118	27,118	-	18,833	-	18,833	18,833
Accounts payable and other liabilities	-	918,474	-	918,474	918,474	-	840,734	-	840,734	840,734
Total	-	45,161,123	-	45,161,123	45,027,486	-	35,997,992	-	35,997,992	35,690,203

Notes to the consolidated financial statements (continued)

The methodologies and assumptions used to determine fair values depend on the terms and risk characteristics of the various financial instruments and include the following:

- i. Long-term fixed-rate and variable-rate loans are evaluated by the Group based on parameters such as interest rates, specific country risk factors, individual creditworthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances are taken into account for the expected losses of these loans. As of December 31, 2015 and 2014, the carrying amounts of the loans, net of provisions, were not significantly different from their fair values calculated.
- ii. Assets whose fair values approximate their carrying value - For financial assets and financial liabilities that are liquid or having a short term maturity (less than three months) it is assumed that the carrying amounts approximate to their fair values. This assumption is also applied to demand deposits, savings accounts without a specific maturity and variable-rate financial instruments.
- iii. Fixed-rate financial instruments - The fair value of fixed rate financial assets and liabilities carried at amortized cost are estimated by comparing market interest rates when they were first recognized with current market rates offered for similar financial instruments for the remaining term to maturity. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing market interest rates for financial instruments with similar credit risk and maturity. For quoted debt issued the fair values are calculated based on quoted market prices. When quoted market prices are not available, a discounted cash flow model is used based on a current interest rate yield curve appropriate for the remaining term to maturity.

24. Fiduciary activities and management of funds

The Group provides custody, trustee, investment management and advisory services to third parties; therefore, the Group makes allocations and purchase and sale decisions in relation to a wide range of financial instruments. Assets that are held in a fiduciary capacity are not included in these consolidated financial statements.

As of December 31, 2015 and 2014, value of the financial assets under administration was S/13,611,842,000 and S/10,990,705,000, respectively.