Scotiabank Perú S.A.A. and Subsidiaries.

Consolidated Interim Financial Statements

September 30, 2015
(with the Independent Auditors' Report on Review of Consolidated Interim Financial Statements)

(ORIGINALLY ISSUED IN SPANISH)

INDEPENDENT AUDITORS' REPORT ON REVIEW OF CONSOLIDATED INTERIM FINANCIAL STATEMENTS

To the Shareholders and Board of Directors of
Scotiabank Perú S.A.A.

Introduction

We have reviewed the accompanying September 30, 2015 consolidated interim financial statements of Scotiabank Perú S.A.A. (a subsidiary of The Bank of Nova Scotia – BNS, an entity established in Canada) and Subsidiaries, which comprises:

- The consolidated statement of financial position as at September 30, 2015;
- The consolidated income statements for the nine-month period ended September 30, 2015;
- The consolidated statements of comprehensive income for the nine-month period ended September 30, 2015;
- The consolidated statements of changes in shareholders' equity for the nine-month period ended September 30, 2015; and
- The consolidated statements of cash flows for the nine-month period ended September 30, 2015; and
- Notes to the interim financial statements comprising a summary of significant accounting policies and other explanatory information.

Management is responsible for the preparation and fair presentation of these consolidated interim financial statements in accordance with accounting standards established by Superintendencia de Banca, Seguros y Administradoras Privadas de Fondos de Pensiones - SBS (Banking, Insurance and Pension Plan Agency) for financial institutions in Peru. Our responsibility is to express a conclusion on these consolidated interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying September 30, 2015 consolidated interim financial statements do not present fairly, in all material respects, the financial position, financial performance and cash flows of Scotiabank Perú S.A.A. and Subsidiaries in accordance with accounting standards established by the SBS for financial institutions in Peru.

Lima, Peru

November 27, 2015

Countersigned by:

Eduardo Alejos P. (Partner)
Peruvian Certified Public Accountant
Registration N° 29180

SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES

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Consolidated Statements of Financial Position
As of September 30, 2015 and December 31, 2014

Thousands of nuevos soles	*Note*	09.30.2015 (Unaudited)	12.31.2014 (Audited)
Assets			
Cash and due from banks	*6*		
Cash		1,069,429	1,268,834
Deposits with Banco Central de Reserva del Perú		7,360,980	7,466,581
Deposits with local and foreign banks		486,960	472,206
Clearing		50,351	51,031
Other cash and due from banks		4,757,217	1,313,380
		13,724,937	**10,572,032**
Interbank funds		278,824	70,002
Investments at fair value through profit or loss and available-for-sale investments	*7*	2,779,678	2,038,639
Loan portfolio, net	*8*	37,424,905	31,667,386
Held-for trading derivative instruments	*9*	191,665	171,939
Accounts receivable, net	*10*	885,151	867,020
Investments in associates		68,943	62,062
Goodwill	*11*	560,158	278,818
Property, furniture, and equipment, net	*12*	435,526	453,744
Deferred income tax	*27*	264,060	252,384
Other assets, net	*13*	583,466	556,293
Total assets		**57,197,313**	**46,990,319**
Risks and contingent commitments	*19*	43,625,648	48,496,400

Thousands of nuevos soles	*Note*	09.30.2015 (Unaudited)	12.31.2014 (Audited)
Liabilities and shareholders' equity			
Deposits and obligations	*14*		
Demand deposits		11,338,556	10,310,188
Savings deposits		7,187,588	6,394,975
Time deposits		13,284,941	11,435,844
Other obligations		2,239,076	1,199,550
		34,050,161	**29,340,557**
Interbank funds		20,002	-
Borrowings and financial obligations	*15*	15,921,104	10,924,144
Held-for trading derivative instruments	*9*	126,276	187,158
Provisions and other liabilities	*16*	1,097,439	892,397
Total liabilities		**51,214,982**	**41,344,256**
Shareholders' equity	*17*		
Capital stock		4,156,665	3,683,040
Additional paid-in capital		368,513	368,564
Legal reserve		742,398	646,777
Unrealized earnings		3,147	22,028
Retained earnings		711,608	925,654
Total shareholders' equity		**5,982,331**	**5,646,063**
Total liabilities and shareholders' equity		**57,197,313**	**46,990,319**
Risks and contingent commitments	*19*	43,625,648	48,496,400

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

SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES
Consolidated Income Statements
For the nine-month periods ended September 30, 2015 and 2014

Thousands of nuevos soles	***Note***	**2015 (Unaudited)**	**2014 (Unaudited)**
Interest income	20	2,852,102	2,423,566
Interest expenses	21	(608,238)	(452,378)
Gross finance income		2,243,864	1,971,188
Provisions for loans, net of recoveries		(686,413)	(639,535)
Net finance income		1,557,451	1,331,653
Income from finance services, net	22	419,614	414,571
Net finance income and finance service expenses		1,977,065	1,746,224
Results from financial transactions	23	344,539	202,601
Operating margin		2,321,604	1,948,825
Administrative expenses	24	(1,177,594)	(1,027,071)
Depreciation of property, furniture, and equipment		(49,047)	(47,169)
Amortization of intangible assets		(11,335)	(10,165)
Net operating margin		1,083,628	864,420
Net provisions for contingent loans, doubtful and other accounts receivable, realizable, repossessed assets, and other assets		(32,471)	(11,119)
Operating results		1,051,157	853,301
Other income, net	25	13,363	95,758
Net profit before income tax		1,064,520	949,059
Deferred income tax	27	(6,024)	71,774
Current income tax	26.A	(316,504)	(367,640)
Net profit		**741,992**	**653,193**

SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES
Consolidated Income Statement and Other Comprehensive Income
For the nine-month periods ended September 30,2015 and 2014 September 30, 2015

Thousands of nuevos soles	**2015 (Unaudited)**	**2014 (Unaudited)**
Net profit	741,992	653,193
Other comprehensive income:		
Net (loss) profit on available-for-sale investments	(35,527)	33,478
Share in other comprehensive income of associates	(84)	94
Income tax effect	16,730	(28,049)
Other comprehensive income, net of income tax	(18,881)	5,523
Total comprehensive income	**723,111**	**658,716**

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

SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES
Consolidated Statements of Changes in Shareholders' Equity
For the nine-month periods ended September 30,2015 and 2014 September 30, 2015

Thousands of nuevos soles	Number of shares (note 17.b)	Capital stock (note 17.b)	Additional paid - in capital (note 17.c)	Legal reserve (note 17.d)	Unrealized earnings (note 17.f)	Retained earnings (note 17.e)	Total shareholders' Equity
Balances as of December 31, 2013 (Audited)	302,480,263	3,052,822	368,564	561,285	18,493	1,039,202	5,040,366
Net profit	-	-	-	-	-	653,193	653,193
Other comprehensive income:							
Unrealized losses on available-for-sale investments	-	-	-	-	5,429	-	5,429
Adjustments to other comprehensive income of associates	-	-	-	-	94	-	94
Total comprehensive income	-	-	-	-	5,523	653,193	658,716
Capitalization of retained earnings	63,021,949	630,219	-	-	-	(630,219)	-
Application to legal reserve	-	-	-	85,492	-	(85,492)	-
Dividend distribution	-	-	-	-	-	(341,967)	(341,967)
Operations with treasury shares	-	(1)	-	-	-	-	(1)
Other adjustments	-	-	-	-	-	1,293	1,293
Balances as of September 30, 2014 (Unaudited)	**365,502,212**	**3,683,040**	**368,564**	**646,777**	**24,016**	**636,010**	**5,358,407**
Balances as of December 31, 2014 (Audited)	365,502,212	3,683,040	368,564	646,777	22,028	925,654	5,646,063
Net profit	-	-	-	-	-	741,992	741,992
Other comprehensive income:							
Unrealized gain on available-for-sale investments	-	-	-	-	(32,247)	-	(32,247)
Unrealized loss on investment in associates	-	-	-	-	(83)	-	(83)
Other adjustments	-	-	-	-	13,449	-	13,449
Total comprehensive income	-	-	-	-	(18,881)	741,992	723,111
Application to legal reserve	-	-	-	95,621	-	(95,621)	-
Dividend distribution	-	-	-	-	-	(382,484)	(382,484)
Capitalization of retained earnings	47,362,757	473,627	-	-	-	(473,627)	-
Operations with treasury shares	-	(2)	(51)	-	-	-	(53)
Other adjustments	-	-	-	-	-	(4,306)	(4,306)
Balances as of September 30, 2015 (Unaudited)	**412,864,969**	**4,156,665**	**368,513**	**742,398**	**3,147**	**711,608**	**5,982,331**

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

SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES
Consolidated Statements of Changes in Shareholders' Equity
For the nine-month periods ended September 30,2015 and 2014 September 30, 2015

Thousands of nuevos soles	**2015 (Unaudited)**	**2014 (Unaudited)**
Cash flows from operating activities		
Net profit	741,992	653,193
Adjustments to reconcile net profit to net cash from operating activities:		
Provision for doubtful loans, net of recoveries	686,413	639,537
Impairment loss on investments	-	1
Recovery on realizable, repossessed and other assets, net	(33)	(365)
Provision for accounts receivable, net	14,863	8,742
Depreciation and amortization	60,382	57,334
Provision for fringe benefits	35,746	32,823
Provision for current and deferred income tax	322,528	295,867
Provision for contingent loans and country risk, net of recoveries	10,401	875
Other provisions (recoveries)	166,792	(28,968)
Loss (gains) on sale of property, furniture and equipment	309	(75,345)
Gains on sale of realizable and repossessed assets	(1,008)	(2,327)
Gains on sale of investments	(22,485)	-
Net changes in assets and liabilities:		
Loans	(5,553,527)	(3,980,146)
Investments at fair value through profit or loss	(95,846)	(232,539)
Available-for-sale investments	(683,844)	(635,232)
Accounts receivable	(47,436)	(256,287)
Other assets	215,234	339,782
Non-subordinated financial liabilities	5,191,970	2,010,363
Accounts payable	(241,003)	(513,568)
Provisions and other liabilities	346,120	578,140
Net profit (loss) after net changes in assets, liabilities and adjustments	1,147,568	(1,108,120)
Income taxes paid	(236,176)	(165,084)
Net cash and cash equivalents from (used in) operating activities	**911,392**	**(1,273,204)**
Cash flows from investing activities		
Proceeds from sale of investments	26,500	-
Proceeds from sale of property, furniture, and equipment	44	100,063
Outflow from acquisition of other financial assets	(11,960)	(11,285)
Outflow from acquisition of property, furniture, and equipment	(27,645)	(78,502)
Outflow from business acquisition	(925,466)	-
Dividends received	7,015	15,038
Net cash and cash equivalents (used in) from investing activities	**(931,512)**	**25,314**
Cash flows from financing activities		
Issuance of subordinated financial liabilities	535,560	-
Proceeds from sale of treasury shares	(51)	(1)
Dividend paid	(382,484)	(341,967)
Net cash and cash equivalents from (used in) financing activities	**153,025**	**(341,968)**

SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES
Consolidated Statements of Changes in Shareholders' Equity
For the nine-month periods ended September 30,2015 and 2014 September 30, 2015

Thousands of nuevos soles	**2015 (Unaudited)**	**2014 (Unaudited)**
Net increase (decrease) in cash and cash equivalents, before the effect of exchange rate fluctuations	132,905	(1,589,858)
Exchange rate fluctuations effect on cash and cash equivalents	(159,551)	30,823
Net decrease in cash and cash equivalents	(26,646)	(1,559,035)
Cash and cash equivalents at beginning of the period	9,333,677	11,684,117
Cash and cash equivalents from business acquisition	(16,154)	-
Cash and cash equivalents at end of the period	**9,290,877**	**10,125,082**

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

1. Operations

Scotiabank Perú S.A.A. (hereinafter the Bank) is a subsidiary of The Bank of Nova Scotia - BNS (a financial entity from Canada), which holds directly and indirectly 97.76% of the Bank's capital stock as of September 30, 2015 and December 31, 2014. The Bank of Nova Scotia directly owned 2.32% of the Bank's shares and indirectly, through NW Holdings Ltd. and Scotia Perú Holdings S.A., 55.32% and 40.12% of shares, respectively, as of those dates.

The Bank is a public corporation established on February 2, 1943 and is authorized to operate as a banking entity by Superintendencia de Banca, Seguros y Administradoras Privadas de Fondos de Pensiones (Banking, Insurance, and Pension Plan Agency, hereinafter the SBS). Bank's operations are governed by the SBS through the Ley General del Sistema Financiero y del Sistema de Seguros y Orgánica, Law 26702 (hereinafter the Banking Law). This law establishes the requirements, rights, obligations, guarantees, restrictions, and other operating conditions that Peruvian banking and insurance legal entities are governed.

The Bank's registered office address is Av. Dionisio Derteano N° 102, San Isidro, Lima, Peru. As of September 30, 2015, Scotiabank Perú S.A.A. and Subsidiaries performed its activities through a national network of 356 branches, and one branch abroad (as of December 31, 2014, it had 353 Peruvian branches and one branch abroad).

As of September 30, 2015 and December 31, 2014, the accompanying financial statements include those corresponding to the Bank and other companies that are part of the consolidated group (hereinafter Scotiabank Perú S.A.A. and Subsidiaries), such as CrediScotia Financiera S.A., engaged in intermediation operations for the small-business and consumer sectors; Servicios, Cobranzas e Inversiones S.A.C., engaged in collections and domicile verification, among other activities; Scotia Sociedad Agente de Bolsa S.A. (hereinafter SAB), engaged in intermediation activities in the Peruvian securities market; Scotia Fondos Sociedad Administradora de Fondos S.A. (hereinafter SAF), engaged in mutual funds management; Scotia Sociedad Titulizadora S.A. (hereinafter Titulizadora), engaged in the management of trusts; Promoción de Proyectos Immobiliarios y Comerciales S.A. engaged in purchasing and selling of goods in general, among other activities and the special purpose entities SBP DPR Finance Company and Inmuebles Depsa equity trust. As of September 30, 2015 and December 31, 2014, the subsidiary Promoción de Proyectos Immobiliarios y Comerciales S.A. is an inactive company.

Below are the main balances of the Bank and other companies mentioned in the previous paragraph as of September 30, 2015 and December 31, 2014, indicating the Bank's shareholding percentages, as well as relevant information, in this regards:

As of September 30, 2015:

In thousands of nuevos soles	Activity	Percentage of shareholding	Assets	Liabilities	Shareholders' Equity
Entity					
Scotiabank Perú S.A.A.	Banking	-	54,394,604	48,383,656	6,010,948
CrediScotia Financiera S.A.	Finance	100.00	3,838,395	3,315,069	523,326
Servicios, Cobranzas e Inversiones S.A.C.	Collection services	100.00	124,434	63,198	61,236
Scotia Sociedad Agente de Bolsa S.A.	Stock market broker	100.00	79,975	5,016	74,959
Scotia Fondos Sociedad Administradora de Fondos S.A.	Administration of mutual funds	100.00	34,251	5,526	28,725
Patrimonio en Fideicomiso sobre Bienes Inmuebles – Depsa	Special purpose entity	-	6,484	1,189	5,295
Scotia Sociedad Titulizadora S.A.	Securitization	100.00	3,727	59	3,668
SBP DPR Finance Company	Special purpose entity	-	480,759	480,759	-

As of December 31, 2014:

In thousands of nuevos soles	Activity	Percentage of shareholding	Assets	Liabilities	Shareholders' Equity
Entity					
Scotiabank Perú S.A.A.	Banking	-	44,176,645	38,496,424	5,680,221
CrediScotia Financiera S.A.	Finance	100.00	3,800,522	3,324,700	475,822
Servicios, Cobranzas e Inversiones S.A.C.	Collection services	100.00	114,363	36,927	77,436
Scotia Sociedad Agente de Bolsa S.A.	Stock market broker	100.00	80,012	3,704	76,308
Scotia Fondos Sociedad Administradora de Fondos S.A.	Administration of mutual funds	100.00	35,465	4,897	30,568
Patrimonio en Fideicomiso sobre Bienes Inmuebles – Depsa	Special purpose entity	-	6,329	2,125	4,204
Scotia Sociedad Titulizadora S.A.	Securitization	100.00	3,602	41	3,561
SBP DPR Finance Company	Special purpose entity	-	602,960	602,960	-

Approval of Financial Statements

The consolidated financial statements as of December 31, 2014 were approved by the Board of Directors' in March 2015. The Bank's management approved the consolidated financial statements as of September 30, 2015 in November 2015 and that will be presented for approval of the corresponding Board of Directors', within the terms established by law. These consolidated financial statements have been prepared based on the individual financial statements of companies that are part of Scotiabank Perú S.A.A. and Subsidiaries and that will be presented for approval to the corresponding Board of Directors within the terms established by law.

2. Retail Business' Acquisition

In December 2014 the Bank reached an agreement to acquire retail and commercial banking business of Citibank del Peru S.A. This acquisition was approved by SBS through Resolution N° 2403-2015, dated April 30, 2015 and was formalized on May 1st, 2015, effective date of purchase and payment of this acquisition.

On May 1st, 2015 Citibank del Peru S.A. made a simple reorganization whereby transferred an equity block to its subsidiary SPV Services S.A.C., and immediately transferred the 100% of capital shares of this entity to the Bank, which also absorbed such entity at the same time under a merger process also approved by the SBS.

This acquisition was accounted using the acquisition method, whereby identifiable assets of the acquired entity at fair value will be recognized; and any excess of the acquisition cost over the identifiable net assets at fair value, was recognized as goodwill.

The initial acquired equity block by currency was estimated in approximately S/. 563.9 million, and US$ 35.9 million; also there is an estimated premium by US$ 90 million. These amounts totalized the payment made at the closing date by S/. 563.9 million, and US$ 125.9 million.

The Bank is in the process of finalizing the fair values of the acquired net assets relating to this transaction. Therefore, subsequent adjustments during the measurement period may occur.

3. Basis for the Preparation of Financial Statements

A. Statement of Compliance

The accompanying consolidated financial statements have been prepared from the accounting records of Scotiabank Perú S.A.A. and Subsidiaries and are presented in accordance with current legal regulation and accounting principles authorized by the SBS and, in the absence of such applicable SBS standards, the International Financial Reporting Standards (IFRS), made official in Peru by the Peruvian Accounting Board (CNC) are applied. Such standards comprise the Standards and Interpretations issued or adopted by the International Accounting Standards Board (IASB), which include the IFRS, International Accounting Standards (IAS), and the Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), or the former Standing Interpretations Committee (SIC), adopted by the IASB and made official by the CNC for their application in Peru.

B. Basis of Measurement

The consolidated financial statements have been prepared in conformity with the historical cost principle, except for the following:

- Derivative instruments are measured at fair value.
- Financial instruments at fair value through profit or loss are measured at fair value.
- Available-for-sale financial instruments are measured at fair value.

C. Presentation Currency

The consolidated financial statements are presented in nuevos soles (S/.) under SBS standards, which is the functional and presentation currency of the Bank. Financial information is presented in nuevos soles (S/.) and has been rounded to the nearest thousand (S/. 000), except as otherwise indicated.

D. Use of Estimates and Judgments

The preparation of the consolidated financial statements in conformity with accounting principles requires management to use certain critical accounting estimates and criteria. Estimates and criteria are evaluated continuously according to experience and include reasonable future assumptions for each circumstance. Since these are estimates, final results might differ; however, according to Management opinion, the estimates and assumptions applied do not have significant risk as to produce a material adjustment to the balances of assets and liabilities in the short term.

The significant estimates related to the consolidated financial statements correspond to provision for doubtful loans, valuation of investments, estimation of useful life and the recoverable amount of property, furniture, and equipment, intangible assets, impairment of goodwill, provision for realizable assets, received as payment and repossessed assets, estimate of the deferred sales tax recovery, provision for income tax, and the fair value of derivative instruments. Accounting criteria is described in note 4.

4. Accounting Principles and Practices

The main accounting principles and practices applied to prepare the consolidated financial statements of Scotiabank Perú S.A.A. and Subsidiaries, which have been consistently applied in previous period, unless otherwise indicated, are the following:

A. Basis of Consolidation

The consolidated financial statements include the financial statements of entities comprising Scotiabank Perú S.A.A. and Subsidiaries, described in note 1, after eliminating significant balances and transactions among the consolidated companies, and the profits and losses resulting from those transactions. All subsidiaries have been consolidated from its date of incorporation or acquisition.

Subsidiaries are all companies over which the Bank has control and is able to manage its financial and operating policies.

The accounting records of companies of Scotiabank Perú S.A.A. and Subsidiaries comply with the information requirements established by the SBS.

Financial statements of the Subsidiaries and special purpose entity have been included for consolidation purposes and represent 7.75% and 9.51%, respectively, of the total consolidated's assets before intra-company eliminations as of September 30, 2015 and December 31, 2014. As of those dates, there is non-controlling interest resulting from the consolidation process.

B. Financial Instruments

Financial instruments are classified as assets, liabilities, or equity according to the substance of the contract. Interest, gains and losses generated by a financial instrument, whether classified as an asset or liability, are recorded as income or expense. The payment to holders of financial instruments classified as equity is recorded directly in shareholders' equity. The financial instruments shall be offset when Scotiabank Perú S.A.A. and Subsidiaries have the legally enforceable right and management has the intention to settle them on a net basis or to realize the asset, and settle the liability simultaneously.

Scotiabank Perú S.A.A. and Subsidiaries classify their financial instruments in one of the following categories defined by IAS 39 (i) financial assets and liabilities at fair value through profit or loss, (ii) loans and accounts receivable, (iii) available-for-sale investments, (iv) held-to-maturity investments and (v) other financial liabilities. Scotiabank Perú S.A.A. and Subsidiaries determine the rating of financial instruments at initial recognition and on the basis of instrument by instrument.

The classification of financial instruments at initial recognition depends on the purpose for which the financial instruments were acquired and their characteristics. All financial instruments are initially recognized at their fair value plus incremental costs directly attributable to the acquisition or issuance of the instrument, except in the case of financial assets or liabilities held at fair value through profit or loss.

Purchases or sales of financial assets requiring the provision of assets within a time frame established according to regulations or market conventions (regular market terms) are recognized at the contracting date.

Derecognition of financial assets and liabilities

Financial assets
A financial asset (or when applicable, a part of a financial asset or a part of a group of similar financial assets) is derecognized when: (i) The rights to the cash flows from the asset expire; or (ii) Scotiabank Perú S.A.A. and Subsidiaries have transferred its rights to receive cash flows of assets or have assumed an obligation to pay total cash flows to a third party by virtue of a transfer agreement; and (iii) Scotiabank Perú S.A.A. and Subsidiaries have substantially transferred all of the risks and rewards of the asset, or if they have neither transferred nor substantially retained all risks and rewards of the asset, has relinquished control.

Financial liabilities
A financial liability is removed when the payment obligation is discharged, cancelled or expires. When an existent financial liability is replaced by other of the same borrower in terms significantly different, or terms are significantly modified, such replacement or modification is treated as a derecognition of the original liability and a recognition of a new liability, recognizing the difference between both of them in the results of the period.

Financial instruments offsetting
Financial assets and liabilities are offset and the net amount is presented in the statement of financial position, when, and only when: (i) a current legal right to offset the amounts exists and (ii) there is an intention either to settle them on a net basis or to realize the asset, and settle the liability simultaneously.

The financial assets and liabilities presented in the consolidated statement of financial position correspond to cash and due from banks, interbank funds, investments at fair value through profit or loss and available-for-sale investments, financial instruments at fair value, loan portfolio, accounts receivable, other assets and liabilities in the consolidated statement of financial position, except as otherwise indicated in the note corresponding to assets or liabilities. Likewise, all derivative products and indirect credits are considered financial instruments. Accounting policies on recognition and valuation of these items are disclosed in corresponding accounting policies described in this note.

C. Derivative Instruments
The SBS provides authorizations per type of derivate instrument contract and underlying asset, and may comprise more than one type of contract and underlying asset. Authorization schemes, valuation guidelines and accounting treatment for derivative instruments that financial entities shall apply are established in SBS Resolution 1737-

2006 Regulation for Trading and Accounting of Derivative Products in Financial System Enterprises and its amendments which include accounting criteria for held-for-trading, hedging and embedded derivative operations which conform to IAS 39 *Financial Instruments: Recognition and Measurement.*

Held-for-trading derivative instruments are initially recognized in the consolidated statement of financial position at fair value; subsequently, any change in the fair value of such derivative generates an asset or liability in the consolidated statement of financial position, as applicable, and will affect the results of the period.

In addition to their recording in the consolidated statement of financial position, derivative instruments described above are recorded in contingent accounts at their notional amounts translated at the spot exchange rate.

As of September 30, 2015 and December 31, 2014 and for the years then ended, Scotiabank Perú S.A.A. and Subsidiaries do not hold derivative instruments classified as hedging nor embedded derivatives.

D. Investments

Scotiabank Perú S.A.A. and Subsidiaries apply the recording and valuation criteria of investments established in SBS Resolution 7033-2012 Regulations for Classification and Valuation of Investments of Financial System Companies, which is in line with the classification and valuation criteria stated in IAS 39 *Financial Instruments*: *Recognition and Measurement*, except for investments in associates; which are not within the scope of IAS 39, as detailed below:

i. Investments at Fair Value through Profit or Loss

Debt securities and equity shares are classified as Investments at Fair Value through Profit or Loss if they have been acquired principally for the purpose of selling in a near future, or they form part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent pattern of short-term profit-taking. These financial assets are recognized on trade date, when Scotiabank Perú S.A.A. and Subsidiaries enter into contractual arrangements with counterparties to purchase securities, and they are normally derecognized when sold.

Measurement is initially made at fair value without including transaction costs, which is recognized in the consolidated income statement. Subsequently, fair values are re-measured, and fluctuations generated through profit or loss are recognized in the consolidated income statement.

Interest income is recognized using the effective interest rate method. Dividends are recognized in the consolidated income statement when the right to receive the payment has been established.

Investment at fair value through profit or loss that are given in guarantee or transferred through a repurchase agreement shall be reclassified as available-for-sale investments. Once these transactions are concluded, instruments shall be reclassified at their initial category, transferring the unrealized earnings from shareholders' equity to the consolidated income statement.

ii. Available-for-sale Investments

Available-for-Sale Investments are all other investment instruments that are not classified as Investments at Fair Value through Profit or Loss, Held-to-Maturity Investments and Investments in Associates. Likewise, investment instruments will be included in this category when the SBS explicitly requires it.

Available-for-Sale Investments are initially recognized on the trade date and measured at fair value plus direct and incremental transaction costs. They are subsequently re-measured at fair value, and changes therein are recognized in equity in the ''unrealized earnings'' account until the securities are either sold or impaired. When available-for-sale securities are sold, cumulative gains or losses previously recognized in equity are recognized in the consolidated income statement.

If an available-for-sale security is impaired, the cumulative loss (measured as the difference between the asset's acquisition cost, net of any principal repayments and amortization, and its current fair value, less any impairment loss on that asset previously recognized in the consolidated income statement and other comprehensive income) is removed from equity and recognized in the consolidated income statement. In the case of unquoted equity shares, the impairment loss shall be the difference between the carrying amount and the present value of estimated future cash flows, discounted using current market rates for similar assets.

Gains or losses from foreign exchange differences related to instruments representing capital shall be recognized in equity in the "unrealized earnings" account while those related to debt instruments shall be recognized in the consolidated income statement.

Interest income is recognized on available-for-sale securities using the effective interest rate method, calculated over the asset's expected life. Premiums and/or discounts originated on the investment purchase date are included in the calculation of its effective interest rates. Dividends are recognized in the consolidated income statement when the right to receive the payment has been established.

iii. Investments in Associates

The account includes equity shares acquired to participate with and/or have significant influence over companies and institutions. This category shall include the goodwill determined in the purchase of such investments. Investments in Associates are initially measured at fair value plus direct and incremental transaction costs. They are subsequently measured applying the equity method, meaning; the carrying amount of the investment will be increased or decreased by proportional recognition of the period's results obtained at the measurement date.

When variations in the equity are due to concepts other than the results of the year; these variations shall be recorded directly in the shareholders' equity. Dividends are recorded reducing the investment carrying amount.

Investment instruments held by companies can be reclassified. Investment instruments at fair value through profit or loss cannot be reclassified except: (1) for equity shares with no market quote lacking of reliable fair value estimations or (2) investment instruments transferred through a repurchase agreement or given in guarantee. During the nine month period in September 30, 2015 and year 2014, the Bank has not reclassified its investment instruments in categories.

SBS Resolution 7033-2012 details a standard methodology for the identification of impairment of instruments classified as available-for-sale investments, which considers two filters; the first one contains two conditions: i) significant decrease in the fair value up to under 50% of the cost or, ii) a decrease exceeding the 20% consecutively during the last twelve months; in the event of meeting any of these two conditions of the first filter, it will be necessary to evaluate if these conditions are justified at least concerning two of the qualitative aspects of the issuer indicated in the second filter of such resolution.

During the nine month period ended in September 30, 2015, the Bank not has recognized impairment losses on investment instruments (S/. 1 thousand during year 2014).

E. Loans, Classification and Provision for Doubtful Loans

Direct loans are recorded when fund disbursements are made to clients. Indirect loans (contingent) are recorded when documents that support such credit facilities are issued and may became direct loans in the event of making a payment to third parties. Likewise, changes in loan payment conditions due to debtors' payment difficulties are considered as refinancing or restructuring.

Finance lease operations are accounted for using the financial method, recording the amount of the receivable installments as loans. Corresponding finance income is recorded on an accrual basis in conformity with the lease agreement terms. Initial direct costs are recognized immediately as expenses. Initial direct costs are recognized immediately as expenses.

The Portfolio Risk Management's Debtor Classification Unit is responsible for conducting, the evaluation and rating of the loan portfolio on a permanent basis. Each debtor receives a credit risk rating according to the guidelines established by the SBS Resolution 11356-2008 and its amendments.

Loan Portfolio Classification

The Bank and CrediScotia Financiera S.A. classify their loan portfolio in two groups: Wholesale Banking (corporate, large companies and medium companies) and Retail Banking (small business, micro business, revolving consumer, non-revolving consumer and mortgage loans). These classifications are made considering the nature of the client (corporate, government or individual), the purpose of credit, and business size measured by revenues, indebtedness, among other indicators.

Credit Risk Rating Categories

The categories of credit risk rating established by the SBS are as follows: Standard, Potential Problem, Substandard, Doubtful, and Loss, which are assigned according to credit history of the debtor as established in SBS Resolution 11356-2008 and amendments.

For the Wholesale Banking portfolio, the Bank and CrediScotia Financiera S.A. mainly consider the payment capacity of debtor, cash flow, level of compliance with obligations, rating designated by other companies in the financial system, financial position, and quality management. For Retail Banking portfolio, the rating is based mainly on the level of compliance with credit payments, which is reflected by number of delinquent days and their classification in other financial system entities if rating alignment is applicable. Retail banking portfolio is classified through an automatic rating process. The Bank has included in the automatic rating process, wholesale debtors loan portfolio with credits up to US$ 100 thousand.

Provisions for doubtful loans

According to current SBS regulations, the Bank and CrediScotia Financiera S.A. determine generic and specific provisions for doubtful loans. The generic provision is recorded in a preventive manner for standard risk direct loans, credit risk equivalent exposure of indirect loans, and additionally the procyclical component when the SBS activities its application. Specific provision is recorded for direct loans and credit risk equivalent exposure of indirect loans for which a specific risk, higher than standard, has been identified.

The equivalent credit risk exposure of indirect loans is determined by multiplying indirect loans by the different types of Credit Conversion Factor (CCF), as follows:

Description		**CCF (%)**
(i)	Confirmation of irrevocable letters of credit up to one year, when the issuing bank is a first level entity from a foreign financial system.	20
(ii)	Standby letters of credit that support obligations to do or not do.	50
(iii)	Import credit guarantees, and those not included in the previous item, as well as bank acceptances.	100
(iv)	Granted loans no disbursed and unused credit lines.	0
(v)	Other not considered above.	100

Provision requirements are determined by considering the risk rating of the debtor, if it is backed by collaterals or not, and depending on the type of collateral.

The Bank and CrediScotia Financiera S.A. apply the following percentages to determine provisions for the loan portfolio:

Risk rating	Without collateral	With preferred collateral	With preferred easily realizable collateral	With preferred readily realizable collateral
Standard				
-Corporate loans	0.70	0.70	0.70	0.70
-Large-business loans	0.70	0.70	0.70	0.70
-Medium-business loans	1.00	1.00	1.00	1.00
-Small business loans	1.00	1.00	1.00	1.00
-MES loans	1.00	1.00	1.00	1.00
-Consumer loans (*)	1.00	1.00	1.00	1.00
-Mortgage loans	0.70	0.70	0.70	0.70
Potential problem	5.00	2.50	1.25	1.00
Substandard	25.00	12.50	6.25	1.00
Doubtful	60.00	30.00	15.00	1.00
Loss	100.00	60.00	30.00	1.00

(*) Include revolving and non- revolving consumer loans.

Procyclical component

The rates of procyclical component to calculate provisions for direct loans and credit risk equivalent exposure of indirect loans for debtors classified as Standard are as follows:

Type of credit	Procyclical component %
Corporate loans	0.40
Large-business loans	0.45
Medium-business loans	0.30
Small-business loans	0.50
Micro business loans	0.50
Revolving consumer loans	1.50
No revolving consumer loans	1.00
Mortgage loans	0.40

For corporate, large company and mortgage loans that have preferred readily realizable collateral, the procyclical component rate is 0.30%. For all other types of credits with preferred readily realizable collateral, the procyclical component rate is 0% for the portion covered by such collateral.

For consumer loans supported by payroll discount agreements, the procyclical component rate is 0.25%.

The SBS can activate or deactivate the application of the procyclical component whether the average annual percentage of Gross Domestic Product (GDP) is above or below 5%.

Likewise other conditions for activation or deactivation are set out in Appendix I of SBS Resolution 11356-2008. The application of the procyclical component was activated between December 2008 and August 2009, and between September 2010 and October 2014. From November 2014, it is deactivated.

SBS has established that during the deactivation of the procyclical component, financial institutions cannot, under any circumstances, generate profits caused by the reversals of such provisions, which should only be used to record specific mandatory provisions.

Provisions for direct loans are presented deducting balances from the corresponding asset (note 8), and provisions for indirect loans are presented as liabilities (note 16).

F. Securities Trading Transactions Carried Out by Third Parties

Scotia Sociedad Agente de Bolsa S.A. conducts security trading transactions carried out on behalf of its clients (principals).

Transfer of funds made by clients for purchase/sale transactions in the stock market and over-the-counter market result in the consolidated statement of financial position only if they comply with assets definition (accounts receivable) and liabilities definition (accounts payable); otherwise, such balances are presented more appropriately in control accounts. An account receivable or payable is only recognized when they have not yet been settled at their maturity or if Scotia Sociedad Agente de Bolsa S.A., due to any operating cause, does not have the funds transferred by principals, however, since it is a solvent entity, funds are covered by Scotia Sociedad Agente de Bolsa S.A. in an amount equivalent to the acquisition of securities acquired through a loan that is regularized almost immediately.

Since Scotia Sociedad Agente de Bola S.A. only manages funds from principals, in its capacity as trustor, cannot use these resources and there is a commitment to return them to the trustees; these resources do not belong to the entity and are recorded in memoranda accounts.

Unsettled transactions by Bolsa de Valores de Lima S.A. are recorded in memoranda accounts, until corresponding collection or payment.

G. Property, Furniture, and Equipment

Property, furniture, and equipment are recorded at the historical acquisition cost, less accumulated depreciation and impairment losses. Disbursements incurred after acquisition of property, furniture, and equipment are recognized as assets when there are probable future economic benefits associated with the asset are generated for Scotiabank Perú S.A.A. and Subsidiaries, and costs can be reliably measured.

Maintenance and repair expenses are charged to profit or loss of the fiscal period in which they are incurred. Work-in-progress and in-transit goods are recorded at acquisition cost. These goods are not depreciated until relevant assets are finished and/or received, and are in operative condition.

Depreciation is determined based on the straight-line method using the following estimated useful lives:

	Years
Property and premises	20 and 10
Furniture, fixtures and IT equipment	10 and 4
Vehicles	5

Cost and accumulated depreciation of assets disposed of or sold are eliminated from their respective accounts, and any resulting gain or loss is included to results in the period they are incurred.

H. Realizable Assets, Received as Payment, and Repossessed Assets

Realizable assets include assets purchased specifically for granting financial leases which are recorded initially at their acquisition cost. Further, realizable assets not granted in financial leases are recorded at the lower of its cost or market value.

Realizable assets, received as payment, and repossessed assets (note 13) are regulated by SBS Resolution 1535-2005. This caption mainly includes property, plant, and equipment received as payment for doubtful loans, and are initially recorded at the lower of value determined by the court, arbitrator, recovery value, estimated market value or the value of unpaid debt amount.

According to current legislation, the treatment to record provisions for this type of assets is as follows:

- Realizable assets, received as payment and repossessed assets are initially recorded at cost and at the same time, a provision equivalent to 20% of the cost. If the net realizable value shown in the valuation report demonstrates that the asset is impaired by a percentage higher than 20%, then the required initial provision shall be recorded at an amount equivalent to the amount effectively impaired.

- For plant and equipment, the Bank records a monthly provision equivalent to 1/18 of the cost in books, less the aforementioned initial provision. Regarding goods that have not been sold or leased within a one-year term and that do not have the extension established in the Banking Act, the provision shall be completed up to 100% of the value upon repossession or recovery less the impairment provision, at the close of the corresponding year.

- A provision shall be recorded for real estate that has not been sold or leased within one year from its recovery or repossession. This provision shall be a uniform monthly provision over a term of three and a half years until there is a 100% provision of the net carrying amount in books obtained in the eighteenth or twelfth month, depending on if there is or is not an extension approved by the SBS, respectively.

An impairment loss is recognized in the consolidated income statement when the net realizable value is lower than net carrying amount; accordingly, the carrying amount will be reduced and the loss shall be recognized in the consolidated income statement. In cases where the net realizable value is higher than the net carrying amount, the higher value shall not be recognized in the books.

Valuation reports of real estate may not be aged over a year.

I. Value Impairment

Scotiabank Perú S.A.A. and Subsidiaries establish criteria for the identification of impaired assets based on the classification of financial or non-financial assets.

On each reporting date, Scotiabank Perú S.A.A. and Subsidiaries review the carrying amounts of financial assets (other than deferred tax assets) to determine whether there is any indication of impairment. If such indications exist, then the recoverable amount of the financial asset is estimated. Goodwill owns an indefinite useful life and it is proved through impairment every year or more frequently, when there are events or circumstantial changes indicating that goodwill balance might not be recoverable.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognized if the carrying amount of an asset exceeds its recoverable amount.

Impairment losses are recognized in the consolidated income statement.

Impairment loss in respect of recognized in goodwill is not reversed. For other assets, an impairment loss is reversed only if the carrying amount of an asset does not exceed the carrying amount that would have been determined, net of amortization or depreciation, if no impairment loss had been recognized.

J. Income Tax

Current income tax is determined based on the taxable income and recorded according to tax legislation applicable to the Bank and each company that are part of Scotiabank Perú S.A.A. and Subsidiaries independently (note 26).

Deferred income tax is recorded using the liability method based on temporary differences derived from tax accounting of assets and liabilities, and their balances in the financial statements of each company that is part of Scotiabank Perú S.A.A. and Subsidiaries based on tax rates and legislation expected to be applied when the deferred tax asset is realized or the deferred tax liability is settled (note 27).

Deferred income tax assets and liabilities are recognized without considering the estimated time when the temporary differences will disappear. Deferred income tax asset is only recognized if it is probable there would be future tax benefits, so that the deferred asset can be used.

K. Intangible Assets

Intangible assets are mainly related to the acquisition and development cost of computing software shown in the "Other assets" item and are amortized using the straight-line method over an average period of 3 years. Likewise, they include depreciable costs coming from commercial activities of Crediscotia Financiera S.A. and are amortized during the effectiveness of the contract.

Costs related to the development or maintenance of computing software are recognized in the income statement when they are incurred. However, costs that are directly related to a single and identifiable computing software, package or program, controlled by Management and that will give future economic benefits higher than their cost in a period exceeding one year, are considered as an intangible asset. Direct costs related to the development of computing programs include personnel costs of the development team and a fractional part of general expenses.

L. Goodwill

Goodwill is the difference between the acquisition costs (amount paid) versus identifiable fair values of its subsidiary (note 11).

Business acquisitions are recorded using the acquisition accounting method. This means, recognizing identifiable assets of the acquired company at fair value. Any excess between the acquisition cost and the fair value of the identifiable net assets is recognized as goodwill.

When the acquisition agreement foresees adjustments to the price based on the compliance with some future assumptions, and at the moment of the initial accounting, its occurrence has not arisen or the value cannot be reliably estimated, this adjustment is not included in the acquisition cost. If, subsequently, such adjustment becomes likely and can be reliably estimated, the additional amount will be treated as an adjustment to the acquisition cost.

M. Securities, Bonds and Obligations Issued

This includes the liability for the issuance of redeemable subordinated bonds and corporate bonds; those are measured at their amortized cost using the effective interest method. Discounts granted or income generated during the bonds issuance is amortized during the terms of these instruments.

Interest is recognized in results when accrued.

N. Provisions and Contingencies

i. Provisions

Provisions are recognized when Scotiabank Perú S.A.A. and Subsidiaries have a present obligation, either legal or assumed, as a result of past events, and when it is probable that an outflow of resources will be required to settle the obligation, and it is possible to reliably estimate its amount. Provisions are reviewed and adjusted in each period to reflect the best estimates as of the date of the consolidated statement of financial position. When the effect of the time value of money is material, provisions are discounted using an interest rate reflecting the current market rate for time value of money and specific risks of liabilities.

The provision for severance payment (CTS) is calculated according to current legislation, on the total employees' indemnities and should be paid through deposits in authorized financial entities as chosen by them. Calculation is made for the amount that should have to be paid as at the date of the consolidated statement of financial position and it is included in the "Provision for fringe benefits" account. It is presented in the consolidated statement of financial position under "Provisions and Other Liabilities".

ii. Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed in the notes to the consolidated financial statements, unless the possibility of an outflow of economic resources is remote.

Contingent assets are not recognized in the consolidated financial statements, and they are only disclosed when an inflow of economic benefits is probable.

O. Income and Expense Recognition

Interest income and expenses are recognized in profit or loss corresponding fiscal year on an accrual basis, depending on the effectiveness of the generating transactions and the interest rate agreed with the clients. Commissions for banking services are recognized as income when earned.

SBS Resolution 7036-2012 establishes that this income from commission of indirect loans shall be recognized on an accrual basis during the term of such indirect loans. Likewise, commissions and expenses for formalization of loans, as well as opening, study and evaluation of direct and indirect loans, are recognized as income based on the accrual within the term of the corresponding contracts.

When management considers that there are reasonable doubts about the collectibility of the principal of a loan, the Bank and CrediScotia Financiera S.A. suspend the recognition of interest in the income statement. Interest in suspense is recorded in memoranda accounts and recognized as earned when collected. When management considers that the financial situation of the debtor has improved and that the doubt about the collectibility of the principal has dissipated, the recording on accrual basis is restated.

Interest income includes return on fixed-income investments and trading securities, as well as recognition of discounts and premiums on financial instruments. Dividends are recorded as income when declared.

Brokerage service fees for buying and selling securities on the stock market are recorded in the "finance services income" account when these transactions have been performed through generation and acceptance of operation policies by clients.

Revenues from sales of securities and its cost are recognized when the seller has transferred all the risks and rewards of ownership to the buyer and it is probable that economic benefits associated to the transaction will flow to the Company; they are recorded in the entity "other income, net" on the consolidated income statement. Dividends are recorded as income when declared.

Income from remunerations of funds managed by Sociedad Administradora de Fondos, are estimated daily as an equity percentage of each of the funds.

Income generated by fees from redemption of shares is recognized as income when such redemption is carried out.

Fees for trust management services are recognized in profit or loss of the period to the extent the service is rendered and accrued.

Other income and expenses of Scotiabank Perú S.A.A. and Subsidiaries are recognized as earned or incurred in the period when they are accrued.

P. Capital Stock

Common shares are classified as equity. Preferred shares, if any, are recorded as other debt instruments; the difference between the redeemable amount of preferred shares and their par value being recorded in the capital account. Dividends on preferred shares are recorded as liabilities and charged to income of the period. As of September 30, 2015 and December 31, 2014, Scotiabank Perú S.A.A. and Subsidiaries do not hold preferred shares outstanding.

Q. Employees' Profit Sharing

Scotiabank Perú S.A.A. and Subsidiaries recognize liabilities and expenses for employees' profit sharing in the consolidate income statement based on 5% of taxable income determined according to the current tax legislation.

R. Repurchase Agreements

The Bank applies SBS Resolution N° 5790-2014 which establishes that securities sold under repurchase agreements, on a specific future date, are not derecognized from the consolidated statement of financial position since the Bank retains substantially all of the risks and rewards inherent to the property.

The Bank recognizes received cash and liability for the obligation to return such funds at maturity. Also, reclassifies underlying securities as required by SBS. Accounting records of returns will depend on the agreements between parties. Difference between the final and initial amount will be recognized as expenses against liabilities, within the term of the operation applying the effective interest rate method.

As of September 30, 2015 and December 31, 2014, the Bank conducts repurchase agreements of securities and currency.

S. Statement of Cash Flows

For presentation purposes of this financial statement, the balances of "Cash and due from banks" and "Interbank funds", of the assets, as of September 30, 2015 and 2014, were considered as cash and cash equivalents except for the restricted cash and due from banks for compliance with contractual commitments (note 6).

T. Trust Funds

Assets and income from trust operations, where there is an obligation to return the assets to clients and the Bank and Scotia Sociedad Titulizadora S.A. act as trustee, are not included in the consolidated financial statements since they belong to neither the Bank nor Scotia Sociedad Titulizadora S.A., and are recorded in memoranda accounts for corresponding control and commissions on those activities are included in income from finance services (note 22).

U. Foreign Currency Transactions and Balances

Foreign currency transactions are those transactions carried out in a currency that is different from the nuevo sol. Foreign currency transactions are translated into nuevo sol using exchange rates established by the SBS reported at the dates of the transactions (note 5). Gains or losses on exchange differences resulting from the payment of such transactions and from the translation of monetary assets and liabilities stated in foreign currency at exchange rates reported at the closing of the period are recognized in the consolidated income statement.

V. New Accounting Pronouncements

- IFRS 9, *Financial Instruments*, replaces guides to IAS 39 Financial Instruments: *Recognition and Measurement*. IFRS 9 includes reviewed guidelines for the classification and measurement of financial instruments, including a new model of expected credit losses to calculate the impairment of financial assets and the new general requirements of hedge accounting. It also maintains guides related to the recognition and the disposal of accounts of financial instruments of IAS 39.

- IFRS 15, *Revenue from Contracts with Customers*, establishes a complete framework to determine the nature, amount and timing of revenue. It replaces current guidelines for revenue recognition including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programs.

- Amendments to IFRS 11 *Acquisition of an interest in a Joint Operation* states the application of accounting principles for Business Combinations when an interest in a joint operation that is a business applies as defined in IFRS 3 *Business Combinations*.

5. Foreign Currency Balances

Consolidated statement of financial position include balances of foreign currency transactions, mainly in U.S. dollars (US$), which are recorded in nuevos soles (S/.) at the exchange rate established by the SBS. As of September 30, 2015 and December 31, 2014, these rates were US$ 1= S/. 3.222 and S/. 2.986 respectively.

Foreign currency transactions in the country and international trade transactions referred to the concepts authorized by Banco Central de Reserva del Perú - BCRP (Central Bank), are channeled through an interbank foreign exchange market. As of September 30, 2015, the buy and sell exchange rates used were US$ 1 = S/. 3.222 and US$ 1 = S/. 3.223, respectively (US$ 1= S/. 2.981 buy rate and US$ 1= S/. 2.989 sell rate as of December 31, 2014).

Foreign currency balances stated in thousands of U.S. dollars and other currencies as of September 30, 2015 and December 31, 2014 are summarized as follows:

c	09.30.2015			12.31.2014		
	U.S. dollars	**Other currencies**	**Total**	**U.S. dollars**	**Other currencies**	**Total**
Assets:						
Cash and due from banks	3,623,334	35,762	3,659,096	2,970,312	17,188	2,987,500
Investments at fair value profit or loss and available-for-sale investments	362,648	-	362,648	96,998	-	96,998
Loan portfolio, net	4,217,600	-	4,217,600	4,917,096	-	4,917,096
Held-for-trading derivatives	4,586	-	4,586	3,819	-	3,819
Accounts receivable, net	24,267	11	24,278	18,258	-	18,258
Other assets, net	39,204	6,234	45,438	20,923	-	20,923
	8,271,639	**42,007**	**8,313,646**	**8,027,406**	**17,188**	**8,044,594**
Liabilities:						
Deposits and obligations	5,660,031	69,276	5,729,307	4,974,110	29,296	5,003,406
Borrowings and financial obligations	2,283,910	-	2,283,910	2,096,597	-	2,096,597
Securities, bonds and obligations issued	462,401	-	462,401	487,561	-	487,561
Held-for-trading derivatives	3,346	-	3,346	2,439	-	2,439
Other liabilities and provisions	109,766	14,428	124,194	116,632	14,547	131,179
	8,519,454	**83,704**	**8,603,158**	**7,677,339**	**43,843**	**7,721,182**
Net (liability) asset position on the consolidated statement of financial position	(247,815)	(41,697)	(289,512)	350,067	(26,655)	323,412
Derivative instruments operations	**225,799**	**39,127**	**264,926**	**(311,159)**	**26,621**	**(284,538)**

As of September 30, 2015 and 2014, Scotiabank Perú S.A.A. and Subsidiaries recorded in Results from financial transactions, gains amounting to S/. 204,148 thousand and S/. 201,104 thousand, respectively, for exchange difference of various operations (note 23).

As of September 30, 2015, Scotiabank Perú S.A.A. and Subsidiaries have contingent operations in foreign currency amounting to US$ 9,056,467 thousand equivalent to S/. 29,179,939 thousand (US$ 11,588,675 thousand, equivalent to S/. 34,603,785 thousand as of December 31, 2014).

6. Cash and Due from Banks

This caption comprises the following:

In thousands of nuevos soles	**09.30.2015**	**12.31.2014**
Cash (a)	1,069,429	1,268,834
Banco Central de Reserva del Perú - BCRP (a)	7,360,980	7,466,581
Banks and other local financial system entities (b)	20,114	21,104
Banks and other foreign financial system entities (b)	466,846	451,102
Clearing	50,351	51,031
Restricted cash and due from banks (c)	4,757,038	1,313,234
Other cash and due from banks	179	146
	13,724,937	**10,572,032**

(a) As of September 30, 2015, funds held in cash and deposits with BCRP include US$ 1,379,736 thousand and S/. 1,053,585 thousand (US$ 1,535,271 thousand and S/. 1,510,156 thousand as of December 31, 2014), of legal cash reserve the Bank and CrediScotia Financiera S.A. these funds should be set aside to cover deposits from third parties, according to limits established by current legislation. These funds are held at Central Bank and kept in their vaults of such financial entities.

Cash reserves held at Central Bank do not accrue interest, except for the amount that exceeding the minimum legal in foreign currency. As of September 30, 2015, the excess of legal cash reserve in foreign currency accrued interest at an annual rate of 0.05% (0.04% as of December 31, 2014). Interest accrued from the excess in foreign currency as of September 30, 2015 amounts to US$ 662 thousand (US$ 626 thousand as of September 30, 2014).

Until December 2014, the excess of minimum legal cash reserve in local currency, accrued interest at an annual rate of 0.35%. The total interest accrued for the first semester 2014 amounted to S/. 2,444 thousand.

This balance also includes US$ 650,800 thousand and S/. 75,000 thousand corresponding to “overnight” operations, accrued interest in foreign currency at an annual nominal rate of 0.10%, while for local currency at an annual nominal of 2.25% (US$ 850,700 thousand as of December 31, 2014 at an annual nominal rate of 0.13%).

(b) Deposits in local and foreign banks mainly correspond, to balances in nuevos soles and in U.S. dollars, and lower amounts in other currencies, with free withdrawal option and accrue interest at market rates. As of September 30, 2015, deposits in foreign banks, included deposits held at The Bank of Nova Scotia by US$ 6,883 thousand and Canadian dollars by $ 4,169 thousand (US$ 6,861 thousand and Canadian dollars by $ 253 thousand as of December 31, 2014).

As of September 30, 2015 and December 31, 2014, the Bank concentrates 50% and 64% in deposits to foreign banks, in three financial entities, respectively.

(c) As of September 30, 2015, restricted cash and due from banks are comprised: i) reserve funds for comply with commitments to repurchase foreign currency to BCRP by US$ 1,438,987 thousand (US$ 420,233 thousand as of December 31, 2014), see note 15.a; ii) reserve funds for compliance of contractual commitments and guarantees demanded by foreign entities, on which the Bank and Subsidiaries have no immediate availability for US$ 22,908 thousand (US$ 17,821 thousand as of December 31, 2014); iii) guarantee funds for treasury transactions by US$ 64 thousand and S/. 15 thousand (US$ 64 thousand and S/. 15 thousand as of December 31, 2014); iv) guarantee funds for legal proceedings by US$ 24 thousand and S/. 285 thousand (US$ 24 thousand and S/. 278 thousand as of December 31, 2014); and v) other operational restrictions by US$ 13,845 thousand and S/. 1,618 thousand (US$ 999 thousand and S/. 1,666 thousand as of December 31, 2014).

As of September 30, 2015 and 2014, interest revenue from cash and due from banks amounted to S/. 9,096 thousand and S/. 11,554 thousand, respectively, and it is included as interest income in the consolidated income statement (note 20).

7. Investments at Fair Value through Profit or Loss and Available-for-Sale Investments

This caption comprises the following:

In thousands of nuevos soles	**09.30.2015**	**12.31.2014**
Investments at fair value through profit or loss:		
Central Bank indexed certificates of deposit (a)	372,740	263,580
Peruvian Treasury Bonds (b)	16,989	5,176
Mutual funds (c)	9,611	13,742
BCRP certificates of deposit (d)	-	19,522
Others	11	1,486
	399,351	303,506
Available-for-sale investments:		
BCRP certificates of deposit (d)	873,927	1,054,403
Central Bank indexed certificates of deposit (a)	791,771	-
Peruvian Treasury Bonds (b)	653,958	593,863
Global bonds (e)	-	23,205
Listed shares		
BVL – Lima Stock Exchange (f)	54,761	45,263
CAVALI S.A. (g)	-	8,631
Other	518	479
Unlisted shares (h)	3,430	7,435
Mutual funds (c)	1,944	1,836
Other shares, net	18	18
	2,380,327	1,735,133
Total investment at fair value through profit or loss and available-for-sale investments	**2,779,678**	**2,038,639**

(a) Central Bank indexed certificates of deposit, recorded at fair value through profit or loss, are securities freely negotiable in local currency; they are acquired through BCRP public bids and traded in the Peruvian secondary market. These certificates are subject to a readjustment based on an average exchange rate variation between the date of issuance and the date of maturity. As of September 30, 2015, these certificates expire between October and December 2015 (as of December 31, 2014 these certificates expired between January and March 2015).

(b) Peruvian Treasury Bonds correspond to sovereign bonds issued in local currency by the Peruvian Ministry of Economy and Finance and represent internal public debt the instruments of the Republic of Peru. As of September 30, 2015, these bonds accrue interest at annual rates ranging from 3.81% to 7.95% (from 3.35% to 6.44% annually as of December 31, 2014), with maturities between August 2017 and 2037 (between May 2015 and February 2042 as of December 31, 2014). Also, by September 30, 2015 the Bank had bonds issued by the Government which cannot exercise its immediate availability, since they are granted in repo operations by S/. 206,947 thousands. At December 31, 2014 did not keep reporting operations.

(c) As September 30, 2015, SAB, SAF and Titulizadora hold investments in mutual funds in local and foreign currency for S/. 8,839 thousand and US$ 843 thousand, respectively, which are managed by SAF (S/. 11,783 thousand and US$ 1,271 thousand as of December 31, 2014).

(d) Central Bank certificates of deposit, are securities freely negotiable in local currency; they are acquired through BCRP public bids and traded in the Peruvian secondary market. As of September 30, 2015 and December 31, 2014, these certificates accrue interest based on the BCRP reference rate which ranged from 3.00% to 3.86% annually (between 3.20% and 4.03% annually as of December 31, 2014), and have maturities between October 2015 and February 2017 (between January 2015 and April 2016, as of December 31, 2014). Likewise, as of September 30, 2015, the Bank did have certificates of deposit issued by BCRP with restricted availability since they are granted in reporting operations for an amount of S/. 893,619 thousand (S/. 202,557 thousand as of December 31, 2014).

(e) As of December 31, 2014 the Bank maintained Global Bonds of the Republic of Peru; issued in foreign currency by the Peruvian Government, these bonds accrued interest at an annual rate of 0.63% and expired in February 2015.

(f) Shares held by SAB in BVL -
As of December 30, 2015 shares held by SAB are class "A" shares, they amount to 5,856,781 shares and are listed at S/. 9.35 each (4,764,577 shares and are listed at S/. 9.50 per share as of December 31, 2014).

Likewise, during this period of 2015 and 2014, BVL has distributed dividends to SAB for S/. 945 thousand and for S/. 953 thousand, respectively, which are recorded as income from dividends in the consolidated income statement.

(g) Shares held by SAB in CAVALI -
In March 2015, SAB participated in the public offer for exchange of CAVALI shares, whereby the SAB handed permanently 1,438,572 CAVALI's shares and received BVL's shares in exchange; the value of exchange was S/. 10.40 per share. Therefore this exchange of shares generated a profit before tax of S/. 10,949 thousand, recorded as a gain from sale of investments, included in the Results from financial transactions. As of December, 31 2014 the SAB had those CAVALI's shares as an available for sale investment, listed at S/. 6.00 each.

(h) Sale of unlisted shares
In August 2015, the Bank sold the 100% of share of Hermes Transportes Blindados S.A. (a local unlisted entity) to a not related party by S/. 26,500 thousand, reporting a gain of S/. 23,786 thousand (note 23(a)).

As of September 30, 2015 and 2014, the accrued interest on investments amounted to S/. 54,956 thousand and S/. 30,294 thousand, respectively, and it is included as interest income item in the consolidated income statement (note 20).

Investment at fair value through profit or loss and available-for-sale investments as of

September 30, 2015 and December 31, 2014, have the following maturities:

In thousands of nuevos soles	09.30.2015	12.31.2014
Up to 3 months	1,468,727	378,865
From 3 to 12 months	261,659	748,189
Over 12 months	1,049,292	911,585
	2,779,678	**2,038,639**

8. Loan Portfolio, net

This caption comprises the following:

In thousands of nuevos soles	09.30.2015	%	12.31.2014	%
Direct loans:				
Current loans	37,422,045	96	31,723,550	97
Refinanced loans	240,143	1	216,677	-
Restructured loans	-	-	3,307	-
Past due loans	842,003	2	605,595	2
Lawsuits loans	383,291	1	337,502	1
	38,887,482	**100**	**32,886,631**	**100**
Plus (less):				
Accrued interest on current loans	277,262		224,145	
Non-accrued interest	(29,714)		(27,942)	
Provision for loan losses	(1,710,125)		(1,415,448)	
	37,424,905		**31,667,386**	
Indirect loans (note 19)	**8,571,084**		**7,815,071**	

As of September 30, 2015 and December 31, 2014, fifty-one percent of the direct and indirect loan portfolio of the Bank was concentrated in 813 and 996 clients, respectively.

The loan portfolio (direct and indirect) of the Bank and CrediScotia Financiera S.A. is mainly backed up with collaterals received from clients, mainly consisting of mortgages, industrial and merchant pledges, third-party letters of guarantees and securities. The value of these mortgages and pledges has been determined based on net realizable value in the market, less selling expenses according to SBS regulations.

Annual interest rates are regulated by the market and may be set at Scotiabank Perú S.A.A. and CrediScotia Financiera S.A.'s discretion. As of September 30, 2015 and December 31, 2014, the annual average effective rates of main products fluctuated as follows:

	09.30.2015		12.31.2014	
%	Local currency	Foreign currency	Local currency	Foreign currency
Overdrafts (*)	55.00 - 85.00	30.00 - 55.00	55.00 - 85.00	35.00 - 55.00
Discounts and commercial loans	4.69 - 48.26	1.99 - 33.22	4.82 - 47.13	1.75 - 28.78
Consumer loans	14.05 - 53.81	10.30 - 27.89	14.03 - 52.63	9.89 - 28.16

(*) For loans over S/. 100 thousand and US$100 thousand, respectively.

As of September 30, 2015 and December 31, 2014 according to current SBS regulations, the loan portfolio of the Bank and CrediScotia Financiera S.A. risk-based ratings:

	09.30.2015				12.31.2014			
Risk	**Nº of**	**In thousands of S/.**			**Nº of**	**In thousands of S/.**		
rating	**Debtors**	**Direct**	**Indirect**	**Total**	**Debtors**	**Direct**	**Indirect**	**Total**
Standard	887,799	36,058,129	8,499,565	44,557,694	859,093	30,669,150	7,763,303	38,432,453
With potential problems	41,735	950,329	38,527	988,856	42,297	745,011	32,411	777,422
Substandard	25,877	417,658	16,908	434,566	24,739	327,359	10,889	338,248
Doubtful	46,366	575,602	13,002	588,604	45,990	458,043	5,911	463,954
Loss	38,964	885,764	3,082	888,846	39,147	687,068	2,557	689,625
	1,040,741	**38,887,482**	**8,571,084**	**47,458,566**	**1,011,266**	**32,886,631**	**7,815,071**	**40,701,702**

As of September 30, 2015 and December 31, 2014 direct loans are distributed among economic sectors as follows:

In thousands of nuevos soles	**09.30.2015**	**%**	**12.31.2014**	**%**
Mortgage and consumer loans	13,060,245	33	10,882,660	33
Trade	6,183,141	16	4,418,270	13
Manufacturing	5,301,820	14	4,330,101	13
Real estate business and lease services	3,839,928	10	3,117,684	9
Mining	1,781,725	5	1,566,056	5
Transport	1,660,617	4	1,346,297	4
Power, gas, and water	1,151,590	3	1,035,451	3
Education, services, and other	1,140,981	3	851,264	3
Construction	1,060,502	3	715,821	2
Brokerage service	958,347	2	671,483	2
Agriculture and livestock	781,393	2	615,364	2
Fishing	438,411	1	355,107	1
Hotel and restaurants	389,930	1	302,195	1
Public administration and defense	240,101	1	252,236	1
Other (mainly non-profit, healthcare and automotive)	898,751	2	2,426,642	8
	38,887,482	**100**	**32,886,631**	**100**

The movement of the provision for doubtful loans (direct) is as follows:

In thousands of nuevos soles	**Specific**	**Generic**	**Total**
Balances as of December 31, 2013	769,473	473,396	1,242,869
Additions debited to profit or loss	1,079,744	294,465	1,374,209
Recovery of provisions	(366,967)	(219,829)	(586,796)
Transfers and other	102,589	(81,020)	21,569
Write-offs and forgiveness	(667,141)	-	(667,141)
Exchange differences	18,944	11,794	30,738
Balances as of December 31, 2014	936,642	478,806	1,415,448
Additions debited to profit or loss	1,054,453	236,088	1,290,541
Recovery of provisions	(398,742)	(167,246)	(565,988)
Transfers and other	81,637	(15,392)	66,245
Write-offs and forgiveness	(535,668)	-	(535,668)
Exchange differences	26,940	12,607	39,547
Balances as of September 30, 2015	**1,165,262**	**544,863**	**1,710,125**

Scotiabank Perú S.A.A. and CrediScotia Financiera S.A. records regulatory provisions for loan portfolios according to the policy described in note 4e. Additionally, these entities record discretionary provisions for doubtful loans which are included under the generic provision for loans and as of September 30, 2015 and December 31, 2014 amount to S/. 103,833 thousand and S/. 67,678 thousand, respectively.

As of September 30, 2015 and December 31, 2014, the provision for foreign exchange credit risk to S/. 1,305 thousand (S/. 1,266 thousand as of December 31, 2014).

As indicated in note 4.e, from November 2014 the procyclical component for provisions for doubtful loans calculation was deactivated. After the application of S/. 7,892 thousand and S/. 24,217 thousand respectively from procyclical to specific provisions, as of September 30, 2015 the Bank and CrediScotia Financiera S.A. hold a total procyclical provisions balance of
S/. 63,189 thousand and S/. 843 thousand, respectively.

During the year 2014 only the Bank applied S/. 72,618 thousand procyclical provisions. As of December 31, 2014, the Bank and CrediScotia Financiera S.A. hold a total procyclical provisions balance of S/. 58,843 thousand and S/. 25,060 thousand respectively.

As of September 30, 2015, Scotiabank Perú S.A.A. and CrediScotia Financiera S.A. recognized provisions for contingent loans in the results for S/. 48,380 thousand and S/. 684 thousand, respectively (S/. 48,215 thousand and of S/. 188 thousand as of September 30, 2014, respectively). Also, provisions for contingent loans have been recovered for an amount of S/. 37,197 thousand and S/. 1,457 thousand, respectively (S/. 42,630 thousand and of S/. 4,877 thousand respectively as of September 30, 2014, respectively). These balances include provisions for country risk on contingent loans, net of recoveries by S/. 930 thousand as of September 30, 2015 (S/. 4,766 thousand as of September 30, 2014).

As of September 30, 2015 and December 31, 2014, direct loan portfolio had the following maturities:

	09.30.2015			12.31.2014		
In thousands of nuevos soles	**Local currency**	**Foreign currency**	**Total**	**Local currency**	**Foreign currency**	**Total**
Up to 1 month	2,869,244	1,810,774	4,680,018	1,938,465	1,633,778	3,572,243
From 1 to 3 months	3,851,461	2,581,950	6,433,411	2,400,973	3,048,138	5,449,111
From 3 to 6 months	2,856,316	1,627,417	4,483,733	2,429,842	1,693,985	4,123,827
From 6 to 12 months	3,137,895	1,504,660	4,642,555	2,642,771	1,520,549	4,163,320
Over 12 months	11,570,239	6,129,494	17,699,733	7,939,665	6,919,513	14,859,178
Overdue and lawsuit loans	731,099	494,195	1,225,294	573,433	369,664	943,097
Less, accrued interest	(210,702)	(66,560)	(277,262)	(154,382)	(69,763)	(224,145)
	24,805,552	**14,081,930**	**38,887,482**	**17,770,767**	**15,115,864**	**32,886,631**

9. Held-for Trading Derivative Instruments

The Bank holds agreements of foreign currency forwards, cross currency swaps (CCS) and interest rate swaps (IRS). As of September 30, 2015 and December 31, 2014, the fair value of these trading financial instruments has generated accounts receivable and payable as described below:

	09.30.2015		12.31.2014	
In thousands of S/.	**Accounts receivable**	**Accounts payable**	**Accounts receivable**	**Accounts payable**
Forwards	125,942	44,720	112,095	143,217
Interest Rate Swap (IRS)	14,776	10,781	11,402	7,282
Cross Currency Swaps (CCS)	50,947	70,775	48,442	36,659
	191,665	**126,276**	**171,939**	**187,158**

As of September 30, 2015 and 2014, these derivatives generated net gains of S/. 92,041 thousand and a net losses of S/. 22,204 thousand, respectively (note 23).

10. Accounts Receivable, net

This caption comprises the following:

In thousands of nuevos soles	**09.30.2015**	**12.31.2014**
Financial Instruments:		
Accounts receivable from sale of investments	103,884	33,729
Collection services	26,879	21,306
Commissions receivable	18,050	12,946
Payments on behalf of thirds parties, net	12,654	14,232
Advances to personnel	11,157	8,720
Sales of goods and services, trust, net	710	1,080
Accounts receivable from brokerage customers	350	610
Other accounts receivable, net	25,665	39,850
	199,349	132,473
Non-financial Instruments:		
Tax proceedings	685,802	734,547
	885,151	**867,020**

Tax proceedings with SUNAT as of September 30, 2015, include S/. 251,987 thousand (S/. 252,701 thousand as of December31, 2014) corresponding to payments under protest of Temporary Net Assets Tax (ITAN for its acronym in Spanish) for fiscal years 2005 and 2006, which are being challenged in the courts by the Bank as they are considered undue payments; and balances related to income tax and other tax credits subject to offsetting against ITAN. The Bank expects these amounts will be returned on resolution of the case in its favor.

As of September 30, 2015 and December 31, 2014 the consolidated financial statements includes S/. 481,846 thousand, corresponding to payments under protest in respect of a resolution from the Tax Authority which is being challenged in the judicial courts by the Bank. In opinion of the Bank's Management and its legal advisors, these amounts will be returned to the Bank on the resolution of the case.

Regarding the last case, in March 2015 the Bank received the SBS Official Letter N° 10454, whereby the SBS required, for prudential purposes, that the Bank records an adjusted to value of the account receivable through a provision for account receivable by S/. 48,031 thousand; notwithstanding the Bank and its legal advisors maintain their legal and accounting position regarding the recoverability of this account receivable, the Bank has recorded this provision on March 31, 2015 against the account of various provisions (note 16.d).

11. Goodwill

Corresponds to goodwill determined by the business acquisitions made by the Bank. As of December 31, 2014 this account includes S/. 278,818 thousand, for the acquisition of 100% of the capital stock of Banco del Trabajo S.A., currently CrediScotia Financiera S.A. Also, as is indicated in note 2, in May 1st 2015, the Bank acquired 100% of the capital stock of Servicios SPV S.A.C., which originated an estimated goodwill by S/. 281,340 thousand, approximately.

According to SBS standards, such goodwill has been assessed by Management, and no impairment is required as of September 2015 and December 2014.

12. Property, Furniture, and Equipment, Net

This caption comprises the following:

In thousands of nuevos soles	**Balances as of 12.31.2014**	**Additions**	**Disposals**	**Other**	**Reclas. and/or adjustments**	**Balances as of 09.30.2015**
Cost:						
Land	133,027	-	-	-	-	133,027
Property and premises	716,513	2,312	(1,959)	9,694	7,335	733,895
Furniture, fixture, and IT equipment	398,629	16,591	(6,212)	4,997	4,869	418,874
Vehicles	4,120	-	-	-	-	4,120
Units in transit and replacing units	9,618	6,142	-	-	(6,049)	9,711
Work-in-progress	8,989	2,600	-	-	(9,909)	1,680
	1,270,896	**27,645**	**(8,171)**	**14,691**	**(3,754)**	**1,301,307**
Accumulated depreciation:						
Property and premises	517,046	22,889	(1,970)	4,900	(124)	542,741
Furniture, fixture, and IT equipment	296,431	25,860	(5,848)	2,543	81	319,067
Vehicles	3,675	298	-	-	-	3,973
	817,152	**49,047**	**(7,818)**	**7,443**	**(43)**	**865,781**
	453,744					**435,526**

According to current legislation, banks and finance companies in Peru cannot give as collateral the goods that are part of their property, furniture, and equipment, except for those acquired through the issuance of leasing bonds to carry out finance lease operations.

13. Other Assets, Net

This caption comprises the following:

In thousands of nuevos soles	**09.30.2015**	**12.31.2014**
Financial Instruments:		
Transactions in progress (a)	164,339	115,313
	164,339	115,313
Non-financial Instruments:		
Tax credit (VAT) and other (b)	164,067	244,626
Prepaid expenses (c)	115,663	108,659
Income tax prepayments, net	78,285	28,709
Intangible assets, net of amortization of S/. 228,118 thousand (S/. 222,575 thousand in 2014)	30,668	26,533
Realizable and repossessed asset, net of accumulated depreciation and provision for impairment of S/. 126,717 thousand (S/. 126,760 thousand in 2014)	17,157	19,466
Other	13,287	12,987
	419,127	440,980
	583,466	**556,293**

(a) Transactions in progress are those carried out during the last days of the month and are reclassified in the following month to their definitive respective accounts in the consolidated statement of financial position. These transactions do not affect the results of Scotiabank Perú S.A.A. and Subsidiaries. As of September 30, 2015, it includes mainly S/. 146,828 thousand related to treasury transactions and S/. 8,020 thousand for invoices in transit for services received and S/. 2,082 thousand of operations to be settled by human resources department (as of December 31, 2014, S/. 99,943 thousand, S/. 2,865 thousand and S/. 4,015 thousand, respectively).

(b) As of September 30, 2015 and December 31, 2014, tax credits mainly include the value added tax (VAT) for S/. 239,197 thousand and S/. 285,420 thousand respectively; these amounts are net of the value added tax (VAT) payable by amounting to S/. 75,130 thousand and S/. 40,794 thousand respectively. This tax credits mainly includes: the value added tax from acquisition of assets that have been transferred under finance leases for S/. 25,524 thousand as of September 30, 2015 (S/. 23,070 thousand, which as of December 31, 2014), which have not yet been applied to taxable operations.

(c) As of September 30, 2015 and December 31, 2014, prepaid expenses include mainly: (i) deferred loan origination costs, mainly fees paid to external sales force for S/. 75,812 thousand (S/. 72,100 thousand in 2014); (ii) prepaid rent of S/. 7,378 thousand (S/. 6,341 thousand in 2014); (iii) prepaid commissions of received borrowings for S/. 17,515 thousand (S/. 17,418 thousand in 2014); (iv) advertising and marketing services for S/. 1,514 thousand (S/. 842 thousand in 2014), among other.

14. Deposits and Obligations

This caption comprises the following:

In thousands of nuevos soles	**09.30.2015**	**%**	**12.31.2014**	**%**
Corporate clients	16,022,735	47	15,039,383	52
Individuals	10,833,130	32	9,629,534	33
Non-profit organizations	3,989,762	12	2,472,151	8
Others	3,204,534	9	2,199,489	7
	34,050,161	**100**	**29,340,557**	**100**

Deposits and other obligations in U.S. dollars represent 54% and 51% of the total deposits as of September 30, 2015 and December 31, 2014, respectively. Deposits included accounts pledged in favor of Scotiabank Perú S.A.A. and Subsidiaries for credit operations for S/. 533,444 thousand and US$ 252,169 thousand as of September 30, 2015 (S/. 563,617 thousand and US$ 217,331 thousand as of December 31, 2014).

Likewise, as of September 30, 2015 and December 31, 2014, from the total of deposits and obligations from individuals and non-profit legal entities, the amount of S/. 7,872,003 thousand and S/. 7,141,835 thousand, respectively, are covered by the Peruvian Deposit Insurance Fund (FSD, for its acronym in Spanish), according to current legal regulations.

According to article 4 of SBS Resolution 0657-99, the deposits covered by the FSD are the following:

(a) Registered deposits, under any modality, from individuals and private non-profit legal entities;
(b) Accrued interest on the above-mentioned deposits, as from their respective opening dates or their last renewal date; and
(c) Demand deposits corresponding to legal entities.

The maximum amount covered for each individual as of September 30, 2015 amounted to S/. 95 thousand (amounted to S/. 94 thousand as of December 31, 2014).

The Bank and CrediScotia Financiera S.A. freely establish deposits interest rates based on supply and demand, and the type of deposits. Effective annual rates for main products at September 30, 2015 and December 31, 2014, fluctuated as follows:

	09.30.2015		**12.31.2014**	
%	**Local currency**	**Foreign currency**	**Local currency**	**Foreign currency**
Savings deposits	0.44 - 1.71	0.19 - 0.41	0.37 - 1.70	0.22 - 1.00
Time deposits	3.13 - 5.44	0.16 - 1.74	3.29 - 5.64	0.14 - 2.60
Severance payment deposits	2.85 - 6.00	1.13 - 4.00	2.90 - 6.00	1.52 - 4.00

As of September 30, 2015 and December 31, 2014 the scheduled maturity dates of the term deposits were as follows:

	09.30.2015			**12.31.2014**		
In thousands of nuevos soles	**Local currency**	**Foreign currency**	**Total**	**Local currency**	**Foreign currency**	**Total**
Up to 1 month	1,196,414	2,275,902	3,472,316	1,565,682	1,780,342	3,346,024
From 1 to 3 months	1,680,030	1,424,416	3,104,446	1,669,492	1,571,751	3,241,243
From 3 to 6 months	1,889,834	872,476	2,762,310	1,061,498	808,169	1,869,667
From 6 to 12 months	1,179,861	1,245,478	2,425,339	1,157,792	529,838	1,687,630
Over 12 months	925,062	502,712	1,427,774	722,546	494,148	1,216,694
	6,871,201	6,320,984	13,192,185	6,177,010	5,184,248	11,361,258
Interest	85,583	7,173	92,756	66,166	8,420	74,586
	6,956,784	**6,328,157**	**13,284,941**	**6,243,176**	**5,192,668**	**11,435,844**

Demand deposits, savings deposits and severance indemnities (CTS) have no contractual maturities.

15. Borrowings and Financial Obligations

This caption comprises the following:

In thousands of nuevos soles	**09.30.2015**	**12.31.2014**
Borrowings and financial obligations		
Obligations in the country:		
BCRP (a)	4,413,400	1,206,900
COFIDE (b)	849,394	772,004
Other local banks	134,000	100,000
Ordinary loans from abroad		
Related banks (c)	3,592,530	3,568,270
Other banks (d)	3,667,454	2,590,243
	12,656,778	8,237,417
Interest payable	118,653	33,888
	12,775,431	8,271,305
Securities and obligations (e)	3,145,673	2,652,839
	15,921,104	**10,924,144**

(a) Corresponds to obligations for foreign currency purchase transactions with commitments of repurchase made with Central Bank. As of September 30, 2015 the maturities of these operations fluctuate between October 2015 and March 2019 (between October 2015 and June 2016 as of December 31, 2014) and accrues interest payable ranged from 3.20% to 6.56% (between 3.95% and 4.85% as of December 31,2014).

(b) Corporación Financiera de Desarrollo S.A. (Finance Development Corporation-COFIDE) credit lines correspond to resources obtained for loans granting, mainly for Fondo MiVivienda mortgage financing programs, which accrue a fixed interest rate adjusted to the VAC index. As of September 30, 2015 and December 31, 2014, these lines amount to S/. 619,394 thousand and S/. 542,004 thousand, respectively.

Additionally, CrediScotia Financiera S.A. holds credit lines of COFIDE in local currency to be used as working capital on a short term basis and are subject to specific agreements on the manner of using received funds, financial conditions that should be held and other administrative matters. As of September 30, 2015 and December 31, 2014, obligations for this item amount to S/. 230,000 thousand.

As of September 30, 2015, the credit lines of the mortgage financing programs are guaranteed with mortgage loan portfolio as follows:

		In thousands of S/. and US$	
Item	**Currency**	**Net loans**	**Supporting debt**
Mortgage loans-Fondo MiVivienda (*)	Nuevos soles	806,198	760,367
Mortgage loans-Fondo MiVivienda (*)	U.S dollars	33,202	27,083

(*) The Bank and CrediScotia Financiera S.A. signed specific agreements on these mortgage financing programs which maintain standard clauses of compliance operational issues that, in the opinion of Management, those clauses do not affect the Bank's and CrediScotia Financiera S.A. operations and are being met.

(c) As of September 30, 2015, ordinary loans with related banks include debts payable to Scotiabank Ltd. Bahamas amounting to US$ 1,115,000 thousand, which accrue annual interest rates ranging between 0.79% and 1.19% and mature between October 2015 and December 2017 (as of December 31, 2014 for US$ 1,115,000 thousand, accrued annual interest rates ranging from 0.73% to 1.13% and mature between October 2015 and December 2017).

Likewise, the balance with related Banks as of December 31, 2014, included a loan received from The Bank of Nova Scotia amounting to US$ 80,000 thousand. This loan accrued an annual interest rate of 0.57% and expired in January 2015.

(d) As of September 30, 2015, this line includes borrowings agreed with various foreign financial institutions for US$ 1,044,504 thousand (US$ 748,712 thousand as of December 31, 2014), which accrue interest at annual average rates ranging from 0.60% to 3.31% (0.53% to 3.13% as of December 31, 2014).

Also, as of September 30, 2015 the Bank negotiated borrowings with foreign financial institutions for approximately US$ 93,750 thousand (US$ 118,750 thousand as of December 31, 2014) with maturity between June and September 2017. From this amount, US$ 25,000 thousand (US$ 34,375 thousand as of December 31, 2014) accrue interest at a fixed rate of 3.88% and US$ 68,750 thousand (US$ 84,375 thousand as of December 31, 2014) at variable rates of 3-month LIBOR plus a spread of 2.44% and 2.59% (2.34% and 2.99% as of December 31, 2014). These transactions contain standard clauses of compliance with financial ratios and other administrative matters. In the opinion of the management, those clauses do not affect the Bank's operations and are being met.

As of September 30, 2015 and December 31, 2014, the scheduled maturity dates of borrowings from banks and other financial institutions were as follows:

In thousands of nuevos soles	**09.30.2015**	**12.31.2014**
Up to 1 month	1,094,306	826,574
From 1 to 3 months	1,150,921	1,082,835
From 3 to 6 months	831,331	76,905
From 6 to 12 months	2,937,810	1,605,446
Over 12 months	6,761,063	4,679,545
	12,775,431	**8,271,305**

(e) The detail of securities and obligations as follows:

Issuance	Annual interest	Maturity	Outstanding balances in thousands of S/. 09.30.2015	12.31.2014
Redeemable Subordinated Bonds				
1st issuance single series (i)	4.50%	2027	1,288,800	1,194,400
1st issuance A – 1st Program (ii)	7.34%	2025	535,560	-
1st issuance A – 1st Program (iii)	7.41%	2027	130,000	130,000
			1,954,360	1,324,400
Negotiable Notes (iv)				
Series A	5.25%	2017	50,872	70,720
Series B	3m LIBOI + 2.75%	2017	127,186	176,804
			178,058	247,524
Corporate bonds (v)				
1st issuance A – 2nd Program	5.72%	2017	100,000	100,000
2nd issuance C – 1st Program	5.53%	2015	-	50,000
2nd issuance B – 2nd Program	5.19%	2017	50,000	50,000
2nd issuance C – 2nd Program	5.16%	2017	50,000	50,000
3rd issuance A – 2nd Program	6.78%	2018	75,920	75,920
3rd issuance B – 2nd Program	5.56%	2019	100,000	100,000
4th issuance A – 1st Program	4.72%	2017	50,000	50,000
5th issuance A – 2nd Program	5.09%	2017	58,000	58,000
5th issuance B – 2nd Program	6.19%	2018	38,500	38,500
7th issuance A – 1st Program	7.19%	2017	60,000	60,000
8th issuance A – 1st Program	7.31%	2017	100,000	100,000
9th issuance A – 2nd Program	5.50%	2017	69,480	69,480
9th issuance B – 2nd Program	5.44%	2017	100,000	100,000
9th issuance C – 2nd Program	5.03%	2018	100,000	-
			951,900	901,900
Other instruments representing debt negotiable certificates of deposits (vi)			14,131	152,096
			14,131	152,096
			3,098,449	2,625,920
Interest payable and obligations			47,224	26,919
			3,145,673	**2,652,839**

i. In December 2012, the Bank issued subordinated bonds for US$ 400,000 thousand which under SBS Resolution 8093-2012, qualifies as tier 2 capital. These bonds mature on December 2027 and accrue interest at annual fixed rate of 4.500% during the first ten years; from the eleventh year, they will accrue interest at a variable rate of 3-month LIBOR rate plus a spread of 3.856% to be paid each six months. After the eleventh year, all these bonds can be redeemed without penalties. This issuance was performed in the international market and contains certain standard clauses of compliance with financial ratios and other operating matters, which in the opinion of the management they do not affect the Bank's operations and are being met.

ii. Through SBS Resolution N° 2315-2015 dated April 24, 2015, the SBS authorized the issuance of the First Subordinated Bonds Program Scotiabank Peru up to an amount of US$ 400,000 thousand or the equivalent in nuevos soles; these bonds qualifies as tier 2 capital . On May 22, the Bank issued 53,556 subordinated bonds in local currency with a face value of S/. 10,000 each and a term of 10 years from the date of issuance. These bonds accrue an annual interest rate of 7.34375% to be paid each semester. This issue was private and held in the local market.

iii. On July 31, 2012, CrediScotia Financiera S.A. issued, through public auction, subordinated bonds for S/. 130,000 thousand denominated Subordinated Bonds – First Issuance with SBS authorization – Resolution 4873 – 2012, such series comprise 13,000 bonds at a par value of S/. 10 thousand each, with maturity in July 2027 and a put option from the tenth year if the terms and conditions of such issuance are met. The proceeds were exclusively destined to credit operations financing.

iv. In January 2010, SBP DPR Finance Company (special purpose entity established in Grand Cayman and consolidated by Scotiabank Group) made a securitization agreement of Diversified Payment Rights (DPR, for its acronym in English), in which SBP DPR Finance Company acquired the rights and future flows from remittances received from correspondent banks up to the deadline specified in the contract. SBP DPR Finance Company issued two series of long-term notes: Series A for US$ 50,000 thousand and Series B for US$ 125,000 thousand, both series with maturities in 2017. As of September 30, 2015, Series A notes amounted to US$ 15,789 thousand (US$ 23,684 thousand as of December 31, 2014) and Series B notes amounted to US$ 39,474 thousand (US$ 59,211 thousand as of December 31, 2014). The notes are guaranteed by remittances received through SWIFT messages and are transferred to SBP DPR Finance Company. These contracts and transactions contain standard clauses of compliance with financial ratios and other administrative matters. In the opinion of the management, those clauses do not affect the Bank's operations and are being met.

v. From 2007 to date, Scotiabank Perú S.A.A and CrediScotia Financiera S.A. have issued Corporate Bonds for S/. 901,900 thousand and S/. 50,000 thousand, respectively (S/. 801,900 thousand and S/. 100,000 thousand, respectively as of December 31, 2014), within terms ranging from 3 to 5 years. The proceeds were exclusively destined to credit operations financing.

vi. As of September 30, 2015, Negotiable Certificates of Deposits Financial CrediScotia S.A. are expired; those were settled in January and February 2015. As of December 31, 2014 these Negotiable Certificates of Deposits issued by CrediScotia Financiera S.A. S/. 122,000 thousand accrues interest at an annual rate between 4.25 % and 4.63%. Based on SBS Resolution 3225-2014, since July 2014, the Bank and CrediScotia Financiera S.A, have reclassified the total balance of the Negotiable Certificates of Deposit from 'deposits and obligations' to 'securities and obligations issued'.

Subordinated bonds issued by the Bank and CrediScotia Financiera S.A. do not have specific collateral; however, they have a generic guarantee on the net shareholders' equity of those entities.

As of September 30, 2015 and December 31, 2014, the maturities of issued securities were as follows:

In thousands of nuevos soles	**09.30.2015**	**12.31.2014**
Up to 3 month	70,469	170,365
From 3 to 6 months	36,110	83,562
From 6 to 12 months	67,726	80,748
Over 12 months	2,971,368	2,318,164
	3,145,673	**2,652,839**

As of September 30, 2015 and 2014 interest expenses on borrowings and financial obligations of Scotiabank Perú S.A.A, and Subsidiaries amount to S/. 293,027 thousand and S/. 184,892 thousand, respectively (note 21).

16. Provisions and Other Liabilities

This caption comprises the following:

In thousands of nuevos soles	**09.30.2015**	**12.31.2014**
Accounts payable:		
Other accounts payable (a)	275,813	190,642
Vacations, profit sharing and remunerations payable	107,872	117,938
Put option (b)	78,427	69,777
Current tax	7,879	23,700
	469,991	402,057
Provisions:		
Provisions for litigations and legal claims (c)	97,503	100,047
Various provisions (d)	35,009	75,571
Provision for contingent loans and country risk	83,497	71,609
Other provisions (e)	96,056	50,912
	312,065	298,139
Other liabilities:		
Transactions in progress (f)	260,172	156,092
Deferred income on portfolio sale and other	55,211	36,109
	315,383	192,201
	1,097,439	**892,397**

(a) As of September 30, 2015, this account was composed mainly of accounts payable: i) suppliers for S/. 121,165 thousand; ii) purchase of investments for S/. 77,696 thousand; iii) insurance companies for services agreed-upon by customers for S/. 13,389 thousand; and iv) merchants for purchases with credit cards issued for S/. 8,519 thousand (S/. 77,948 thousand, S/. 24,958 thousand, S/. 11,337 thousand and S/. 10,164 thousand; respectively as of December 31, 2014).

(b) As of September 30, 2015 and December 31, 2014, the Bank has signed a put option contract on its own common shares held in a trust, entitling the trustee the right to sell to the Bank all of these shares at a price calculated based on this contract. This option is effective from September 15, 2006 through December 31, 2015, and as of September 30, 2015 and December 31, 2014 its carrying amount does not differ significantly from its estimated market value.

(c) As of September 30, 2015 and December 31, 2014, Scotiabank Perú S.A.A. and Subsidiaries have various legal actions underway, which are related to civil and labor claims, among others. These legal actions resulted from activities and operations performed during the normal course of Scotiabank Perú S.A.A. and Subsidiaries' operations, it is not anticipated they will have a significant impact on operations or results.

(d) As of September 30, 2015, this account mainly comprises reversals and recoveries of provisions recorded in prior years against equity accounts, the same as by Official Letter SBS N° 23797-2003, they should be reassigned to other deficits in Bank's asset accounts by S/. 4,852 thousand (S/. 44,745 thousand as of December 31, 2014). As indicated in note 10, on March 31, 2015, Scotiabank Peru S.A.A. has recorded a provision for account receivables affecting this account.

Likewise, the balance as of September 30, 2015, includes provision for contingencies charged to profit or loss for S/. 22,607 thousand (S/. 23,272 thousand as of December 31, 2014).

(e) As of September 30, 2015, the balance of other provisions mainly include: i) provisions for personnel expenses for S/. 77,742 thousand (S/. 32,493 thousand as of December 31, 2014), ii) provisions for marketing campaigns of products to attract funds for S/. 2,451 thousand (S/. 2,362 thousand as of December 31, 2014), and iii) provisions for debit and credit cards campaigns for S/. 14,009 thousand (S/. 13,642 thousand as of December 31, 2014).

(f) Transactions in progress are mainly those carried out during the last days of the month and are reclassified in the following month to their definitive accounts of the consolidated statement of financial position accounts. These operations do not affect the results of Scotiabank Perú S.A.A. and Subsidiaries. As of September 30, 2015, liability transactions in progress mainly include: i) S/. 134,527 thousand related to Treasury operations (S/. 97,449 thousand as of December 31, 2014), ii) S/. 469 thousand related to credit card operations (S/. 1,377 thousand as of December 31, 2014), iii) S/. 20,801 thousand related to the clearing process at the electronic clearinghouse (S/. 2,349 thousand as of December 31, 2014), iv) S/. 7,368 thousand related to debt purchase transactions (S/. 3,658 thousand as of December 31, 2014), v) S/. 17,049 thousand related to client's deposits in-transit (S/. 16,394 thousand as of December 31, 2014), and vi) S/. 12,590 thousand related to third party insurance (S/. 10,744 thousand as of December 31, 2014).

17. Shareholders' Equity

A. General

The regulatory capital of Scotiabank Perú S.A.A. and CrediScotia Financiera S.A. is determined in accordance with the Banking Law and as of September 30, 2015 amounts to S/. 6,694,399 thousand and S/. 628,396 thousand; respectively (S/. 5,377,863 thousand and S/. 550,339 thousand, respectively as of December 31, 2014). This figure is used to calculate certain legal limits and restrictions according to the Peruvian Banking Law applicable to the financial institutions' operations in Peru.

As of September 30, 2015, credit risk weighted assets and contingent credits determined by Scotiabank Perú S.A.A. and CrediScotia Financiera S.A. according to the legislation applicable to financial institutions amounted to S/. 45,510,633 thousand and S/. 3,744,564 thousand, respectively (S/. 39,060,041 thousand and S/. 3,620,629 thousand, respectively as of December 31, 2014).

As of September 30, 2015 and December 31, 2014, the Banking Law established as a global limit that the regulatory capital shall be equal to or greater than 10% of the total risk weighted assets and contingent credits, which corresponds to the sum of: the amount of regulatory capital requirements for market risk multiplied by 10, plus the amount of the regulatory capital requirements for operational risk multiplied by 10, plus the risk weighted credit related assets and contingencies. As of September 30, 2015, the regulatory capital of Scotiabank Perú S.A.A. and CrediScotia Financiera S.A. represents 13.81% and 15.55% respectively, of the regulatory capital requirements for market, operating and credit risk (12.89% and 14.09% respectively as of December 31, 2014).

Likewise, by means of Resolution 2115-2009, the SBS approved the rules for the regulatory capital requirement for operational risk. On this respect, as of September 30, 2015 and December 31, 2014, Scotiabank Perú S.A.A. and CrediScotia Financiera S.A. have applied the alternative standard method for the calculation of the regulatory capital requirement for operational risk.

Finally, by means of SBS Resolution 8425-2011 and amendments, the SBS approved the methodology for the calculation of additional regulatory capital requirement, which establishes that this requirement shall be equal to the sum of the regulatory capital requirements, calculated for each of the following components: i) economic cycle, ii) concentration risk, iii) market risk concentration, iv) interest rate risk in the banking books, and v) other risks. Such additional requirement determined by Scotiabank Perú S.A.A. and CrediScotia Financiera S.A. as of September 30, 2015, amounted to S/. 979,295 thousand and S/. 90,293 thousand, respectively (S/. 835,198 thousand and S/. 101,701 thousand as of December 31, 2014, respectively).

B. Capital Stock

As of September 30, 2015, the Bank's capital stock comprises 412,864,969 common shares (365,505,212 common shares as of December 31, 2014). All shares have voting rights and a par value of S/. 10.00 each. As of those dates, the quoted value of common shares of the Bank was S/. 20.00 and S/. 26.00 per share, respectively; likewise, the monetary inflation adjustment of 2001 through 2004 amounting to S/. 28,019 thousand is pending of capitalization.

Pursuant to the delegation conferred by the General Shareholders' meeting during the months of April and June 2015, the board approved the increase of capital stock product of the capitalization of retained earnings of years 2013 and 2014 for S/. 473,627 thousand. The respective issuance of such shares is under process. As a result of the capitalization, the capital stock increased to S/. 4,128,650 thousand and were represented by 412,865 thousand common shares with a par value of S/. 10.00 each.

Pursuant to the delegation conferred by the General Shareholders' meeting during July and September 2014, the board approved the increase of capital stock arising from the capitalization of year 2013 retained earnings for S/. 630,219 thousand. As of December 31, 2014, issuance of such shares is under process. As a result of the capitalization, the capital stock increased to S/. 3,655,022 thousand and were represented by 365,502 thousand common shares with a par value of S/. 10.00 each.

Shares participation on the Bank's capital stock as of September 30, 2015 and December 31, 2014, is as follows:

	09.30.2015		12.31.2014	
Percentage of shareholding	**Number of shareholders**	**%**	**Number of shareholders**	**%**
0.01 to 1	1,711	2.24	1,773	2.25
1.01 to 50	2	42.44	2	42.43
50.01 to 100	1	55.32	1	55.32
	1,714	**100.00**	**1,776**	**100.00**

As of September 30, 2015, the Banking Law requires that capital stock shall reach the minimum amount of S/. 25,969 thousand (S/. 25,602 thousand as of December 31, 2014), which is a constant value and shall be updated annually at the closing of each period, based on the wholesale price index (WPI), as published by the Instituto Nacional de Estadística e Informática (National Institute of Statistics).

C. Additional Paid-in Capital

The additional paid-in capital balance comprises:

In thousands of nuevos soles	**09.30.2015**	**12.31.2014**
Issuance premium	368,523	368,522
Result on treasury shares	(10)	42
	368,513	**368,564**

As of September 30, 2015, the Bank holds 336 treasury shares (as of December 31, 2014, had 97 shares).

D. Legal Reserve

In accordance with the Banking Law, the Bank is required to have a legal reserve of at least 35% of its capital stock. This reserve is created by an annual transfer of no less than 10% of after-tax profits, and supersedes the reserve referred to in the Companies Act. On the other hand, as stipulated in the Banking Law, the amount of this reserve may also be increased with contributions made by the shareholders for this purpose.

At the Annual Obligatory General Shareholders' meeting, held on March 24, 2015, it was decided to apply to legal reserve an amount of S/. 95,621 thousand, corresponding to 10% of net profit for the year 2014. At the Annual Obligatory General Shareholders' meeting, held on March 25, 2014, it was decided to apply to legal reserve an amount of S/. 85,492 thousand, corresponding to 10% of net profit for the year 2013.

E. Retained Earnings

At the Bank's General Shareholders' meeting, held on March 24, 2015, the distribution of 2014 net profit for a total of S/. 956,210 thousand was approved, as follows:

i Cash dividends payment for S/. 382,484 thousand.
ii Allocate 10% of net profit, amounting to S/. 95,621 thousand to increase the legal reserve.
iii Remaining balance, amounting to S/. 478,105 thousand, will be held in 'retained earnings'.

At the Bank's General Shareholders' meeting, held on March 25, 2014, the distribution of 2013 net profit for a total of S/. 854,917 thousand was approved, as follows:

i Cash dividends payment for S/. 341,967 thousand.
ii Allocate 10% of net profit, amounting to S/. 85,492 thousand to increase the legal reserve.
iii Remaining balance, amounting to S/. 427,458 thousand, will be held in 'retained earnings'.

F. Unrealized Earnings

As of September 30, 2015 and December 31, 2014, it mainly includes unrealized results of available-for-sale investments and share in other comprehensive income of associates, net of its deferred income tax effects.

18. Contingencies and Commitment

In February 2006, previous to Banco Wiese Sudameris (BWS) acquisition by The Bank of Nova Scotia ("BNS") from Banca Intesa S.p.A, BNS reached an agreement with Banca Intesa S.p.A. to not include the subsidiary Wiese Sudameris Leasing S.A. (currently denominated Gestiones y Recuperaciones de Activos S.A. "GYRASA") in the acquisition of BWS due to possible contingencies, and also transferred assets and liabilities from Wiese Sudameris Leasing S.A. to the Bank's leasing business.

In March 2006, BNS, BWS and Banca Intesa S.p.A. signed an indemnity agreement through which Scotiabank Perú S.A.A. would assume the costs resulting from any potential legal or tax contingency that may arise for GYRASA and/or Banca Intesa S.p.A with regards to transferred assets.

Additionally, Scotiabank Perú S.A.A. and Subsidiaries have several pending court claims related to their ongoing activities. In the opinion of management and their internal legal advisors, these claims will not result in additional liabilities to those recorded by the Bank and Subsidiaries; therefore, management considers that no additional provision is necessary for these contingencies (note 16.c).

19. Risk and Contingent Commitments

In the normal course of business, the Bank and CrediScotia Financiera S.A. perform contingent transactions under off-statement of financial position credit risk (contingent assets). These transactions expose the Bank and CrediScotia Financiera S.A. to additional credit risk, beyond the amounts presented in the consolidated statement of financial position. Credit risk for contingent transactions are recorded in memoranda accounts of the consolidated statement of financial position and they relate to the probability that one of the participants of the respective contract does not comply with the agreed terms.

The related contracts consider the amounts that the Bank and CrediScotia Financiera S.A. would assume for credit losses in contingent transactions. The Bank and CrediScotia Financiera S.A. apply the same credit policies to evaluate and grant direct loans as indirect loans.

Many of the indirect loans are expected to expire without any withdraw required by the Bank and CrediScotia Financiera S.A. The total committed amounts do not necessarily represent future cash outflows. Also, documentary credits, like export and import letters of credit and guarantees and stand-by letters of credit are conditional commitments issued by the Bank and CrediScotia Financiera S.A. to guarantee a customer obligation before a third party.

As of September 30, 2015 and December 31, 2014 the contingent accounts comprise the following:

In thousands of nuevos soles	**09.30.2015**	**12.31.2014**
Contingent loans (note 8):		
Guarantees and stand-by letters of credit	7,831,788	7,021,475
Issued letters of credit	674,198	729,718
Due from bank acceptances	65,098	63,878
	8,571,084	7,815,071
Unused credit lines	20,763,099	20,926,130
Financial derivative instruments	14,290,917	19,754,654
Other	548	545
	43,625,648	**48,496,400**

20. Interest Income

This caption comprises the following:

In thousands of nuevos soles	**09.30.2015**	**12.31.2014**
Direct loan portfolio	2,780,591	2,373,059
Available-for-sale investments (note 7)	50,695	26,135
Cash and due from banks and deposits in banks (note 6)	9,096	11,554
Investments at fair value through profit or loss (note 7)	4,261	4,159
Interbank funds	4,086	5,703
Other finance income	3,373	2,956
	2,852,102	**2,423,566**

21. Interest Expenses

This caption comprises the following:

In thousands of nuevos soles	**09.30.2015**	**12.31.2014**
Deposits and obligations	278,721	243,085
Borrowings and financial obligations (note 15)	178,158	79,177
Securities, Bonds and obligations issued (note 15)	114,869	105,715
Commissions on borrowings and financial obligations	24,714	19,446
Deposits of financial entities	10,110	3,095
Interbank funds	1,666	1,860
	608,238	**452,378**

22. Income from Finance Services, net

This caption comprises the following:

In thousands of nuevos soles	**09.30.2015**	**12.31.2014**
Income:		
Income from commissions from collections services	114,547	103,041
Other fees and commissions from banking services	109,693	89,257
Income from deposit transactions, services and transfer fees	87,032	90,663
Income from purchased portfolio recoveries	79,331	100,250
Income from teleprocessing services	25,670	25,203
Income from remunerations of mutual funds and administration fees	22,177	19,999
Income from structuring and administration services	16,334	17,168
Income from brokerage services	9,580	75,365
Other various income	177,432	149,454
	641,796	670,400
Expenses:		
Credit / debit cards expenses	48,915	37,586
Deposit insurance fund premiums	25,564	22,230
Brokerage services expenses	2,895	68,277
Insurance services expenses	2,711	2,279
Other expenses	142,097	125,457
	222,182	255,829
Total income from finance services, net	**419,614**	**414,571**

23. Results from Financial Transactions

This caption comprises the following:

In thousands of nuevos soles	**09.30.2015**	**12.31.2014**
Gain on exchange difference (note 5)	204,148	201,104
Trading derivatives (note 9)	92,041	(22,204)
Proceeds on sale of investments (a)	34,814	-
Gain on sale of loan portfolio	10,500	18,283
Gain in associates	8,429	9,661
Available-for-sale investments	3,422	(699)
Investments at fair value through profit or loss	(5,673)	(4,746)
Other	(3,142)	1,202
	344,539	**202,601**

(a) Results of the period 2015 includes S/. 10,979 thousand corresponding mainly to the proceeds from the sale of Cavali's shares (note 7(g)) and the proceeds from the sale of unlisted shares of Hermes Transportes Blindados S.A. for S/. 23,786 thousand (note 7(h)).

24. Administrative Expenses

This caption comprises the following:

In thousands of nuevos soles	09.30.2015	12.31.2014
Personnel and board of directors expenses	638,803	555,447
Expenses for services received from third parties	476,509	417,486
Taxes and contributions	62,282	54,138
	1,177,594	**1,027,071**

25. Other Income, Net

This caption comprises the following:

In thousands of nuevos soles	09.30.2015	12.31.2014
Sales of services	8,049	7,343
Leasing of own goods	3,169	9,617
Reimbursements and recoveries	611	31
Proceeds from (loss in) sale of property, furniture, and equipment (a)	(1,566)	75,203
Proceeds from (loss in) sale of repossessed assets	(120)	177
Other income, net	3,220	3,387
	13,363	**95,758**

(a) Results of the period 2014 includes S/. 74,566 thousand corresponding mainly to the proceeds from the sale of some Bank's properties.

26. Tax Matters

A. In accordance with current tax legislation, corporate income tax for the years 2015 and 2014 is calculated applying the statutory income tax rate of 28% and 30% respectively. The income tax of each company composing Scotiabank Perú S.A.A. and Subsidiaries has been determined as follows:

In thousands of nuevos soles	09.30.2015	12.31.2014
Scotiabank Perú S.A.A.	257,538	307,802
CrediScotia Financiera S.A.	46,855	28,871
Servicios, Cobranzas e Inversiones S.A.	7,569	17,683
Scotia Fondos Sociedad Administradora de Fondos S.A.	2,675	2,412
Scotia Sociedad Agente de Bolsa S.A.	1,675	1,218
Scotia Sociedad Titulizadora S.A.	192	154
Patrimonio en Fideicomiso sobre Bienes Inmuebles – Depsa	-	9,500
	316,504	**367,640**

On December 15, 2014, Law 30296 - *Modification of tax rates on employment income and foreign sources income*, was enacted, establishing the progressive reduction of income tax over the next five years. This law establishes the following rates: 28% for 2015 and 2016; 27% for 2017 and 2018; and 26% for 2019 onwards. Accordingly, the Bank has reestimated the deferred income tax considering the period of reversal of the temporary differences, according to the new rates of income tax above described. This has generated a decrease in deferred income tax assets of S/. 18,373 thousand, an amount that was debited from the results and credited to the equity of year 2014 in the amount of S/. 18,512 thousand and S/. 139 thousand, respectively (note 27).

B. The tax authority has the right to audit and, if applicable, to modify the income tax calculated by each company composing Scotiabank Perú S.A.A. and Subsidiaries during the next four years after the year of the income tax return was filed. Income tax returns of Scotiabank Perú S.A.A. and Subsidiaries that have not yet been reviewed or are under review by the tax authority are the following:

Company	**Tax returns subject to audit**	**Tax returns being (audited)**
Scotiabank Perú S.A.A.	2012 through 2014	2008, 2009, 2010 & 2011
CrediScotia Financiera S.A.	2010, 2013 & 2014	2011 & 2012
Scotia Sociedad Agente de Bolsa S.A.	2010 through 2014	-
Scotia Fondos Sociedad Administradora de Fondos S.A.	2011 through 2014	2010
Scotia Sociedad Titulizadora S.A.	2010 through 2014	-
Servicios, Cobranzas e Inversiones S.A.C.	2012 through 2014	2011

The tax returns for years 2003 through 2007 have been reviewed by the Peruvian Tax Authorities, having resettled the tax loss of the Bank in years 2003 through 2006, as well as the tax payable which was calculated for the period 2007, for which the Bank filed the corresponding appeals. In this regard, the Bank received resolutions from tax authorities related to the determination of income tax for years 2003, 2004, 2005 and 2006, for which the Bank filed appeals corresponding to each year. The appeals of the years 2003 and 2004 – 2005 were solved by the Tax Court during august 2015, however the appeal of the tax year 2006 is pending of resolution by the Tax Court. In December 2014, the Tax Authorities issued Tax Assessment and Fine Resolutions related to the determination of year 2007 income tax, for which the Bank has filed an appeal which is pending to be solved by the SUNAT. The Bank and its legal advisors estimate that the results would be favorable to the Bank and no significant liabilities will arise in the consolidated statement of financial position.

Nowadays, the Bank is being audited for the Fiscal Years 2008 – Income Tax & non-resident Income Tax, 2009 – Income Tax, 2010 – Income Tax 2011 – Income Tax.

Due to the possibility of various interpretations by the tax authority of the current legal regulation, it is not possible to determine, to date, whether a future tax audit will result or not in future liabilities; therefore, any taxes, surcharges and sanctions that might arise from eventual tax audits would be applied to results of the period in which they are determined. However, it is the opinion of management and its legal advisors that any possible additional tax settlement would not be significant to the financial statements of Scotiabank Perú S.A.A. and Subsidiaries.

C. The total or partial distribution of dividends, or other types of profit distribution will be subject to a 4.1% income tax withholding, except for the distribution of profits made in favor of domiciled entities, if applicable. In respect this, the Bank must consider that recently the rate has been modified as follows: 6.8% for 2015 and 2016; 8.00% for 2017 and 2018; and 9.30% for 2019 and 2020.

D. As from 2001, for income tax purposes, transfer pricing for transactions carried out with economically-related parties, and with companies domiciled in territories with low or null taxation, shall be supported with documentation and information about the valuation methods used, and the criteria considered, for pricing. Scotiabank Perú S.A.A. and Subsidiaries' management consider that for income tax purposes, pricing regarding transactions such as those aforementioned have been made in accordance with tax legislation; consequently, no significant liabilities will arise as of September 30, 2015.

E. Beginning 2010, capital gains are subject to income tax. In this regard, it has been established, among others, that the tax cost of securities whose disposition was tax-exempt until December 31, 2009 since they were traded at stock exchange, will be the higher between: (i) market value as of December 31, 2009, (ii) acquisition cost, or (iii) increase in the equity value, following the procedures described in Executive Order 011-2010-EF. This rule is applicable to legal entities when securities are negotiated through or outside centralized trading mechanisms in Peru.

   Beginning January 1, 2010, only interest and capital gains from bonds issued by the Republic of Peru are income tax-exempt if: (i) under Executive Order 007-2002-EF, (ii) under the Market-Makers program or the replacing mechanism, or (iii) in the international market since 2002; as well as interest and capital gains from obligations from the Peruvian Central Reserve Bank (except for those from legal cash reserve requirements deposited by credit institutions); and those coming from the direct or indirect disposition of securities that are traded or underlying Exchange Traded Fund (ETF) that replicate indexes constructed having as reference national investment instruments, when such disposition is made for the creation – delivery of securities in return for receiving ETF unit-, payment – delivery of ETF units in return for receiving ETF securities- or management of an investment portfolio of ETFs.

F. In conformity with the Income Tax Law, as modified by Law 29663 and 29757, as from fiscal period 2011, income arising from indirect disposition of shares of Peruvian companies shall be subject to the aforementioned tax. An indirect share transfer occurs when the following assumptions are met:

   i 10% of more of shares of the off-shore company will be sold in any twelve-month period (assumption effective on February 16, 2011) and,

   ii Market value of the Peruvian company's shares shall represent 50% or more of the market value of the off-shore company, within any twelve-month period (assumption effective on July 22, 2011).

G. In 2005, a tax named Temporary Tax on Net Assets (TNAT) was established. Taxable base is composed of the net asset value adjusted as of the closing of the period before the payment was made, deducting the depreciations, amortizations, legal cash reserve, and specific provisions for credit risk. Since 2009, the tax rate applicable to the amount of assets exceeding S/. 1,000 thousand is 0.4%. It may be paid in cash or in nine consecutive monthly installments. The amount actually paid may be used as payments on account of income tax for taxable periods March to December of the fiscal period for which the tax was paid until maturity of each of the payments on account and against the payment for regularization of income tax of the corresponding taxable period.

Tax refunds can be requested only in the cases where it can be demonstrated that tax loss has been incurred or where a lower payment of Income Tax has been determined based on general regime norms.

The Bank requested the compensation of the TNAT 2005 and 2006 against previous year tax credits (2004 and 2005 balances in favor). The amount of debt totaled S/. 122,958 thousand. These requests were resolved in favor of the Bank by the Tax Court. However, the SUNAT on a misinterpretation of the rules only partially offset the TNAT, applying only part of the Bank's tax credits and without considering the legal procedures and precedents applicable to the case, which strongly support the Bank's position.

The mentioned SUNAT compensation resulted in a coercive collection of the uncompensated debt, and the Bank decided to make a payment under protest of S/. 137,069 thousand (including capital and interest); an amount which according to the Bank's management and its advisors will be returned by the tax authority, plus interest, when they receive the Tax Court's favorable resolutions regarding the applied compensation methodology.

H. Tax on Financial Transactions (ITF) since April 2011 was 0.005%. This tax is applied on each deposit and withdrawal made to and from a banking account, unless the account is tax-exempt.

I. The reconciliation of the tax rate and the effective tax rate is as follows:

	09.30.2015		**09.30.2014**	
	In thousands of S/.	**%**	**In thousands of S/.**	**%**
Profit before taxes	1,064,520	100.00	949,059	100.00
Income tax (theoretical)	319,356	30.00	284,718	30.00
Tax effect on additions and deductions:				
Permanent differences	3,172	0.30	11,148	1.17
Current and deferred income tax, recorded as per effective rate	**322,528**	**30.30**	**295,866**	**31.17**

27. Deferred Income Tax

Deferred income tax has been calculated applying the statement of financial position method (note 4.j), and is attributed to the following items:

	Balances as of 12.31.2013	(Debit) credit to results: Due to origination and/ or revers al of temporary differences	(Debit) credit to results: Due to effect of rate reduction (i)	(Debit) credit to equity: Due to origination and/ or revers al of temporary differences	(Debit) credit to equity: Due to effect of rate reduction (i)	Balances as of 12.31.2014	(Debit) credit to results	(Debit) credit to equity	(Debit) credit to other	Balances as of 09.30.2015
Assets:										
Generic provision for direct loans	154,263	7,056	(10,536)	-	-	150,783	17,300	-	4,566	172,649
Transferred lo an portfolio	18,939	(18,939)		-	-	-	-	-	-	-
Fixed assets	15,255	48,083	(4,249)	-	-	59,089	(18,284)	-	-	40,805
Provision for vacations	14,162	(614)	(836)	-	-	12,712	(837)	-	-	11,875
Provision for account receivable	9,737	1,031	(638)	-	-	10,130	2,732	-	-	12,862
Provision for repossessed assets	9,327	274	(640)	-	-	8,961	69	-	-	9,030
Provision for credit and debit card rewards	3,622	247	(258)	-	-	3,611	-	-	714	4,325
Valuation of available for sale investments	283	-	(152)	4,213	(2,954)	1,390	-	1,329	-	2,719
Investment in properties	30,133	-	-	(29,176)	63	1,020	-	(128)	-	892
Intangible assets	(1,546)	12	347	-	-	(1,187)	(801)	-	-	(1,988)
Other	14,726	(7,492)	(1,550)	191	-	5,875	(6,203)	13,449	(2,230)	10,891
	268,901	29,658	(18,512)	(24,772)	(2,891)	252,384	(6,024)	14,650	3,050	264,060
Liabilities	(808)	-	-	(2,222)	3,030	-	-	-	-	-
Deferred income tax asset (liability), net	**268,093**	**29,658**	**(18,512)**	**(26,994)**	**139**	**252,384**	**(6,024)**	**14,650**	**3,050**	**264,060**

(i) As of December 31, 2014, Scotiabank Perú S.A.A. and Subsidiaries registered in the results of the period, and/or in equity, the effect resulting from the modification of the tax rates applicable for the realization of deferred income tax assets or settlement of deferred income tax liabilities; this effect has been estimated applying the tax rate corresponding to the period in which it is expected that such assets or liabilities will be realized or settled, as applicable. The effect in results represented a lower net deferred income tax assets of S/. 18,512 thousand and is presented in 'deferred income tax, expense'. This net effect in equity represented a higher net deferred income tax asset of S/. 139 thousand and is included in 'unrealized earnings'.

28. Employees' Profit Sharing

According to Legislative Decree 677, a bank's employees are entitled to a profit-sharing plan computed at 5% of the net profit, similarly to employees of the companies of Scotiabank Perú S.A.A. and Subsidiaries. This profit sharing is treated as deductible expenses for income tax calculation purposes. As of September 30, 2015 and 2014 a consolidated legal employees' profit sharing of S/. 58,954 thousand and S/. 64,456 thousand, respectively, it was determined and presented in 'administrative expenses' in the consolidated income statement.

29. Trust Fund Activities

Scotiabank Perú S.A.A. and Subsidiaries offer structuring and administration services of trust operations and trust fees, and are in charge of the preparation of agreements related to these operations. Assets kept in trust are not included in the consolidated financial statements. Scotiabank Perú S.A.A. and Subsidiaries are responsible for the appropriate management of these trusts based on the limits established by applicable laws and the respective agreement. As of September 30, 2015, the allocated value of assets in trusts and trust fees amounted to S/. 2,637,424 thousand (S/. 2,398,710 thousand, as of December 31, 2014).

30. Related Party Transactions

As of September 30, 2015 and December 31, 2014, the consolidated financial statements include transactions with related parties, which, as established by IAS 24, comprise the parent company, related parties, associates and key management. All related party transactions are conducted in accordance with market conditions applicable to non-related third parties.

(a) The balances of the consolidated statement of financial position arising from related parties were as follows:

	09.30.2015					12.31.2014				
In thousands of nuevos soles	**Parent company**	**Related parties (i)**	**Associates**	**Key Management**	**Total**	**Parent Company**	**Related parties (i)**	**Associates**	**Key management**	**Total**
Assets:										
Cash and due from banks	-	70,923	-	-	70,923	-	21,137	-	-	21,137
Loan portfolio, net	-	6,412	3	5,699	12,114	-	2,926	6	9,278	12,210
Held-for trading derivatives instruments	-	93,672	-	-	93,672	-	58,103	-	-	58,103
Other assets	11	57,384	750	120	58,265	-	32,611	2,732	331	35,674
Total assets	**11**	**228,391**	**753**	**5,819**	**234,974**	**-**	**114,777**	**2,738**	**9,609**	**127,124**
Liabilities:										
Deposits and obligations	245,912	716,415	9,556	15,693	987,576	220,398	304,657	10,007	16,164	551,226
Borrowings	-	3,595,414	-	-	3,595,414	-	3,571,137	-	-	3,571,137
Held-for trading derivatives instruments	-	94,858	-	-	94,858	-	134,972	-	-	134,972
Other liabilities	-	50,112	510	164	50,786	-	46,405	457	4	46,866
Total liabilities	**245,912**	**4,456,799**	**10,066**	**15,857**	**4,728,634**	**220,398**	**4,057,171**	**10,464**	**16,168**	**4,304,201**
Off-balance accounts:										
Contingent loans	-	261,628	68,171	-	329,799	-	247,091	54,133	149	301,373
Financial derivative instruments	-	6,932,068	-	-	6,932,068	-	10,296,40 5	-	-	10,296,405

(i) Related parties include balances and transactions with 'other related parties' as defined by IAS 24.

(b) Consolidated income statement arising from related party transactions were as follows:

	09.30.2015					09.30.2014				
In thousands of nuevos soles	Parent company	Related parties (i)	Associates	Key management	Total	Parent company	Related parties (i)	Associates	Key management	Total
Interest income	-	309	-	238	547	-	62	-	411	473
Interest expenses	(2,368)	(26,010)	(1,528)	(119)	(30,025)	-	(16,133)	(1,733)	(175)	(18,041)
	(2,368)	(25,701)	(1,528)	119	(29,478)	-	(16,071)	(1,733)	236	(17,568)
Income from finance services	13	3,256	450	47	3,766	12	1,332	241	69	1,654
Expenses from finance services	-	(32)	(8,054)	(5)	(8,091)	-	(36)	(5,966)	(4)	(6,006)
	13	3,224	(7,604)	42	(4,325)	12	1,296	(5,725)	65	(4,352)
Results of financial transactions	-	(113,496)	-	-	(113,496)	-	(44,233)	8,000	-	(36,233)
Administrative expenses	-	(1,003)	(2,952)	-	(3,955)	-	(775)	(1,541)	(1)	(2,317)
Other income and expenses	-	-	-	-	-	-	1,825	-	-	1,825
Net profit	**(2,355)**	**(136,976)**	**(12,084)**	**161**	**(151,254)**	**12**	**(57,958)**	**(999)**	**300**	**(58,645)**

(i) Related parties include balances and transactions with other related parties as defined by IAS 24.

(c) Remuneration of key management were as follows:

In thousands of nuevos soles	09.30.2015	12.31.2014
Remuneration of key management	22,813	26,401
Remuneration of members of the board of directors	674	407
	23,487	26,808

As of September 30, 2015 and December 31, 2014, the remuneration pending to pay to key management amounted to S/. 6,454 thousand and S/. 6,107 thousand, respectively.

31. Classification of Financial Instruments

Management classifies its financial assets and liabilities in categories as described in note 3.b. As of September 30, 2015 and December 31, 2014, financial assets and liabilities are classified as follows:

	09.30.2015						
			Available-for-sale investments				
In thousands of nuevos soles	At fair value through profit or loss	Loans and items receivable	At amortized cost (a)	At fair value	Liabilities at amortized cost	Other liabilities (b)	Total
Assets:							
Cash and due from banks	-	13,724,937	-	-	-	-	13,724,937
Interbank funds	-	278,824	-	-	-	-	278,824
Investments at fair value through profit or loss							
Capital instruments	9,622	-	-	-	-	-	9,622
Debt instruments	389,729	-	-	-	-	-	389,729
Available-for-sale investments							
Instruments representing capital	-	-	3,430 (c)	57,241	-	-	60,671
Instruments representing debt	-	-	-	2,319,656	-	-	2,319,656
Loan portfolio, net	-	37,424,905	-	-	-	-	37,424,905
Held-for trading derivatives instruments	191,665	-	-	-	-	-	191,665
Accounts receivable	-	199,349	-	-	-	-	199,349
Other assets	-	164,339	-	-	-	-	164,339
Total	**591,016**	**51,792,354**	**3,430**	**2,376,897**	**-**	**-**	**54,763,697**
Liabilities:							
Deposits and obligations	-	-	-	-	-	33,409,252	33,409,252
Interbank funds	-	-	-	-	-	20,002	20,002
Deposits of financial entities and international finance institutions	-	-	-	-	-	640,909	640,909
Borrowings and financial obligations	-	-	-	-	15,921,104	-	15,921,104
Held-for trading derivatives instruments	126,276	-	-	-	-	-	126,276
Accounts payable	-	-	-	-	-	469,991	469,991
Other liabilities	-	-	-	-	-	260,172	260,172
Total	**126,276**	**-**	**-**	**-**	**15,921,104**	**34,800,326**	**50,847,706**

(a) Including financial assets measured at cost.
(b) Including financial liabilities whose fair value correspond to carrying amounts as per Official Letter 1575-2014-SBS (note 4.b)

SCOTIABANK PERÚ S.A.A. AND SUBSIDIARIES

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As of September 30, 2015 (unaudited), December 31, 2014 ((audited) and
September 30, 2014 (unaudited)

	12.31.2014						
			Available-for-sale investments				
In thousands of nuevos soles	At fair value through profit or loss	Loans and items receivable	At amortized cost (a)	At fair value	Liabilities at amortized cost	Other liabilities (b)	Total
Assets:							
Cash and due from banks	-	10,572,032	-	-	-	-	10,572,032
Interbank funds	-	70,002	-	-	-	-	70,002
Investments at fair value through profit or loss							
Capital instruments	13,753	-	-	-	-	-	13,753
Debt instruments	289,753	-	-	-	-	-	289,753
Available-for-sale investments							
Instruments representing capital	-	-	7,435 (c)	56,227	-	-	63,662
Instruments representing debt	-	-	-	1,671,471	-	-	1,671,471
Loan portfolio	-	31,667,386	-	-	-	-	31,667,386
Held-for trading derivatives instruments	171,939	-	-	-	-	-	171,939
Accounts receivable	-	132,473	-	-	-	-	132,473
Other assets	-	115,313	-	-	-	-	115,313
Total	**475,445**	**42,557,206**	**7,435**	**1,727,698**	**-**	**-**	**44,767,784**
Liabilities:							
Deposits and obligations	-	-	-	-	-	29,044,785	29,044,785
Deposits of financial entities and international finance institutions	-	-	-	-	-	295,772	295,772
Borrowings and financial obligations	-	-	-	-	10,924,144	-	10,924,144
Held-for trading derivatives instruments	187,158	-	-	-	-	-	187,158
Accounts payable	-	-	-	-	-	402,057	402,057
Other liabilities	-	-	-	-	-	156,092	156,092
Total	**187,158**	**-**	**-**	**-**	**10,924,144**	**29,898,706**	**41,010,008**

(a) Including financial assets measured at cost.
(b) Including financial liabilities whose fair value correspond to carrying amounts as per Official Letter 1575-2014-SBS (note 4.b)
(c) Correspond to unlisted shares (note 7).

32. Financial Risk Management

Scotiabank Perú S.A.A. and Subsidiaries have a strong risk culture throughout the entire organization; the risk management is a responsibility shared by all employees, being a main element the risk diversification across different lines of business, products and industries.

It comprises the management of the following main risks:

- Credit risk: It is the risk of loss due to debtors, counterparties or third parties' incapacity or weakness of compliance with their contractual obligations.

- Market risk: It is the risk of loss in on-balance or off-balance sheet positions arising from the market conditions variations. It generally includes the following types of risk: exchange rate, interests on fair value, price, among other risks.

- Liquidity risk: It is the risk of loss due to noncompliance with borrowing requirements and applications of funds arised from cash flow mismatches.

- Operational risk: It is the risk of loss due to inadequate or failed processes or systems, human error, or external events.

Current risk management allows identification, measurement and evaluation of the return on risk, seeking to obtain greater value to shareholders. In order to ensure that strategic objectives are met, risk management is governed by the Risk Appetite Framework approved by the organization, ensuring an appropriate balance between risk and profitability. The Risk Appetite Framework's main purpose is to provide an integrated set of policies, guidelines and principles in order to ensure application of processes to monitor and mitigate the risks to which Scotiabank Perú S.A.A. and Subsidiaries are exposed, determining the amount and types of risks faced by the Bank.

For proper risk management, the Bank has a series of fundamentals, such as (a) adequate corporate governance, (b) aligned and updated risk policies and limits, and (c) risk monitoring.

A. Adequate Corporate Governance

The bodies supporting corporate governance are:

Board of Directors

The Board of Directors is responsible to set the main guidelines to maintain an effective risk management supported by the BNS as well as the approval of policies, limits and strategies for risk managing of risks to which Scotiabank Perú S.A.A. and Subsidiaries are exposed as Credit, Liquidity, Market, Operational and Technological risks, among others. For the development of risk management, the Board of Directors relies on the Risk Management Committee and the Audit Committee.

Executive Committees

They are composed by the following committees: The Assets and Liabilities committee (ALCO), the Credit Executive committee (CEC), Retail Loan Policy committee and the Operational Risk committee.

Risk Senior Management
It is responsible for implementing the policies, methodologies and procedures to identify, monitor, mitigate and control the different types of risks to which Scotiabank Perú S.A.A. and Subsidiaries are exposed. Also, it is involved in the definition and design of the strategy and communicates and strengthens risk culture throughout the Group.

Risk Senior Management has the following units: Corporate and Commercial Loans, Retail Loans, Portfolio Risk, Special Banking, Risk Policies and Projects, Market Risk, and Operational and Technological Risk.

B. Aligned and Updated Risk Policies and Limits
Policies are based on recommendations from the different risk units, internal audit, business lines, and industry best practices, regulatory requirements and BNS', as well as the recommendations of top management. Policies are guided by the Risk Appetite Framework, and set the limits and controls within which it can operate.

The policies are reviewed and approved by the Board of Directors, either directly or through its committees. These provide a description of the types of exposure, responsibilities and conditions that they are able to do business, in order to ensure proper understanding of customers, products, markets and fully understand the risks associated with each activity.

C. Risk Monitoring
Risk Division has developed a set of policies to identify measure and communicate the evolution of risk in different products and banking, which allow anticipation of impairment loss of any portfolio in order to take corrective actions.

Main activities and processes applied to have an appropriate risk management are described below:

A. Credit Risk

i. Life-cycle: Admission, Monitoring and Collection
Credit adjudication units analyze and evaluate credit approval from different business segments, with different levels of delegation to other teams for their approval, from a risk (measured based on a rating or score) versus profitability perspective. Also, for portfolio managing purposes, the loans are monitored in order to minimize future losses. Concerning the collection models, these customers are segmented by Corporate and Commercial banking and Retail banking. For corporate and commercial portfolio, collections are managed on a case by case basis, transferring it to the recovery area maximum after 90 days overdue in order to have time to take legal action, if necessary. For Retail portfolio, risk-based strategies are established (collection score) to optimize available resources for collection seeking to reach greater effectiveness.

ii. Credit Risk Mitigation - Collateral

Management has a number of policies and practices to mitigate credit risk. One of them is the use of collaterals; however, the credits are not granted for the amount or quality of guarantees but for the debtor's repayment ability. While the guarantees reduce the risk of loss, they should not be linked to the primary source of repayment.

The value of collaterals is established by means of updated appraisals, which are held regularly and consider market fluctuations. Such valuations are performed by qualified independent experts; they shall meet the required standards and best practices. Additionally, when prices are volatile, margins are applied to compensate for this fluctuation.

Periodical certifications of price of the collaterals are conducted; and for the fluctuations, if necessary, actions are taken to mitigate the risk associated with the value of these collaterals.

Management of appraisals and collaterals is conducted by an independent unit from the Risk Division.

The types of collateral include residential mortgages, special liens on the business assets, such as inventory, premises and accounts receivable, and special liens on financial instruments such as debt instruments and equity securities.

Additionally, collaterals are classified as established in SBS Resolution 11356-2008 *Regulation for the Evaluation and Classification of the Debtor and Provisions Requirement*, as follows:

- Preferred collaterals.
- Preferred easily realizable collaterals.
- Preferred readily realizable collaterals.

iii. Credit Rating

Scotiabank Perú and Subsidiaries operate an internal credit rating differentiated by banking, which is in line with BNS. For Corporate and Commercial loans, the Bank utilizes internal grade codes, which is based on quantitative and qualitative indicators that reflect the strength of the client. Also, this rating determines the levels of approval for customers.

For Retail segment, an internal score that reflects the strength of customers based on the probability of default and repay is used. Also, this score determines the strategies to be used with customer based on the risk of each.

Scotiabank Perú and Subsidiaries also utilize the regulatory debtors' credit rating, which determines the provision requirement of customers.

iv. Debtor Regulatory Credit Rating

The debtor regulatory credit rating is conducted in accordance with criteria and parameters established by SBS through Resolution 11356-2008 *Regulation for the Evaluation and Classification of the Debtor and Provisions Requirement*, which establishes five categories to classify: Wholesale loan portfolio (corporate, large and small companies) and Retail loan portfolios (small-business loans, micro-business loans, consumer and mortgage) debtors:

- Standard (0)
- Potential problem (1)
- Substandard (2)
- Doubtful (3)
- Loss (4)

v. Loan Portfolio Impairment Loss

Based on SBS Resolution 7036-2012, the Bank and CrediScotia Financiera S.A. have classified impaired and not impaired loans considering the following criteria:

- Neither past due nor impaired loans
  It comprises loans with risk category rated as "standard" or "potential problem" and classified in books as current loans.

- Past due but not impaired loan
  It comprises client's loans with risk category rated as "standard" or "potential problem" and classified in books as past due.

- Impaired loans
  For wholesale portfolio, it comprises loans rated as substandard, doubtful or loss, and the refinanced, restructured and lawsuit loans. For Retail portfolio, it comprises loans overdue 90 days or more and those classified as lawsuit loans.

B. Market Risk

Market risk is the risk arising from fluctuations in market prices, such as interest rates, equity shares prices, foreign exchange rates and credit spreads that affect the income or the value of its holdings of financial instruments. The objective of the market risk management is to identify, evaluate and control market risk exposure within risk tolerance and appetite parameters, acceptable for the Board of Directors, in order to ensure the solvency while optimizing the return adjusted by risk.

i. Management of Market Risk

Management separates its exposure to market risk between trading and non-trading. Trading portfolios are managed by the Trading unit, and include positions arising from market making and own positions, together with financial assets and liabilities that are managed on a market value basis.

All foreign exchange positions are managed by Treasury. Accordingly, the foreign exchange positions are treated as part of the trading portfolios for risk management purposes.

Management employs different tools to monitor and limit market risk exposures. These are discussed below, separately for trading and non-trading portfolios.

ii. Exposure to Market Risks – Trading portfolio

The principal tool used to measure and control market risk exposure within the Group's trading portfolio is value at risk (VaR). The VaR of a trading portfolio is the estimated loss that will arise on the portfolio over a specified period of time (holding period) due to an adverse market movement with a specified probability (confidence level). The VaR model used by the Group is based upon a 99 percent confidence level and assumes a 1-day holding period. Considering market data from the previous 300 days, relationships between different markets and prices are observed, the model generates a wide range of plausible future scenarios for market price movements.

Although VaR is an important tool for measuring market risk, the assumptions on which the model is based generate some limitations, including the following:

- A 1-day holding period assumes that it is possible to hedge or dispose of positions within that period. This may not be the case for illiquid assets or in situations in which there is severe general market illiquidity.
- A 99 percent confidence level does not reflect losses that may occur beyond this level. Even within the model used, there is a one percent probability that losses could exceed the VaR.
- VaR is calculated on an end-of-day basis and does not reflect exposures that may arise on positions during the trading day.
- The use of historical data as a basis for determining the possible range of future outcomes may not always cover all possible scenarios, especially those of an exceptional nature.
- The VaR measure depends upon Scotiabank Perú S.A.A. and Subsidiaries' position and the volatility of market prices. The VaR of a static position reduces if market price volatility declines and vice versa.

Management uses VaR limits for total market risk and interest rate and foreign exchange risks. The overall structure of VaR limits is subject to review and approval by ALCO and is allocated to trading portfolios. VaR is measured at least daily and monitored through daily reports of use which are submitted from local Market Risk Unit to Treasury and parent company, and monthly reports are submitted to ALCO.

VaR methodology limitations, are recognized by complementing VaR limits with other position and sensitivity limits structures. In addition, a wide range of stress tests is used to model the financial impact of different trading portfolio scenarios.

Management determines hypothetical scenarios considering potential macroeconomic events, for example, prolonged market illiquidity periods, reduced fungibility of currencies, natural disasters and other catastrophes. The analysis of scenarios and stress tests are reviewed by ALCO.

The VaR models are subject to regular validation to ensure that they continue to perform as expected and that assumptions used in model development are still appropriate. As part of the validation process, the potential weaknesses of the models are analyzed using statistical techniques, such as back-testing.

Sensitivity analysis in trading portfolio is used to measure the effect of change in the risk factors, including rates and differentials on products and portfolios. These measures are applied by type of product and allow appropriate monitoring, reporting and management.

iii. Exposure to Market Risks – Non-Trading Portfolio

The principal risk to which non-trading portfolios are exposed is the risk of loss due to future cash flows or financial instruments fair values fluctuations because of a change in market interest rates. Interest rate risk is managed through monitoring interest rate gaps and establishing limits by currency for each term. ALCO monitors compliance of these limits and is assisted by Risk unit.

Equity price risk is subject to periodical monitoring by the Board of Directors, through the Risk Management Committee, but is not significant in relation to the results and financial position.

The effect of structural foreign exchange positions is managed from the Trading Unit within its limits of position by currency.

Exposure to market risks includes mainly:

a. Interest Rate Risk

This comprises the risk of loss due to interest rates variations. Treasury Unit of Scotiabank Perú S.A.A. and Subsidiaries, actively manages interest rate exposure risk in order to improve the net interest income according to risk tolerance pre-established policies.

Market risk arising from financing and investment activities are identified, managed, and controlled as part of Scotiabank Perú S.A.A. and Subsidiaries' assets and liabilities management process, specially liquidity and interest rate risks. Sensitivity analysis assesses the effect of interest rates changes on earnings and the economic value of shareholders' equity. This sensitivity analysis uses variations of interest rate curves originated by positive and negative parallel shifts, as well as by changes in non-parallel shifts.

Gap analysis is used to assess the interest rate sensitivity of re-pricing mismatches in non-trading operations. Under gap analysis, off-balance sheet assets and liabilities are distributed within repricing dates. Products with a contractual maturity are assigned to an interest rate gap term based on the shorter of the contractual maturity date and the next re-pricing date. Products without contractual maturity are assigned an interest rate gap based on observed historical consumer behavior.

Interest rate risks in the non-trading portfolios are mainly driven by the terms and currency of the loan portfolio mismatches. The interest rate risk is managed within the framework of policies approved by the Board of Directors and global limits included in the Risk Appetite Framework and aims to keep under control the risk originated by the effects of net interest income and equity value fluctuations.

Interest rate risk report is presented on a monthly basis by the ALCO to the Risk Control Committee and the Board of Directors, detailing the exposure to such risk by currency, as well as the results of measurement tools, use of limits and interest rate risk stress tests, among others issues related to market risk management in compliance with regulatory provisions of the Parent Company and Scotiabank Perú S.A.A. and Subsidiaries.

Gap analysis, sensitivity analysis, simulation modeling, and stress testing are used for monitoring and planning purposes.

Models defined by the SBS for interest rate risk assessment for the ALM book are as follows:

Earnings at Risks (EaR) and Equity Value at Risk (EVAR) indicators are focused on the potential impact of interest rate changes on value generation, specifically through the financial margin, and the entity's equity value. These methodologies are applied under both normal and stressed market conditions.

i This indicator is focused on the potential impact of interest rate changes on value generation, specifically, through the financial margin, and the Bank's equity value; measures the percentage of regulatory capital exposed to interest rate risk as a result of marginal mismatches weighted by their respective sensitivity for all temporary bands.

ii This indicator measures the percentage of regulatory capital exposed to interest rate risk as a result of mismatches accumulated up to one year; this should not exceed 5%.

These methodologies have been determined by the SBS and apply under normal and stressed market conditions.

b. Exchange Rate Risk

This is the risk of loss due to exchange rates adverse variations of currencies negotiated by Scotiabank Perú S.A.A. and Subsidiaries. This risk is managed by the Trading Unit.

The Trading Unit is responsible of administration of foreign exchange operations and forwards portfolio, in accordance with policies, procedures and controls designed to ensure profitable business opportunities, while considering adequate levels of risk and volatility of the market variables professionally and cautiously.

Market risks are measured and managed within VaR internal limits of global net position in combination with stress tests based on market variables. The consistency of these results is validated through periodical backtesting analysis which compared actual gains or losses with those obtained through the model.

Management calculates the VaR using historical simulation based on 300 days of market data to measure the maximum expected loss from fluctuations in the exchange rate, considering as variables the net asset position in foreign currency and exchange rate volatility. As of September 30, 2015 and December 31, 2014, the net asset position of the consolidated statement of financial position in foreign currency amounted to US$ 289,512 thousand and US$ 323,412 thousand, respectively (note 5).

As of September 30, 2015, the overbought/oversold position amounted to S/. 981 thousand and S/. 103,969 thousand, respectively (as of December 31, 2014, S/. 83,074 thousand and S/. 722 thousand, respectively).

c. Investments Portfolio Risk

The own investment portfolio and trading portfolio are managed by the ALM Unit and Trading Unit, respectively.

The own investment portfolio is administered in order to manage liquidity and the interest rate risks, and long-term capital investment with attractive returns. It is managed in accordance with approved policies and limits for investments by type and term. On the other hand, trading portfolio is acquired with the intention of short-term profit-taking, arising from fluctuations prices.

Investment portfolios are composed of liquid instruments, mainly certificates of deposits issued by the Banco Central de Reserva del Perú and Peruvian Government Bonds issued in local and foreign currency.

d. Liquidity Risk

Liquidity risk is the risk that the Bank is unable to meet its short-term financial obligations and is obliged to borrow money or sell assets in unusually unfavorable conditions.

The approach to managing liquidity is to ensure, as far as possible, that it will always have enough liquidity to meet its obligations when due, under both normal and stressed conditions, without incurring unacceptable losses or damage to the reputation of Scotiabank Perú S.A.A. and Subsidiaries. The key elements of the liquidity strategy are as follows:

- Maintaining a diversified funding base which consist in customer deposits (both retail and corporate) and wholesale market deposits and maintaining contingent facilities;
- Carrying a portfolio of highly liquid assets, diversified by currency and maturity;
- Monitoring liquidity ratios, maturity mismatches, behavior characteristics of the financial assets and liabilities, and the extent to which the own assets are encumbered and so available as potential collateral for obtaining funding; and
- Carrying out stress testing of the liquidity position.

Regular liquidity stress testing is conducted under different scenarios covering normal and stress market conditions. The scenarios are developed using group-specific events (e.g. a rating downgrade) and market-related events (e.g. prolonged market illiquidity, reduced fungibility of currencies, natural disasters or other catastrophes).

Central Treasury ratios are indicators that relate liquid assets to short-term liabilities under one year. The SBS has determined that this relation shall be greater than 8% and 20%, in the case of local and foreign currency, respectively. As of September 30, 2015, the ratios in local and foreign currencies were 18.35% and 41.46% respectively (23.31% and 49.05% as of December 31, 2014).

Liquidity Coverage Ratio is an indicator of liquidity level in a hypothetical stress scenario; it indicates if the entity have sufficient liquidity to withstand liquidity disruptions for up to 30 days, without the need of turning to the market. As of September 30, 2015, the minimum amount required by the regulator was 80% and Scotiabank presented comfortable levels of liquidity reaching 125.67% in local currency and 118.99% in foreign currency.

e. Operational and Technological Risk

The Operational Risk Management Framework sets out an integrated approach to identify, assess, control, mitigate and report operational risks based on key components such as the Internal Governance, Risk Appetite, Measurement, Monitoring and Reporting, among other approaches.

The Bank recognizes that an efficient and integrated operational risk management is a key component of risk management best practices; therefore the Bank, in order to have a solid internal governance of operational risk, adopted a three-line of defense model, establishing the responsibilities of operational risk management.

During 2015, the development and consolidation of operational risk management methodologies for Scotiabank Perú S.A.A. and Subsidiaries have continued providing an adequate identification, management and control of operational risk, being the main ones:

a. Event Loss methodology.
b. Key Risk Indicators -KRIs- methodology.
c. Business Continuity Management – BCM- methodology.
d. Risk Control Assessment (RCA) and risk matrices methodology.
e. Risk assessment of new initiatives and/or significant changes, among others.

a. Loss Event methodology

The Bank follows up relevant data of operational risk losses established per Business Line, in accordance with the Basel loss event types. Losses are reported by Operational Risk Managers designated in the various centralized and specialized units of the Bank and identified by the Accounting area through reviews by the Operational and Technological Risk Unit, which are included in the centralized database of the Operational Risk Losses. This database is used to determine trends, conduct analysis and prepare reports of operational risk losses intended for senior management and the Board of Directors.

Loss data collection exercise ensures consistent management across the Bank and its subsidiaries which allows classifying loss event data per line of business, type of event and effect type, as per Basel definitions and according to the Regulations for Operational Risk Management approved by the local regulator. Losses are also classified by significant internal units and types of risk, according to the Bank's standard inventory of operational risks. On the other hand, database allows identifying connections between losses data, Risk and Control Assessment and Key Risk Indicators, providing analysis and generating awareness on internal and external operational risks.

b. Key Risk Indicators (KRIs)

The Key Risk Indicator methodology is a measure to report on potential risks, current status or trend of operational risk exposures.

The Key Risk Indicators program provides information to the first two lines of defense in order to promote proactive managing of risk exposures through the monitoring and communication of risks and operational trends to ensure adequate and timely response of Management. The existence of efficient Key Risk Indicators will serve as an early warning system of possible changes in the operational risk profile of the business.

The Key Risk Indicators methodology provides a systematic approach to coordinate the supervision of the key factors of operational risks and provides a focus, structure and terminology in common to implement and manage the selection of Key Risk Indicators across the Bank.

c. Business Continuity Management – BCM

- Scotiabank Peru has 125 Business Continuity Plans (BCPs) in its sixteen Vice chairs and/or main management areas, six subsidiaries and eleven special Agencies.

- The migration from the Business Continuity Plan to the new "Business Continuity Plans Database" system was completed during the first quarter of the year. This is an Internet-based system that allows to centralize and protect information of all the Bank's plans. As from that date, the updating of the Business Continuity Plans will be made through this system.

- The continuity plans were updated between the first and second quarters of 2014, updating BCPs and pandemic guide, and developing tabletop tests (demonstration exercise, call tree test) and Simulation Tests, which evaluate the effectiveness of the procedures included in the respective continuity plans; staff was trained, and corresponding approval sought from Managers and Vice chairmen.

- The Scotiabank Group has an alternate site to support their most critical processes; which remains ready and operational 24 hours a day, 365 days a year providing support to the most sensitive processes. Currently, the Group has 103 physical working positions. During the fourth quarter, simulation tests of continuity plans TYPE I and II containing critical process were favorably completed (sensitive to the time of inoperativeness). These tests are essential and important to ensure the proper functioning of the working positions in case these are required due to a contingency.

- In the third quarter of the year, the implementation of a new data processing center located in the premises of IBM in the district of La Molina was completed. To date, this new data center is operating without inconveniences.

- Regarding the reporting of activities and the results of the continuity management, during 2015, the Bank developed local team committees for the Local Incident Management Team-LIMT with the objective that every member becomes aware of the developed activities, events, changes, training or exercises related to business continuity, which were raised to the Operational Risk Committee and Risk Control Committee as well. On the other side, every six months (second and fourth quarters of year 2014), monitoring reports for the Parent Company were prepared describing the situation of outstanding activities of the continuity management.

- In October, Scotiabank Peru participated in simulation exercises related to Business Continuity promoted by the SBS. The major banks of Peru participated in this exercise where the tested scenario was a major earthquake with systemic impact; Scotiabank Peru participated directly with its Crisis Management team with the support of the recovery teams respectively.

d. Operational Risk Assessment Methodology – Risk Control Assessment (RCA) and Risk Matrices

The Operational Risk and Controls Assessment methodology is the tool that identifies and categorizes existing operational risks in the activities conducted by the Bank's significant units, with the purpose of determining the adequacy or effectiveness of adopted controls and/or the need to adopt additional mitigating actions.

It provides a systematic approach to identify risks and related internal controls, as well as deficiencies that affect the achievement of defined business objectives. Moreover, this process represents a means to monitor Management activities aimed at solving the identified deficiencies.

During 2015, the Bank's methodology for the Assessment of Risk and Controls Assessment was applied through two procedures:

- Risk Control Assessment Methodology - RCA: a comprehensive assessment of inherent risks, residual risks and the effectiveness of internal controls is made with the participation of members of the value chain of the significant unit being assessed.

- Risk Matrix Methodology: its design considers frequency, impact, risks, controls and residual risk. The matrix should be completed by the Risk Manager and/or responsible for the area under assessment. Operational and Technological Risk oversees the conduction of the activity and tests the obtained results.

e. Management of new initiatives and major changes in the operating and systems environment.

- The Bank has established policies for comprehensive risk assessment of new products and in case of major changes in the business, operational or systems environment; these policies describe the general principles applicable to the review, approval and implementation of new products and services within the Bank. The principles are intended to provide guidance to Business Lines in the development of processes and guidelines of risk assessment to be integrated into the policies and procedures on new products. All new products or major change in the business, operational or system environment shall have a comprehensive risk assessment prior to its development, and it shall be updated after its implementation.
- The Operational Risk Committee provides oversight to ensure that all Business Lines implement principles and conduct products risk assessments consistently.
- The Operational and Technological Risk Unit also provides advice to the owner of the initiative during the Integral Risk Assessment process.

33. Fair Value

The table below shows a comparison of carrying amounts and fair values of Scotiabank Perú S.A.A. and Subsidiaries' financial instruments per item in the consolidated statement of financial position as of September 30, 2015 and December 31, 2014:

	Carrying amount		**Fair value**	
In thousands of nuevos soles	**09.30.2015**	**12.31.2014**	**09.30.2015**	**12.31.2014**
Assets:				
Cash and due from banks	13,724,937	10,572,032	13,724,937	10,572,032
Interbank funds	278,824	70,002	278,824	70,002
Investments at fair value through profit or loss				
Capital instruments	9,622	13,753	9,622	13,753
Debt instruments	389,729	289,753	389,729	289,753
Available-for-sale investments				
Instruments representing capital	60,671	63,662	60,671	63,662
Instruments representing debt	2,319,656	1,671,471	2,319,656	1,671,471
Loan portfolio, net	37,424,905	31,667,386	37,424,905	31,667,386
Held-for trading derivatives instruments	191,665	171,939	191,665	171,939
Accounts receivable	199,349	132,473	199,349	132,473
Other assets	164,339	115,313	164,339	115,313
Total	**54,763,697**	**44,767,784**	**54,763,697**	**44,767,784**

	Carrying amount		Fair value	
In thousands of nuevos soles	**09.30.2015**	**12.31.2014**	**09.30.2015**	**12.31.2014**
Liabilities:				
Deposits and obligations	33,409,252	29,044,785	33,409,252	29,044,785
Interbank funds	20,002	-	20,002	-
Deposits of financial entities and international finance institutions	640,909	295,772	640,909	295,772
Borrowings and financial obligations	15,921,104	10,924,144	15,640,607	10,843,649
Held-for trading derivatives instruments	126,276	187,158	126,276	187,158
Accounts payable	469,991	402,057	469,991	402,057
Other liabilities	260,172	156,092	260,172	156,092
Total	**50,847,706**	**41,010,008**	**50,567,209**	**40,929,513**

Fair value or market estimate is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable and willing parties in an arm's length transaction, under the presumption that the entity is a going concern.

When a financial instrument is traded in a liquid and active market, its published price quotation is the best evidence of its fair value.

When a price quotation is not available, or may not be a reliable fair value of a financial instrument, its fair value could be estimated based on price quotation similar instruments, using discounted cash flow analysis or other estimation techniques. Due to these techniques are based on subjective factors and, in some cases, on inexact factors, any change in them or in the methodology applied could have a material effect on the fair values of financial instruments. Even though management has used its best judgment to estimate the fair values of these financial instruments, the fair value is not an indicator of net realizable or liquidation value.

Methodology and assumptions used depend on the terms and risks characteristics of the different financial instruments, as shown below:

a. Cash due from banks and interbank funds represent cash and short-term deposits that are not considered to be a significant credit risk.

b. Investments at fair value through profit or loss are recorded at their estimated market value, which is the same as the carrying amount.

c. Available-for-sale investments are generally listed or have a market value through future discounted cash flows.

d. Market values of loan portfolio are the same as the carrying amount.

e. Market values of deposits and obligations are the same as the carrying amount.

f. Debts to banks and correspondent banks accrue interest at fixed and floating rates and have short- and long- term maturities. The fair value of these financial instruments has been calculated using discounted cash flows considering the funding curve.

g. Securities, bonds and obligations issued accrue interest at fixed rates. The fair value of these financial instruments has been calculated using discounted cash flows considering the same methodology of item (f).

h. Purchase and sale agreements in foreign currency at a future date are recorded at their estimated market values; therefore, no differences with their respective carrying values exist.

Consequently, as of September 30, 2015 and December, 31 2014, fair or estimated market values of the financial instruments do not differ significantly from their corresponding carrying amount.

Fair Value Hierarchy

Scotiabank Perú and Subsidiaries classify financial instruments carried at fair value based on their hierarchy or valuation techniques applied. This classification has three levels as described below:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: Valuation techniques that use significant inputs data and variables with material effect on fair value estimation that are directly or not directly observable in the market.
Level 3: Valuation technique, where some of the input data and variables are not observable in the market.

The table below shows the valuation levels applied to determine the fair value of financial instruments:

In thousands of nuevos soles	**Level 1**	**Level 2**	**Level 3**	**Total**
09.30.2015				
Assets:				
Investments at fair value through profit or loss				
Instruments representing capital	-	9,611	11	9,622
Instruments representing debt	-	389,729	-	389,729
Available-for-sale investments				
Instruments representing capital	55,279	1,944	3,448	60,671
Instruments representing debt	-	2,319,656	-	2,319,656
Held-for trading derivatives instruments	-	191,665	-	191,665
Total	**55,279**	**2,912,605**	**3,459**	**2,971,343**
Liabilities:				
Held-for trading derivatives instruments	-	126,276	-	126,276
Total	**-**	**126,276**	**-**	**126,276**

In thousands of nuevos soles	Level 1	Level 2	Level 3	Total
12.31.2014				
Assets:				
Investments at fair value through profit or loss				
Instruments representing capital	11	13,742	-	13,753
Instruments representing debt	-	289,753	-	289,753
Available-for-sale investments				
Instruments representing capital	54,373	1,836	7,453	63,662
Instruments representing debt	-	1,671,471	-	1,671,471
Held-for trading derivatives instruments	-	171,939	-	171,939
Total	**54,384**	**2,148,741**	**7,453**	**2,210,578**
Liabilities:				
Held-for trading derivatives instruments	-	187,158	-	187,158
Total	**-**	**187,158**	**-**	**187,158**

34. Subsequent Event

According to the agreement signed between the Bank and Citibank del Perú S.A. (see note 2), on October 16, 2015 the Bank paid to Citibank del Perú S.A. approximately US$ 5,631 thousand and S/. 14,463 thousand corresponding to net effect of changes of the net assets value acquired, reported at date of purchase and the final net asset value. Both entities have agreed the final net asset value and the final financial statements, which were reviewed and validated according to the procedure and timetable set out in the purchase agreement.