



FINANCIAL STATEMENTS



Paredes, Zaldivar, Burga & Asociados
Sociedad Civil de Responsabilidad Limitada

Independent Auditors' Report

To the Directors
of Banco Central de Reserva del Perú

We have audited the accompanying financial statements of Banco Central de Reserva del Perú (hereinafter "the Central Bank") which comprise the statement of financial position as of December 31, 2015, and the related statements of income and other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, (included in notes 1 to 28). The financial statements as of and for the year ended December 31, 2014, were audited by other independent auditors, whose report dated February 16, 2015 expressed an unqualified opinion on those financial statements.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles described in note 2 to the accompanying financial statements, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Auditing Standards, approved for its application in Peru by the Board of Deans of Peruvian Public Accountants Schools. Those standards require that we comply with ethical requirements and plan and perform the audit to have reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence on the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Banco Central de Reserva del Perú as of December 31, 2015, and its financial performance and cash flows for the year then ended, in accordance with accounting principles described in note 2.

Lima, Peru
February 24, 2016

Paredes, Zaldivar, Burga & Asociados

Countersigned by:

W. Rubiños

Wilfredo Rubiños
C.P.C.C. Registration N° 9943

**STATEMENTS OF FINANCIAL POSITION**
As of December 31, 2015 and 2014

	<u>Notes</u>	2015 (S/ 000)	2014 (S/ 000)
ASSETS			
GROSS INTERNATIONAL RESERVES:			
Cash in foreign currency		170,699	149,244
Deposits in foreign Banks	4	68,576,820	40,575,042
Deposits in foreign institutions	5	2,544,531	2,321,112
Securities from international institutions	6	131,177,712	135,369,689
Gold	7	4,023,913	3,933,998
Contributions to international institutions	8	2,907,637	2,758,586
Other available assets	21(d) and (e)	<u>316,663</u>	<u>765,851</u>
		<u>209,717,975</u>	<u>185,873,522</u>
OTHER ASSETS ABROAD:			
Contributions in local currency to IMF	8 (b)	2,069,904	1,723,101
Other assets abroad	12 (c)	<u>68,160</u>	<u>59,620</u>
		<u>2,138,064</u>	<u>1,782,721</u>
DOMESTIC CREDIT:			
	9		
To banks		30,491,916	9,770,572
To the public sector		2,856,443	2,027,914
To other entities and funds		45,717	87,831
To the private sector		9	9
To financial companies		-	117,786
		<u>33,394,085</u>	<u>12,004,112</u>
PROPERTY, FURNITURE AND EQUIPMENT, NET:	10	158,005	155,038
OTHER ASSETS	11	<u>1,942,637</u>	<u>1,723,935</u>
TOTAL ASSETS		<u>247,350,766</u>	<u>201,539,328</u>
OFF-BALANCE SHEET ACCOUNTS	21	<u>139,478,624</u>	<u>118,870,624</u>

The accompanying notes are an integral part of these statements.

	<u>Notes</u>	<u>2015</u> (S/ 000)	<u>2014</u> (S/ 000)
LIABILITIES AND NET EQUITY			
RESERVE LIABILITIES	21(d) and (e)	177,471	133,069
OTHER LIABILITIES ABROAD:			
Equivalent of the contribution in local currency to IMF	8 (b)	2,069,689	1,723,101
Other liabilities abroad	12	2,950,029	2,699,238
		<u>5,019,718</u>	<u>4,422,339</u>
STERILIZED STOCK:			
Outstanding securities issued	13	22,544,000	17,911,320
Deposits in local currency	14	32,256,053	38,537,142
		<u>54,800,053</u>	<u>56,448,462</u>
MONETARY BASE:			
Currency in circulation	15	48,890,028	47,543,004
Deposits in local currency		2,401,455	6,321,944
		<u>51,291,483</u>	<u>53,864,948</u>
DEPOSITS IN FOREIGN CURRENCY	16	93,595,612	73,343,923
OTHER LIABILITIES	17	32,330,381	10,920,176
TOTAL LIABILITIES		<u>237,214,718</u>	<u>199,132,917</u>
NET EQUITY			
Capital	18	1,182,750	1,182,750
Fair value reserve		(1,614,827)	(1,297,271)
Retained earnings		915,890	(716,336)
		<u>483,813</u>	<u>(830,857)</u>
CAPITAL, RESERVES AND RETAINED EARNINGS		483,813	(830,857)
Readjustment for valuation article N°89 – Organic Act	18 (e)	9,652,235	3,237,268
TOTAL NET EQUITY		<u>10,136,048</u>	<u>2,406,411</u>
TOTAL LIABILITIES AND NET EQUITY		<u>247,350,766</u>	<u>201,539,328</u>
OFF-BALANCE SHEET ACCOUNTS	21	<u>139,478,624</u>	<u>118,870,624</u>

**STATEMENTS OF INCOME AND OTHER COMPREHENSIVE INCOME**
For the years ended December 31, 2015 and 2014

	Notes	2015 (S/ 000)	2014 (S/ 000)
FINANCIAL INCOME			
Interest on deposits in foreign Banks	4 (c)	168,947	121,366
Net yield on securities	6 (e)	728,076	868,236
Interest on international agreements and deposits in IMF		1,884	3,381
Profits and dividends received from international institutions		7,979	5,969
Yield on gross international reserves		906,886	998,952
Interest and commissions on domestic credit operations	9 (d)	1,031,603	273,967
Other financial income		856,916	90,733
TOTAL FINANCIAL INCOME		2,795,405	1,363,652
NON-FINANCIAL INCOME		7,437	6,739
TOTAL INCOME		2,802,842	1,370,391
FINANCIAL EXPENSES			
Interest on liabilities abroad	12 (d)	(1,384)	(2,263)
Interest on outstanding securities issued	13 (c)	(585,617)	(584,917)
Interest on local currency deposits	14 (c)	(852,509)	(1,074,787)
Interest on foreign currency deposits	16 (d)	(90,112)	(56,800)
Other financial expenses		(8,574)	(9,669)
TOTAL FINANCIAL EXPENSES		(1,538,196)	(1,728,436)
OPERATING EXPENSES	22	(266,485)	(269,914)
EXPENSES AND COST OF ISSUANCE	23	(82,271)	(88,377)
TOTAL EXPENSES		(1,886,952)	(2,086,727)
NET PROFIT (LOSS)		915,890	(716,336)
OTHER COMPREHENSIVE INCOME	6 (e) and 9 (c)	(317,556)	347,805
TOTAL COMPREHENSIVE INCOME		598,334	(368,531)

The accompanying notes are an integral part of these statements.

STATEMENTS OF CHANGES IN EQUITY
For the years ended December 31, 2015 and 2014

	Capital, reserves and retained earnings					Readjustment for valuation article N° 89 - Organic Act	Total net equity
	Capital	Legal reserve	Special statutory reserve	Fair value reserve	Retained earnings		
	(\$/ 000)	(\$/ 000)	(\$/ 000)	(\$/ 000)	(\$/ 000)	(\$/ 000)	(\$/ 000)
Balance as of January 1, 2014	1,182,750	-	687,851	(1,645,076)	(892,954)	(476,920)	(1,144,349)
Net loss	-	-	-	-	(716,336)	-	(716,336)
Other comprehensive income, notes 6(e) and 9(c)	-	-	-	347,805	-	-	347,805
Total comprehensive income	-	-	-	347,805	(716,336)	-	(368,531)
Transfer from special statutory reserve, note 18(b)	-	687,851	(687,851)	-	-	-	-
Coverage of losses article N°93 – Organic Act, note 18(b)	-	(687,851)	-	-	687,851	-	-
Loss coverage Ministry of Economy and Finances (MEF), D.S.108-2014-EF, note 1 and 18(d)	-	-	-	-	205,103	-	205,103
Readjustment for valuation of the year, note 18(e)	-	-	-	-	-	3,714,188	3,714,188
Balance as of December 31, 2014	1,182,750	-	-	(1,297,271)	(716,336)	(830,857)	2,406,411
Net profit	-	-	-	-	915,890	-	915,890
Other comprehensive income, notes 6(e) and 9(c)	-	-	-	(317,556)	-	(317,556)	(317,556)
Total comprehensive income	-	-	-	(317,556)	915,890	598,334	598,334
Loss coverage Ministry of Economy and Finances (MEF), D.S.219-2015-EF, notes 1 and 18(d)	-	-	-	-	716,336	-	716,336
Readjustment for valuation of the year, note 18(e)	-	-	-	-	-	6,414,967	6,414,967
Balance as of December 31, 2015	1,182,750	-	-	(1,614,827)	915,890	483,813	10,136,048

The accompanying notes are an integral part of these statements.

**STATEMENTS OF CASH FLOWS**
For the years ended December 31, 2015 and 2014

	2015	2014
	(S/ 000)	(S/ 000)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net profit (loss)	915 890	(716 336)
Adjustments to reconcile net profit (loss) to net cash and cash equivalents provided by (used in) operating activities:		
Depreciation of property, furniture and equipment	11,025	11,121
Amortization of intangible assets	1,076	2,894
Other, net	1,083	923
Net changes in assets, liabilities and equity accounts		
Increase of domestic credit	(20,673,637)	(9,258,369)
(Increase) decrease of other assets abroad	(355,343)	14,023
Increase of other assets	(219,778)	(168,439)
Increase of reserve liabilities	44,402	1,214
Increase of other liabilities abroad	597,379	8,052
Increase (decrease) of outstanding securities issued	4,632,680	(3,891,761)
Decrease of deposits in local currency	(6,281,089)	(1,958,125)
Decrease of deposits from banks, financial institutions and other	(3,920,489)	(3,084,402)
Increase of deposits in foreign currency	20,251,689	3,097,070
Increase of other liabilities	21,410,205	9,157,757
Decrease of fair value reserve	(317,556)	347,805
Increase of readjustment in valuation article N°89 - Organic Act	6,414,967	3,714,187
Cash and cash equivalents provided by (used in) operating activities	22,512,504	(2,722,386)
Cash flows from investing activities:		
Additions to property, furniture and equipment	(15,075)	(11,455)
Cash and cash equivalents used in investing activities	(15,075)	(11,455)
Net increase (decrease) in cash and cash equivalents	22,497,429	(2,733,841)
Cash and cash equivalents at the beginning of the year	138,330,518	141,064,359
Cash and cash equivalents at the end of the year (note 2.2(p))	160,827,947	138,330,518

The accompanying notes are an integral part of these statements.

NOTES TO THE FINANCIAL STATEMENTS

As of December 31, 2015 and 2014

1. OPERATIONS

Banco Central de Reserva del Perú (hereinafter the "Central Bank") is an autonomous legal entity of public law incorporated on March 9, 1922, intended to preserve monetary stability in Peru. Its activities are currently governed by article N°84 of the Peruvian Constitution, dated December 29, 1993, and by its Organic Act approved by Decree-Law N°26123 of December 24, 1992 (hereinafter "the Organic Act"). The Organic Act establishes that the Bank's functions are to regulate the amount of money, administrate international reserves, issue bills and coins; as well as report on the finances of Peru.

The Central Bank has its legal address and headquarters in Antonio Miró Quesada Street 441 – 445, Lima and has branches in seven cities in Peru. As of December 31, 2015 and 2014, the number of employees hired to develop its activities was 1,006 and 1,025, respectively.

The Central Bank represents Peru for the purposes set forth in the articles of the agreements of the International Monetary Fund (hereinafter "IMF") and the Latin American Reserve Fund (hereinafter "FLAR" for its Spanish acronym) and is responsible for all transactions, operations and official relations with these institutions. The Central Bank may also act as a Peruvian Government Agent in its relations with multilateral credit organizations and financial agencies of foreign governments. The Central Bank has subscribed shares of the Bank for International Settlements (hereinafter "BIS"), institution responsible for promoting financial international financial and monetary cooperation and is a bank for central banks.

As established in its Organic Act, the Bank is not allowed to:

- Grant funding to the Public Treasury, except in the form of acquisitions of securities issued by the Public Treasury in the secondary market in which case the holding of such securities may not exceed at any moment, valued at their acquisition cost, 5 percent of the balance of the monetary base at the closing date of the previous year.
- Grant credits or any other form of funding to financial institutions that maintain past due obligations. Moreover, the Central Bank is not allowed to grant loans or advanced payments to its Directors.
- Extend guarantees, letters of guarantee or any other guarantees, or use any form of indirect funding, or grant insurance of any type. It should be mentioned that the operations conducted by the Central Bank in implementing payment and reciprocal credit agreements are not subject to the aforementioned prohibition.
- Allocate resources for the creation of special funds aimed at granting credits or making investments to promote nonfinancial economic activities.
- Issue securities, bonds or contribution certificates of mandatory acquisition.
- Impose sector or regional coefficients in the composition of the loan portfolio of financial institutions.



- Establish multiple exchange rate regimes.
- Purchase shares, except those issued by international financial agencies or those needed to be acquired to strengthen banks or financial entities; participate, directly or indirectly, in the capital of commercial, industrial or any other companies.
- Own more real estate properties than those required for its activities and those that were transferred in payment of debts. The latter must be sold not later than one year after their acquisition.

The financial statements as of and for the year ended December 31, 2015, prepared in accordance with accounting principles described in note 2, were approved for issuance by the Central Bank's Management on January 14, 2016 and will be submitted for approval of the Board of Directors within the period established by the Organic Act. In Management's opinion, such financial statements will be approved without modifications. The financial statements as of and for the year ended December 31, 2014, were approved by the Board of Directors at their meeting held on March 5, 2015.

Net equity

According to article N°93 of the Organic Act, in case the Central Bank generates losses, these must be covered by the accounting reserve generated from profits of previous years. If that reserve is not sufficient, then the Public Treasury within thirty days after approval of the statement of financial position issues and delivers to Central Bank, for the amount not covered, tradable financial liabilities that pay interest.

With the purpose of covering 2014 losses, on August 7, 2015 the Central Bank received from the Ministry of Economy and Finance (hereinafter "MEF"), sovereign bonds and a promissory note for a total amount of S/ 716 million which mature in 20 years with an annual rate of 2.20 percent, payable at the maturity date or when the call option is exercised. Also, in order to cover part of the loss for the year 2013, on May 30, 2014 the Central Bank received from the MEF sovereign bonds and a promissory note for a total amount of S/ 205 million maturing in 20 years with an annual rate of 2.45percent, payable upon maturity or when the call option is exercised. The call and the amortization of interest, fees and other expenses incurred by these bonds, will be supported by the Central Bank's future profits corresponding to the Treasury, according to the provisions of Article No. 92 of the Organic Act.

The results obtained in the year 2015 are associated to an increase in the balance of receivable transactions in local currency, such as currency repos and security repos, which increased income in soles, compared to 2014 income. These operations were used intensively this year in order to reduce potential upward pressure on bank's interest rates in local currency, in a context of lower growth of deposits in soles and high demand for credit in soles due to credit de-dollarization.

2. SIGNIFICANT ACCOUNTING PRINCIPLES

2.1 Central Bank criteria

According to article N°88 of the Organic Act and the criteria approved by the Board of Directors, the accounting principles used by the Central Bank are:

- (a) The criteria approved by the Board of Directors based on its faculties (article N°88 of the Organic Act) and,
- (b) Peruvian generally accepted accounting principles ("Peruvian GAAP") which comprise: the International Financial Reporting Standards (IFRS) issued and adopted by the IASB

(International Accounting Standards Board), formalized through Resolutions issued by the Peruvian Accounting Council (hereafter "CNC" for its Spanish acronym) and current as of December 31, 2015 and 2014, accordingly (note 2.2(u)), as applicable for the Central Bank and the standards established by the Superintendencia de Banca, Seguros y AFP (SBS). As of the date of these financial statements, the CNC has formalized the application of the 2015 versions of IFRS 1 to 15, IAS 1 to 41, SIC 7 to 32 and IFRIC 1 to 21.

The accounting principles established by the Central Bank Board of Directors that differ from generally accepted accounting principles in Peru are mainly:

(i) Recognition of exchange rate differences

The Central Bank records adjustments for price valuation and exchange rates, of the assets and obligations in gold, silver, currencies, SDR or other monetary units of international use under the heading "Readjustment in valuation article N°89 – Organic Act" in net equity. In accordance with Peruvian GAAP, the results of the aforementioned valuations must be included in the results of the period in which they were generated. As of December 31, 2015 and 2014, this adjustment amounted to an increase of S/ 6,415 million and S/ 3,714 million, respectively; see paragraph 2.2(e) below and note 18(e).

(ii) Recording of embedded derivatives

The Central Bank records its investments in structured instruments that are provided with embedded derivatives as held-to-maturity investments, which are valued at their estimated market value, without separating the embedded derivative.

Adjustable certificates of deposit (CDR BCRP for its Spanish acronym), are accounted at its nominal value, recognizing the currency valuation difference in the item "Valuation readjustments as per Article N° 89 - Organic Act" from net equity, see note 2.1(vi).

In accordance with Peruvian GAAP, the embedded derivatives of a main (or host) contract must be treated like separate derivatives and recorded at their fair value if their economic characteristics and risks are not closely related to those of the main contract.

(iii) Valuation of financial instruments classified as available-for-sale investments

The Central Bank calculates the fair value of its financial instruments classified as available-for-sale investments based on market prices. For investments acquired until December 31, 2013, the Central Bank calculates their higher or lower value by comparing the carrying amount (acquisition cost) with fair value, without determining the amortized cost of those investments, and records changes in net equity until investments are sold or realized. Additionally, premiums or discounts generated in their acquisition are recorded as income or expense when settled.

According to Peruvian GAAP, to calculate the higher or lower value of representative debt instruments classified as available-for-sale investments, fair value is compared to amortized cost, which is calculated by applying the effective interest rate method.

It is noted that, for values acquired from January 1, 2014, fair value is compared to amortized cost, which is calculated by applying the effective interest rate method

(iv) Statements of cash flow

The preparation of the statements of cash flow is carried out by the Central Bank considering as cash and cash equivalents the items indicated in paragraph 2.2(p) below; consequently, the format and content of the above mentioned statements adapt to



said definition. This accounting practice differs from what is stated under Peruvian GAAP.

(v) Disclosure of financial instruments

As of December 31, 2015 and 2014, the Central Bank is not fully applying the requirements of IFRS 7 – Financial Instruments: Disclosures and certain disclosures required by IFRS 9 – Financial Instruments. The objective of these standards is to provide disclosures in the financial statements that enable users to evaluate the significance of financial instruments for the Central Bank’s financial position and performance, through the understanding of the nature and extent of the financial instruments to which the Central Bank is exposed; as well as the methods the Central Bank applies to manage the risks arising from said instruments.

As part of its approved policies, the Central Bank has determined not to disclose the estimated market value of held-to-maturity investments.

(vi) Valuation of instruments related to exchange rate

The Central Bank initially recognizes the nominal amount committed in derivatives held for trading “Off-balance sheet accounts”, which are subsequently carried at its fair value, recognizing an asset or liability in the captions “Other available assets” and “Reserve liabilities” in the statement of financial position, as appropriate, see note 21(d) and (e). Fair values are obtained based on market exchange and interest rates. Profit and loss due to changes in fair value are recorded in the caption “Readjustment for valuation article N°89 - Organic Act” in net equity, and the income statement of the period is not affected in any case.

The Central Bank records the exchange rate adjustment of adjustable certificates of deposit (CDR BCRP for its acronyms in Spanish) and the exchange rate effect of exchange swap operations (note 2.2(t)) in the caption “Readjustment for valuation article N°89 - Organic Act” in net equity.

According to Peruvian GAAP, the aforementioned valuations must be recorded as profit or loss in the statement of income and other comprehensive income (loss).

(vii) Securities issued by MEF

Bonds that the Central Bank receives from MEF to cover losses, in compliance with Article No. 93 of Organic Act (see note 1 and 18 (d)), are recorded as a financial asset at its nominal value in the item “Domestic Credit” of the statement of financial position.

According to Peruvian generally accepted accounting principles, such bonds do not qualify as financial assets, because their collection is through dividends paid by the Bank to the State, see note 1.

(viii) Unpaid signed contributions

As of December 31, 2015 and 2014, the Central Bank records the contributions subscribed and not paid to international organizations under the items “Other assets” and “Other liabilities” in the statement of financial position. According to Peruvian generally accepted accounting principles, such receivable and payable accounts are disclosed compensated in the statement of financial position.

2.2 Accounting criteria

The main accounting principles and practices used in the preparation of the accompanying financial statements, which have been established as previously indicated.

(a) Basis for preparation and use of estimates

The accompanying financial statements have been prepared in soles from the accounting records of the Central Bank in accordance with the accounting principles approved by the Central Bank Board of Directors.

The preparation of the accompanying financial statements requires Management to make estimates that affect the reported amounts of assets, liabilities, income and expenses and the disclosure of material events in the notes to the financial statements. Actual results could differ from those estimates. Estimates are continually evaluated and are based on historical experience and other factors. The most significant estimates used in relation with the accompanying financial statements correspond to the valuation of securities from international institutions, which include available-for-sale and held-to-maturity financial assets, the latter conformed mainly by financial instruments with embedded derivatives; the transformation factor of monetary gold, the provision for social benefits, actuarial provision for supplemental retirement, widowhood, health care and burial benefits, the respective accounting criteria of which are described in this note.

(b) Financial instruments

According to Central Bank's policies, securities issued by MEF are considered as financial assets and its recognition and measurement is performed according to what is explained in Notes 1 and 2.2 (s) attached.

The other financial instruments are classified as assets, liabilities or equity according to the substance of the contractual agreement that originated them. Interests, dividends, gains and losses generated by financial instruments classified as assets or liabilities are recorded as income or expense. Financial instruments are offset when the Central Bank has a legal enforceable right to offset them and Management has the intention to settle them on a net basis or to realize the asset and settle the liability simultaneously.

Financial assets and liabilities recorded in the financial statements correspond to the gross international reserves (except for gold), the other assets abroad, domestic credit, certain assets recorded in the caption "Other assets" (see note 11), and liabilities in general, with the exception of those detailed as non-financial liabilities in the caption "Other liabilities" (see note 17).

The specific accounting policies on recognition and measurement of these items are disclosed in the accounting policies described in this note.

(c) Available-for-sale and held-to-maturity investments

Securities from international institutions are classified as available-for-sale or held-to-maturity investments; the Central Bank does not use for its purposes the category of assets at fair value through profit or loss.

According to the investments classification mentioned above, the initial recognition and the subsequently measurements are carried out in accordance with the following criteria:

Classification**- Available-for-sale investments:**

Those designated as such because they are held for an indefinite time and can be sold due to needs for liquidity or changes in interest rates, exchange rates or market prices; or because they do not qualify to be recorded as held-to-maturity.



- **Held-to-maturity investments:**

They are financial assets that may or may not include embedded derivative financial instruments, whose recovery values are fixed or determinable amounts and with definite maturity terms, and for which the entity has both the intention and the ability to hold them up to their maturity.

Initial recognition

Initial recognition of available-for-sale and held-to-maturity investments is performed at fair value, plus the transaction costs that are directly attributable to the acquisition of said investments.

Valuation

(i) Available-for-sale investments:

- For securities acquired up to December 31, 2013

Upon initial recognition, available-for-sale investments are measured at their fair value, and unrealized gains and losses are recorded in the "Fair value reserve" heading in the net equity. Unrealized gains or losses result from the comparison between the acquisition cost, which includes premiums paid or discounts obtained, and market value. Premiums and discounts included in the acquisition cost are recognized in the statements of income and other comprehensive income at the date of sale or maturity of the instruments.

- For securities acquired since January 1, 2014

After initial recognition, these instruments are carried at fair value and the interests are recorded through the determination of amortized cost method, including any premium or discount in the income statements of the period, based in the effective interest rate. The difference between fair value and amortized cost (unrealized profit or loss) is recorded in the caption "Fair value reserve" in the statement of changes in net equity.

Fair value is the market price provided daily by Bloomberg or Reuters. In Management's opinion, such information reflects reasonably the value of investments in international securities, considering the market information and the accounting policies established by the Central Bank Board of Directors.

When the investment is sold or realized, gains or losses previously recognized as part of equity are transferred to the results of the period, excluding the effects of the exchange rate differences, which are recorded as stated in paragraph (e) below. On the other hand, in case that the decrease in the market value of the investments is permanent or due to credit deterioration, the respective provisions are made, which affects the result of the period.

Interest earned is calculated and recorded using the nominal interest rate (coupon rate) on the nominal value of the investment, and is recorded in the statements of income and other comprehensive income in the "Net yield of securities" caption.

(ii) Held-to-maturity investments:

Upon initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest rate method.

Any premium or discount of representative debt instruments classified as held-to-maturity investments is recognized with the calculation of the amortized cost by applying the effective

interest rate method, recognizing the accrued interest in the “Net yield of securities” caption of the statement of income.

Securities classified as held-to-maturity correspond mainly to structured bonds which are held with the purpose of diversifying investments, in accordance with the agreements reached by the Board of Directors. Some of these securities have embedded derivatives related to other underlying assets that are not separated and are carried at fair value; see paragraph (f) below.

(d) Recognition of revenues and expenses

Interest revenues and expenses are calculated using the effective interest rate method (amortized cost) and are recognized in the results of the period they are accrued, in function to the time of validity of the operations that generate them and the agreed interest rates, except for interests related to investments, which are recognized as indicated by paragraph (c) above. Interest revenues include the yields of investments on securities issued by international entities.

Gains and/or losses generated by embedded derivatives in investments that are not related to exchange rates are recognized in the statement of income as of the date of their maturity.

Other income and expenses are recognized as earned or incurred in the period when they are accrued.

When there is reasonable doubt regarding the collectability of the principal of any financial instrument, interest is recognized as income to the extent that there is reasonable certainty of collection.

(e) Transactions in foreign currency

The Central Bank prepares and presents its financial statements in soles, which is its functional and presentation currency.

Assets and liabilities in foreign currencies are recorded at the exchange rate of the date when transactions are performed and are expressed in soles every day using closing purchase exchange rate for the U.S. dollar established by the SBS. Balances in other currencies are expressed according to the exchange rates provided by Bloomberg and Reuters, see note 3.

(f) Derivative financial instruments

The Central Bank holds trading and embedded derivatives financial instruments.

(i) Trading derivatives

The reference value (nominal amount committed) of forward and future operations is recorded in “Off-balance sheet accounts”, notes 21(d) and (e), and are subsequently measured at their fair value. Fair values are estimated based on the market exchange rates, interest rates and market prices. The Central Bank maintains operations with futures which underlying assets are investments in international securities and forward exchange operations.

Gains and losses for changes in the fair value of future operations are recorded in the caption “Net yield on securities” of the statement of income, generating an asset or liability in the statement of financial position, as appropriate.

Gains and losses from changes in the fair value of forward exchange operations are recorded in the caption “Readjustment for valuation article N°89 - Organic Act” in the net equity, recognizing an asset or liability in the statements of financial position, as appropriate; at the maturity of these instruments, the asset or liability is settled and the result is recorded in the caption “Readjustment for valuation article N°89 – Organic Act” in net equity.



(ii) Embedded derivatives

The Central Bank holds held-to-maturity structured instruments as part of the caption "Securities from international entities" in the statement of financial position, note 6, whose yields are indexed to variables such as the inflation rate of the United States of America, the variations in the price of gold, among others.

Since January 1, 2014, the Central Bank records the valuation of instruments that include embedded derivatives as of the presentation date of the financial statements in the caption "Fair value reserve" in net equity. Valuation of these instruments, without separating the embedded derivatives, is obtained from Bloomberg's data service. The effect of such valuation is recorded at its maturity date in the caption "Net yield on securities" in the statement of income.

(g) Gold

Gold holdings are valued using the New York market price provided daily by Bloomberg and Reuters. The results of such valuation are recorded in the caption "Readjustment for valuation article N°89 – Organic Act" in net equity.

(h) Contributions to international organizations

These include the contributions made by the Central Bank to the IMF, FLAR and BIS, which are recorded at the nominal value of the contribution, which represents their acquisition cost, because this amount corresponds to the value that the Central Bank would have the right to receive in case it withdrew its membership in some of said organizations. These contributions cannot be negotiated with third parties.

Yields from these contributions are recognized when accrued and dividends when declared.

(i) Collections

Collections consist mainly of artwork (archeological objects, paintings, sculptures, among others) and collectible coins that have been purchased and/or received as donation, and are recorded at their acquisition cost or nominal value. Due to their nature, these assets are considered to have an indefinite useful life, so they do not depreciate and are recorded in the "Other assets" caption in the statement of financial position, note 11. The acquisition cost of donations is recorded in the caption "Non-financial income" in the statement of income and is calculated based on the fair value estimated by specialists at the moment they are received.

(j) Property, furniture and equipment and depreciation

Property, furniture and equipment are recorded at their acquisition cost, less the accumulated depreciation and accumulated amount of impairment, if applicable. Maintenance and repair costs are charged to the statements of income, and significant renewals and improvements are capitalized when: i) it is probable that future economic benefits will flow from the renewal or improvement; and ii) their cost can be measured reliable. The cost and corresponding accumulated depreciation of an asset sold or retired are eliminated from the corresponding accounts and the related gain or loss is included in the statements of comprehensive income.

Units in transit are accounted at their acquisition cost and are not depreciated until they are placed into service.

Land is not depreciated. Depreciation is computed on a straight-line basis over the following estimated useful lives:

	Years of useful lives
Buildings and other constructions	100
Machinery and equipment	10
Vehicles	5
Computer hardware	3

(k) Impairment of long-lived assets

When changes or certain events indicate that the value of a long-lived tangible asset may not be recovered, the Central Bank reviews the book value of its assets in order to verify if there is no permanent impairment in their values.

When the book value of the asset exceeds its recoverable value, a loss for impairment is recognized in the statement of income and other comprehensive income. The recoverable value is the highest between the net sale price and its value in use. The net sale price is the amount that can be obtained from the sale of a tangible asset in a free market, while the value in use is the present value of the estimated future cash flows provided by the continuous use of an asset and its disposal at the end of its useful life. The recoverable amounts are estimated for each asset or, if not possible, for each cash generating unit.

Management performs an annual assessment of whether the carrying value exceeds the value recoverable from its long-lived tangible assets based on market information available.

(l) Sterilized stock

Sterilized stock is the liability in local currency comprised by outstanding securities issued and deposits in local currency from the public sector and financial entities which are not part of the reserve requirements. The sterilized stock is the result from monetary operations to take out liquidity from the financial system and deposits from financial entities, which in case of reversal, would imply an increase in the monetary base.

Outstanding securities are measured at nominal value, recognizing the interests accrued in the statement of income of the period. The discounts granted at their placing date are deferred and amortized during the term of validity of the instrument using the effective interest rate method.

(m) Currency in circulation

This includes bills and coins in legal tender issued by the Central Bank which are held by the public; and are recorded as a liability on the statement of financial position at their nominal value in the caption "Monetary Base".

Bills and coins not in circulation and kept in the Central Bank's vaults are recorded at their nominal value in off-balance sheet accounts.

(n) Employee benefits

According to article N°58 of its by-laws, the Central Bank transfers annually financial resources to the Fund for Disease, Insurance and Pensions of the Central Bank's Employees (hereinafter "the Fund") with the purpose of supplementing the funds necessary to pay the benefits to its personnel. The total amount of the transfers from the Central Bank to the Fund is approved by the Board of Directors every year.

The Central Bank maintains the following defined benefits plans:



- Supplemental pensions' subvention, widowhood pensions and burial subsidy.
- Other supplemental benefits to retirement, related to the healthcare benefits granted by the Central Bank.

The cost of granting benefits through defined benefit plans is determined separately for each plan, by means of the projected credit unit method. Actuarial gains and losses of both defined benefit plans are fully recognized in the statements of income in the period they occur.

The assets or liabilities for defined benefits include the present value of the obligation, which is determined using mortality tables and a discount rate based on high quality negotiable obligations, see note 17(a), minus the costs for past services and the fair value of the plan's assets that will be used to liquidate said obligations. The plan's assets are managed by long-term benefits fund for the personnel. The plan's assets are neither available for the creditors of the Central Bank nor can be directly paid to the Central Bank. The fair value of these assets is based on the information of market prices.

The Fund's net assets, which are considered by the Central Bank to reduce the actuarial reserve liability, comprise the value of deposits and loans, net of obligations.

The concepts of subvention for supplemental retirement pensions, widowhood, burial subsidy and other supplemental benefits to retirement, deducted from present value of the Fund's net assets, are recorded in "Other liabilities" in the statements of financial position, note 17(b).

(o) Operating expenses and issuance costs of bills and coins

Operating expenses and the expenses of transporting bills and coins are recognized in the income statement of the year when they are incurred.

The cost of making coins and coin blanks includes the cost of raw materials, labor and production overhead.

The cost of printing bills and manufacturing coins is initially recognized in the caption "Other assets" in the statement of financial position (note 11(d) and (e)), and subsequently are recognized in results of the year in which bills and coins are set available to be in circulation for the first time.

(p) Cash and cash equivalents

Cash and cash equivalents comprise gross international reserves, net of bills and coins in circulation issued as part of the caption "Monetary base" in the statement of financial position. As shown below:

	2015 (S/ 000)	2014 (S/ 000)
Gross international reserves	209,717,975	185,873,522
Less:		
Currency in circulation	<u>(48,890,028)</u>	<u>(47,543,004)</u>
Cash and cash equivalents	<u>160,827,947</u>	<u>138,330,518</u>

The difference between total gross international reserves and reserve liabilities (consisting of obligations with international entities), represent net international reserves. These reserves show the international liquidity of the country and its financial capacity in relation to other countries, and are the resources available to the Central Bank to meet its obligations in foreign currency.

(q) Provisions

Provisions are only recognized when the Central Bank has a present (implicit or legal) obligation as a result of past events, it is probable that an outflow of resources will be required to settle such obligation, and their amount can be reliably estimated. Provisions are reviewed in each period and are adjusted to reflect the best estimate as of the date of the statement of financial position. When the effect of time value of money is significant, the amount of the provision is the present value of future payments required to settle the obligation.

The expense relating to any provision is presented in the statement of income and other comprehensive income, net of any related refund.

(r) Contingencies

Contingent liabilities are not recognized in the financial statements, they are only disclosed in their notes, except when the possibility of an outflow of resources to cover a contingent liability is remote.

Contingent assets are not recognized in the financial statements, they are only disclosed in the notes when an inflow of resources is probable.

(s) Domestic credit

Domestic credit comprises the following:

- Investments in instruments issued by the Ministry of Economy and Finance (hereinafter "MEF"), which are recorded and classified as available for-sale investments. Initial recording and subsequent measurement of such investments are made in accordance with the criteria described in paragraph (c) above.
- Securities received from MEF to cover losses according to the provisions of Article No. 93 of Organic Act (see notes 1 and 18 (d)) which are recorded at their nominal value and bear interest at the agreed interest rate (coupon rate).
- Securities re-purchase agreements (repo transaction) used to inject liquidity in local currency to companies of the financial system. This transaction consists in the purchase of securities at the beginning of the operation, when companies of the financial system transfer the ownership of securities to the Central Bank and at the maturity date of the repo transaction, the companies of the financial system re-purchase the same securities, and the Central Bank transfers the ownership to them. These transactions are recognized as assets in the statement of financial position with the balancing entry in the deposit account of the companies of the financial system.
- Currency reporting operations, which are transactions where the participating entities sell domestic or foreign currency to the Central Bank in exchange of foreign or domestic currency, and are committed to re-purchase the sold currency at a later date at current market exchange rates under the same agreement. These operations are recognized as assets in the statement of financial position with the balancing entry in the deposit account of the companies of the financial systems in the currency lend.

(t) Foreign exchange swaps

Foreign exchange swaps, which nominal value is recorded in memoranda accounts (see note 21) correspond to transactions in which one party agrees to pay a variable interest rate over a local currency notional amount in exchange that the counterparty pays a fixed interest rate over an equivalent notional amount in US dollars and also pays the exchange valuation on the notional value in US dollars.



The Central Bank calculates interest receivable and payable, which are recognized in the income statement in the period in which they accrue, under the items "Other financial income" and "Other financial expenses" with counterpart in the items "Other assets" and "Other liabilities" in the statement of financial position, respectively. Similarly, the Central Bank recognizes the exchange valuation difference on the notional amount committed in US dollars in the item "Valuation readjustments as per Article N° 89 -Organic Law" from net equity, with counterpart in the asset and liability items mentioned above, as appropriate.

Transaction settlement is made at maturity, in soles, using prevailing market exchange rates.

(u) New accounting pronouncements

(i) International Financial Reporting Standards – IFRS issued, and in effect in Peru

The CNC through Resolution N°058-2015-EF/30 issued on March 5, 2015, formalized the amendments to IAS 1, IFRS 7, IAS 34, IFRS 10, IFRS 12 and IAS 28; likewise, through Resolution N°059-2015-EF/30 issued on August 7, 2015, formalized the 2015 current versions of IFRS 1 to 15, IAS 1 to 41, SIC 7 to 32 and IFRIC 1 to 21, and through Resolution N°060-2016-EF/30 issued on February 4, 2016, formalized the amendments to IFRS 15, IFRS 10 and IAS 28.

The application of the versions is according to the effective date specified in each specific standard.

(ii) IIFRS issued but not in effect as of December 31, 2015

- IFRS 9 "Financial Instruments: Classification and measurement", effective for annual periods beginning on or after 1 January 2018.
- IFRS 14 "Regulatory Deferral Accounts", effective for annual periods beginning on or after 1 January 2016.
- IFRS 15 "Revenue from Contracts with Customers" effective for annual periods beginning on or after 1 January 2018.
- Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements", IFRS 12 "Disclosure of Interests in Other Entities", IAS 1 "Presentation of Financial Statements", IAS 16 "Property, Plant and Equipment", IAS 27 "Separate Financial Statements", IAS 28 "Investments in Associates and Joint Ventures"; IAS 38 "Intangible assets" and IAS 41 "Agriculture", effective for annual periods beginning on or after 1 January 2016.
- Improvements (cycle 2012 – 2014) to IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", IFRS 7 "Financial Instruments: Disclosures", IAS 19 "Employee Benefits" and IAS 34 "Interim Financial Reporting", effective for annual periods beginning on or after 1 January 2016.

Because standards detailed above are applied jointly with those developed by the Organic Act and the standards issued by the Central Bank Board of Directors', they will not have any significant effect in the preparation of the accompanying financial statements.

The Central Bank has not estimated the effect in its financial statements, of the adoption of the above mentioned standards, if adopted.

3. FOREIGN CURRENCY TRANSACTIONS AND EXPOSURE TO EXCHANGE RISK

Foreign currency transactions are recorded using free market exchange rates.

As of December 31, 2015, the free market purchase exchange rate published by the SBS to record transactions in U.S. Dollars was S/ 3.408 (S/ 2.981 as of December 31, 2014). Balances in other currencies have been stated in U.S. dollars at the closing exchange rate of the New York market as mentioned in paragraph (c) below.

(a) As of December 31, 2015 and 2014, the Central Bank assets and liabilities in foreign currency were the following:

	2015			2014		
	U.S. dollar (US\$ 000)	Other currencies (US\$ 000)	Total (US\$ 000)	U.S. dollar (US\$ 000)	Other currencies (US\$ 000)	Total (US\$ 000)
Monetary assets						
Cash in foreign currency	50,088	-	50,088	50,065	-	50,065
Deposits in foreign Banks	16,884,616	3,237,690	20,122,306	12,126,624	1,484,594	13,611,218
Deposits in foreign institutions	-	746,635	746,635	-	778,635	778,635
Securities from international institutions	36,326,038	2,165,075	38,491,113	35,622,634	9,788,198	45,410,832
Gold	-	1,180,726	1,180,726	-	1,319,691	1,319,691
Contributions to international institutions	483,914	369,266	853,180	482,326	443,063	925,389
Other available assets	92,917	-	92,917	214,974	41,881	256,855
Other assets abroad	-	20,000	20,000	-	20,000	20,000
Domestic credit	563,595	-	563,595	610,489	-	610,489
Other assets	202,162	274,444	476,606	207,771	286,280	494,051
	<u>54,603,330</u>	<u>7,993,836</u>	<u>62,597,166</u>	<u>49,314,883</u>	<u>14,162,342</u>	<u>63,477,225</u>
Monetary liabilities						
Reserve liabilities	52,004	71	52,075	43,327	1,312	44,639
Other liabilities abroad	-	20,000	20,000	-	20,000	20,000
Deposits in foreign currency	27,463,502	-	27,463,502	24,603,798	-	24,603,798
Other liabilities	8,929,268	274,092	9,203,360	3,154,126	285,874	3,440,000
	<u>36,444,774</u>	<u>294,163</u>	<u>36,738,937</u>	<u>27,801,251</u>	<u>307,186</u>	<u>28,108,437</u>
Subtotal	<u>18,158,556</u>	<u>7,699,673</u>	<u>25,858,229</u>	<u>21,513,632</u>	<u>13,855,156</u>	<u>35,368,788</u>
Derivatives						
Forward positions, net	4,175,059	(4,105,543)	69,516	3,322,066	(3,082,744)	239,322
	<u>22,333,615</u>	<u>3,594,130</u>	<u>25,927,745</u>	<u>24,835,698</u>	<u>10,772,412</u>	<u>35,608,110</u>

The Central Bank has also issued adjustable certificates of deposit (CDR BCRP) in local currency, which are adjusted by the variation in the exchange rate of the dollar with respect to the sol, and are paid at maturity in soles. As of December 31, 2015 the balance of CDR BCRP issued corresponds to S/ 7,249,000, representing US\$ 2,124 million (as at 31 December 2014 the balance was S/ 2,627,000, representing US\$ 882 million).



- (b) Balances in foreign currency, SDR and precious metals as of December 31, 2015 and 2014, expressed in their equivalent in thousands of U.S. dollars, are summarized as follows:

	2015 (US\$ 000)	2014 (US\$ 000)
ASSETS		
U.S. dollar	54,600,057	49,314,201
Sterling pounds	2,307,913	181,247
SDR (**)	1,389,762	1,507,311
Gold	1,181,408	1,320,373
Japanese yen (*)	662,208	2,578,274
Australian dollar	570,289	2,668,080
Euro	3	4,809,073
Other currencies	<u>1,885,526</u>	<u>1,098,666</u>
Total	<u>62,597,166</u>	<u>63,477,225</u>
Liabilities		
U.S. Dollar	36,444,774	27,801,250
SDR (**)	273,932	285,687
Other currencies	<u>20,231</u>	<u>21,500</u>
	<u>36,738,937</u>	<u>28,108,437</u>
Net assets	<u>25,858,229</u>	<u>35,368,788</u>

(*) There is no exposure to this currency, given that it is totally hedged with forward operations (note 21(d)).

(**) SDR is an international reserve asset created by the IMF, allocated to member countries in proportion to their participation quotas as a member country. The value of SDR is calculated daily by adding the U.S. Dollars values (midday London quotation) of a four-currency basket (U.S. Dollar, euro, Japanese yen and pound sterling). The amounts of each currency of the SDR basket are calculated according to agreed percentages.

- (c) The exchange rates of main currencies used by the Central Bank in relation to the U.S. Dollar as of December 31, 2015 and 2014 were as follows:

	2015	2014
Troy ounce of gold	1,059.710000	1,184.360000
Sterling pound	1.473700	1.558500
SDR	1.389200	1.448810
Euro	1.086100	1.210200
Australian dollar	0.728900	0.817300
Japanese yen	0.008319	0.008344

According to article N°89 of the Organic Act, as of December 31, 2015, the Central Bank recorded a positive readjustment for foreign currency valuation for S/ 6,415 million (positive readjustment of S/ 3,714 million as of December 31, 2014) presented in "Valuation readjustments as per Article N° 89 – Organic Law" in net equity (see note 18(e)).

4. DEPOSITS IN FOREIGN BANKS

(a) This item is made up as follows:

	2015 (S/ 000)	2014 (S/ 000)
Time deposits (b)	68,551,785	40,553,676
Accrued interest (c)	<u>12,465</u>	<u>11,295</u>
	68,564,250	40,564,971
Demand deposits	12,085	9,725
Accrued interest from gold deposits, note 7(c)	<u>485</u>	<u>346</u>
Total	<u>68,576,820</u>	<u>40,575,042</u>

(b) As of December 31, 2015 and 2014, time deposits are held in first class banks, bear interest in accordance with international market rates and are mainly denominated in U.S. dollars, amounting to US\$ 16,878 and US\$ 12,122 million, respectively.

As of December 31, 2015, deposits in foreign banks accrued an average annual interest rate of 0.40 percent (0.31 percent as of December 31, 2014).

(c) As of December 31, 2015 and 2014, the Central Bank recognized interest income for deposits in foreign banks for S/ 169 million and S/ 121 million, respectively, which is presented in the caption "Financial income" of the statement of income.

5. DEPOSITS IN INTERNATIONAL INSTITUTIONS

As of December 31, 2015 and 2014, correspond to deposits in IMF, denominated in SDR, which bear interest at average annual rates of 0.05 percent and are not unrestricted, except for certain situations such as the presence of effective or potential balance of payments needs that require assistance from the IMF, or in case of a request of withdrawal from the membership of this international organization.



6. SECURITIES FROM INTERNATIONAL INSTITUTIONS

(a) This item is made up as follows:

	2015				2014			
	Cost (*) (S/ 000)	Unrealized gross amount		Book value (**) (S/ 000)	Cost (*) (S/ 000)	Unrealized gross amount		Book value (**) (S/ 000)
		Increase	Decrease (***)			Increase	Decrease (***)	
Available-for-sale investments								
Deposit certificates	12,849,732	-	-	12,849,732	2,885,170	-	-	2,885,170
Short-term sovereign securities (i)	60,826,764	2,583	(748,113)	60,081,234	54,940,601	10,779	(429,803)	54,521,577
Short-term supranational securities (ii)	10,000,788	45,262	(36,055)	10,009,995	15,813,480	1,482	(18,703)	15,796,259
Long-term sovereign securities (i)	41,552,522	11,187	(500,573)	41,063,136	51,318,069	134,363	(810,827)	50,641,605
Long-term supranational securities (ii)	6,649,131	2,476	(40,607)	6,611,000	9,405,179	37,026	(52,841)	9,389,364
	<u>131,878,937</u>	<u>61,508</u>	<u>(1,325,348)</u>	<u>130,615,097</u>	<u>134,362,499</u>	<u>183,650</u>	<u>(1,312,174)</u>	<u>133,233,975</u>
Held-to-maturity investments								
Sovereign securities (i)	-	-	-	-	1,042,012	-	-	1,042,012
Supranational securities (ii)	310,511	-	(8)	310,503	752,171	-	(1,166)	751,005
	<u>310,511</u>	<u>-</u>	<u>(8)</u>	<u>310,503</u>	<u>1,794,183</u>	<u>-</u>	<u>(1,166)</u>	<u>1,793,017</u>
Balance of available-for-sale and held-to-maturity investments (c)				130,925,600				135,026,992
Accrued interest				252,112				342,697
Total				<u>131,177,712</u>				<u>135,369,689</u>

(*) Available for sale security's cost correspond to acquisition cost for securities acquired until December 31, 2013, and to amortized cost for securities acquired since January 1, 2014. Held to maturity security's cost corresponds to the amortized cost according to accounting policies indicated in note 2.2(c).

(**) The carrying amount corresponds to estimated market value for available for sale securities, and for held to maturity securities with embedded derivatives. In case of other investments held to maturity, the carrying amount corresponds to amortized cost, according to the accounting policies set out in Note 2.2 (c).

(***) As of December 31, 2015 and 2014, the decrease in the amount of the fair value reserve mainly corresponds to premiums paid at the date of acquisition of available for sale securities acquired until December 31, 2013, which are recognized in the income statement at maturity of the instrument, as indicated in note 2.2 (c) (i).

(i) Correspond to securities issued by central governments. It is worth mentioning that as of December 31, 2015, the Central Bank's portfolio was mainly invested in sovereign bonds issued by the US Treasury.

(ii) Correspond to securities issued by supranational entities such as the Andean Development Corporation (CAF for its Spanish acronym), the European Investment Bank (EIB), the World Bank - International Bank for Reconstruction and Development (IBRD), the BIS, among others.

(b) As of December 31, 2015 and 2014, the maturities and the nominal annual interest rates on investments are as follows:

	Maturity		Nominal interest rate (coupon rate) (*)					
	2015		2014		2015		2014	
	2015	2014	US\$ Min. %	US\$ Max. %	Other currencies Min. %	Other currencies Max. %	US\$ Min. %	Other currencies Max. %
Available-for-sale investments								
Deposit certificates	Jan-2016 / Mar-2016	Jan-2015 / Feb-2015	0.27	0.43	-	-	-	-
Short-term sovereign securities	Jan-2016 / Dec-2016	Jan-2015 / Dec-2015	0.13	5.38	4.00	6.00	0.125	5.000
Short-term supranational securities	Jan-2016 / Dec-2016	Jan-2015 / Dec-2015	0.21	5.25	2.38	6.00	0.066	2.750
Long-term sovereign securities	Jan-2017 / Oct-2020	Jan-2016 / Jan-2020	0.13	4.63	0.66	8.75	0.125	5.375
Long-term supranational securities	Jan-2017 / Jun-2020	Jan-2016 / Oct-2019	0.34	2.38	1.38	6.25	0.175	5.250
Held-to-maturity investments								
Sovereign securities	-	Jan-2015	-	-	-	-	1.625	1.625
Supranational securities	Jan-2016	Jan-2015 / May-2015	-	-	2.25	2.25	-	1.450
								2.150

(*) The nominal rate corresponds to the coupon rate, excluding premiums or discounts earned at the acquisition of the instruments detailed above.



- (c) As of December 31, 2015 and 2014, securities from international institutions are first category and low-risk financial instruments. Securities issued by international institutions or foreign public entities have risk ratings of at least A+, according to rating agencies Moody's and Standard & Poor's. Deposit certificates have a minimum rating of A according to three agencies Fitch, Standard & Poor's and Moody's. These securities bear interest at international market rates and are kept in first class foreign banks.
- (d) Balance due on available-for-sale and held-to-maturity investments, without including interest, is as follows:

	2015 (S/ 000)	2014 (S/ 000)
Up to 3 months	35,139,926	27,713,128
From 3 months to 1 year	47,333,141	47,596,193
From 1 to 3 years	45,708,290	48,594,208
From 3 to 5 years	1,720,210	11,032,529
More than 5 years	<u>1,024,033</u>	<u>90,934</u>
Total	<u>130,925,600</u>	<u>135,026,992</u>

- (e) As of December 31, 2015 and 2014, the Central Bank recognized revenues for net yields of securities for S/ 728 million and S/ 868 million, respectively, which are part of the "Financial income" caption in the statement of income and other comprehensive income. Likewise, during 2015 and 2014, it was recognized a decrease of S/ 135 million and an increase of S/ 245 million, respectively, in the "Fair value reserve" caption in net equity, see note 2.2(c)(i).

7. GOLD

- (a) This item is made up as follows:

	2015 (S/ 000)	2014 (S/ 000)
In the country		
Gold coins (b)	1,994,232	1,949,552
Provision for cost of converting gold coins to high purity or "good delivery" gold bars	<u>(2,327)</u>	<u>(2,035)</u>
	1,991,905	1,947,517
Abroad		
Gold bars (c)	<u>2,032,008</u>	<u>1,986,481</u>
Total	<u>4,023,913</u>	<u>3,933,998</u>

- (b) As of December 31, 2015 and 2014, corresponds to 552,191 troy ounces of gold in commemorative coins deposited in the vault of the Central Bank, which are valued at quotation value the per-troy ounce as of the aforementioned dates.
- (c) As of December 31, 2015 and 2014, corresponds to 562,651 troy ounces of high-purity or "good delivery" gold bars deposited in first class foreign banks; 249,702 troy ounces are held under custody and 312,949 troy ounces are held as time deposits. As of December 31, 2015 these time deposits accrue interests at an annual rate of 0.62 percent and have a 63-day term since their issuance date (as of December 31, 2014 they accrued interests at a rate of 0.48 percent and had a 62-day term since their

issuance date). Accrued interests as of December 31, 2015 and 2014 were recorded in the "Deposits in foreign banks" caption in the statement of financial position, note 4.

8. CONTRIBUTIONS TO INTERNATIONAL INSTITUTIONS

(a) This item is made up as follows:

	2015 (S/ 000)	2014 (S/ 000)
Contributions to IMF (b)	947,352	1,036,968
Contributions to FLAR (c)	1,649,178	1,437,814
Contribution to BIS (d)	<u>311,107</u>	<u>283,804</u>
	<u>2,907,637</u>	<u>2,758,586</u>

(b) Contribution to IMF grants Peru access to IMF's financing facilities from this organization. IMF determines Peru's contribution as a participating country, which as of December 31, 2015 and 2014 amounts to SDR 638 million, which are composed by contributions in SDR and contributions in soles. As of December 31, 2015 and 2014, Peru's participation in the total share held by IMF member countries is 0.27 percent and comprises the following:

	2015 (S/ 000)	2014 (S/ 000)
Contribution in SDR:		
Contribution to IMF in SDR (i)	<u>947,352</u>	<u>1,036,968</u>
Contribution in local currency:		
Contribution to IMF, equivalent in local currency (ii)	1,925,739	1,714,490
Revaluations to be liquidated – contribution to IMF in local currency (iii)	<u>144,165</u>	<u>8,611</u>
Total contribution in local currency	<u>2,069,904</u>	<u>1,723,101</u>
Total contribution to IMF	<u>3,017,256</u>	<u>2,760,069</u>

(i) As of December 31, 2015 and 2014, it corresponds to contributions granted by Peru to the IMF of SDR 200 million and SDR 240 million, respectively.

(ii) For contributions in Soles, the Central Bank did not disburse any funds but constituted promissory notes in favor of the IMF, through which said organization can arrange the cashing of the above mentioned contributions at any moment; therefore, said balancing entry is recorded as a liability with the IMF in the "Other liabilities abroad" caption in the statement of financial position. This obligation does not generate interests and can be requested at any moment.

(iii) Corresponds to the exchange rate difference generated by the restatements of the contribution in local currency between April 30 and December 31 of each year. These revaluations are settled at the closing of IMF's financial year which takes place on April 30 every year.

By means of Act N°29823, published on December 29, 2011, the Congress of the Republic authorized the increase of Peru's quota at the International Monetary Fund from SDR 638 million to SDR 1,335 million.

On January 26, 2016, the IMF informed the Central Bank that at December 31, 2015 the conditions stated in the IMF Articles of Agreement required to execute the increase in



Peru's quota were fulfilled; in that sense, in February 2016, it was recorded an increase in the Central Bank's quota at the IMF.

- (c) This contribution grants Peru access to financing facilities from FLAR. As of December 31, 2015, paid contributions to FLAR amounted to US\$ 484 million, equivalent to S/ 1,649 million (US\$ 482 million equivalent to S/ 1,438 million, as of December 31, 2014). As of December 31, 2015 and 2014, Peru's participation in FLAR accounts for 18 percent of its subscribed capital. Also, as of December 31, 2015, the Central Bank holds contributions pending of capitalization for an amount of US\$ 180 million, equivalent to S/ 612 million (US\$ 181 million equivalent to S/ 540 million, as of December 31, 2014), which are recorded as receivables and payables in "Other assets" and "Other liabilities" captions, respectively, notes 11(b) and 17.
- (d) Since 2011 the Central Bank participates as a member of that international organization. BIS determines the percentage of participation of member countries and in the case of Peru, its participation amounts to 3,000 shares. As of December 31, 2015 and 2014, 25 percent of market value of such shares has been paid, which are equivalent to SDR 66 million, equivalent to S/ 311 million (equivalent to S/ 284 million, as of December 31, 2014). The 75 percent of the market value of said shares, corresponding to SDR 197 million, equivalent to S/ 933 million (equivalent to S/ 851 million, as of December 31, 2014) was recorded as a subscribed but not paid-in contribution in the "Other assets" and "Other liabilities" captions, notes 11(b) and 17.

9. DOMESTIC CREDIT

- (a) This item is made up as follows:

	2015 (S/ 000)	2014 (S/ 000)
To banks (b):		
Currency repo transactions	27,559,700	8,397,400
Security repo transactions	2,492,870	1,297,204
Commissions receivable for currency repo transactions	430,530	75,968
Interest receivable for security repo transactions	8,816	-
	<u>30,491,916</u>	<u>9,770,572</u>
To the public sector (c):		
Bonds issued by MEF in foreign currency	1,890,263	1,793,217
Securities issued by MEF in local currency	921,438	205,102
Interest receivable	44,742	29,595
	<u>2,856,443</u>	<u>2,027,914</u>
To financial entities (b):		
Currency repo transactions	-	115,400
Commissions receivable for currency repo transactions	-	2,386
	<u>-</u>	<u>117,786</u>
To other entities and funds (b):		
Currency repo transactions	45,000	87,200
Commissions receivable for currency repo transactions	717	631
	<u>45,717</u>	<u>87,831</u>
To private sector	<u>9</u>	<u>9</u>
Total	<u>33,394,085</u>	<u>12,004,112</u>

- (b) As of December 31, 2015 and 2014, the Central Bank carried out currency repo transactions with companies of the financial system, under which these companies sold foreign or local currency to the Central Bank in exchange of local or foreign currency and were committed, under the same act, to repurchase the sold currency at a later date at the exchange rate current at the repurchase date. The Central Bank charges a commission equivalent to the interest rate offered by each company of the financial system in bidding sessions, less a discount established in the pertinent call. As of December 31, 2015, these transactions had interest rates which ranged between 2.62 and 6.46 percent, with settlement dates between January 2016 and October 2020 (as of December 31, 2014 they had interest rates between 3.02 and 4.70 percent and settlement dates between February 2015 and July 2016).

Also, as of December 31, 2015, purchase transactions with re-purchase commitment of certificates of deposit (security repo transactions) are held with banks at an average interest rate of 4.72 percent and which settlement date is between January and June 2016 (as of December 31, 2014, security repo transactions were held at an average interest rate of 4.13 percent with settlement dates between January and March 2015).

- (c) As of December 31, 2015 and 2014, the Central Bank held MEF bonds issued in U.S. dollar acquired in the secondary market, which mature between July 2025 and November 2033, and accrue interests at rates ranging between 7.35 percent and 8.75 percent, respectively. Such instruments are classified and valued as available-for-sale investments. As of December 31, 2015 and 2014, a decrease of S/ 183 million and an increase of S/ 103 million in fair value were recorded in the caption "Fair value reserve" in the statement of financial position.

On the other hand, the Central Bank holds securities issued by the MEF that were received in May 2014 and August 2015 for an amount of S/ 205 and S/ 716 million, respectively, intended to cover losses for the years 2013 and 2014. These securities were issued with a 20 years term at an interest rate of 2.45 and 2.20 percent per annum, respectively, settled at maturity or when the call option is exercised.

As mentioned above, such call and amortization of interest, fees and other expenses incurred by these bonds, will be supported by Central Bank's future profits, see note 1.

- (d) As of December 31, 2015 and 2014, the Central Bank recognized interest income from domestic credit operations for S/ 1,032 million and S/ 274 million, respectively, which are part of the caption "Financial income" in the statement of income and other comprehensive income.



10. PROPERTY, FURNITURE AND EQUIPMENT, NET

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

	Land	Buildings and other construction	Furniture and office equipment	Vehicles	Miscellaneous equipment	Units in transit	Total 2015	Total 2014
	(S/ 000)	(S/ 000)	(S/ 000)	(S/ 000)	(S/ 000)	(S/ 000)	(S/ 000)	(S/ 000)
Cost								
Balance as of January 1	24,056	162,825	4,903	3,298	79,086	972	275,140	271,633
Additions	-	1,747	84	365	7,213	5,666	15,075	11,455
Transfers	-	970	-	-	2	(972)	-	-
Disposals and other	-	(1,684)	(490)	-	(2,729)	-	(4,903)	(7,948)
Balance as of December 31	<u>24,056</u>	<u>163,858</u>	<u>4,497</u>	<u>3,663</u>	<u>83,572</u>	<u>5,666</u>	<u>285,312</u>	<u>275,140</u>
Accumulated depreciation								
Balance as of January 1	-	61,559	4,328	2,088	52,127	-	120,102	116,005
Depreciation of the year (d)	-	3,052	102	490	7,381	-	11,025	11,121
Disposals and other	-	(663)	(488)	-	(2,669)	-	(3,820)	(7,024)
Balance as of December 31	-	<u>63,948</u>	<u>3,942</u>	<u>2,578</u>	<u>56,839</u>	-	<u>127,307</u>	<u>120,102</u>
Net book value	<u>24,056</u>	<u>99,910</u>	<u>555</u>	<u>1,085</u>	<u>26,733</u>	<u>5,666</u>	<u>158,005</u>	<u>155,038</u>

- (b) As of December 31, 2015 and 2014, the Central Bank keeps fully depreciated properties, furniture and equipment which are still in use for S/ 37 million and S/ 34 million, respectively.
- (c) The Central Bank maintains insurances on its main assets, in conformity with the policies established by Management and the Board of Directors.
- (d) As of December 31, 2015 and 2014, depreciation of property, furniture and equipment amounted to S/ 11 million, and is included in the captions "Operating expenses" for S/ 9 million and "Issuances expenses and costs" for S/ 2 million in the statement of income, notes 22 and 23.
- (e) Management reviews every year whether the carrying amount exceeds the recoverable value of its long-lived assets based on available market information. In 2014, an appraisal was conducted on properties and it was determined that the appraisal value was higher than the carrying amount; therefore, the provision for impairment of properties was reverted. In Management's opinion, there is no evidence of additional impairment of the long-lived assets held by the Central Bank as of December 31, 2015 and 2014.

11. OTHER ASSETS

- (a) These items are made up as follows:

	2015 (S/ 000)	2014 (S/ 000)
Financial instruments		
Contribution to international institutions, (b) and note 17	1,545,477	1,391,603
Interests receivable	106,982	59,773
Accounts receivable from personnel	<u>1,143</u>	<u>1,206</u>
	<u>1,653,602</u>	<u>1,452,582</u>
Non-financial instruments		
Collections (c)	97,231	96,964
Deferred charges (d)	93,729	96,521
Raw material, semi-finished and finished products (e)	76,341	48,272
Advance payments to suppliers	14,691	22,791
Intangibles	2,505	2,618
Silver	1,985	1,987
Other	<u>2,553</u>	<u>2,200</u>
	<u>289,035</u>	<u>271,353</u>
Total	<u>1,942,637</u>	<u>1,723,935</u>

- (b) This item is made up as follows:

	2015 (S/ 000)	2014 (S/ 000)
Subscribed contribution to FLAR, note 8(c)	612,158	540,192
Subscribed contribution to BIS, note 8(d)	<u>933,319</u>	<u>851,411</u>
Total	<u>1,545,477</u>	<u>1,391,603</u>

- (c) Collections comprise paintings, archaeological pieces, sculptures, numismatic collections of coins and bills and other objects acquired by or donated to the Central Bank and maintained for display.



- (d) Deferred charges mainly comprise the cost of printing bills, which is charged to expenses when such bills are set available for circulation for the first time.
- (e) Raw material comprises the supplies acquired by the Central Bank for the minting of coins, and is valued at average cost. The value of semi-finished and finished products is comprised by the cost of raw material, direct labor and manufacturing overhead.

12. OTHER LIABILITIES ABROAD

- (a) The composition of this caption is as follows:

	2015 (S/ 000)	2014 (S/ 000)
SDR allocations and revaluations to be settled (b)	2,880,264	2,638,482
Allocation in Andean pesos (c)	68,160	59,620
Other	<u>1,605</u>	<u>1,136</u>
Total	<u>2,950,029</u>	<u>2,699,238</u>

- (b) As of December 31, 2015 and 2014, the balance of SDR allocations account is equivalent to SDR 610 million and corresponds to the distribution the IMF made to Peru in proportion to its SDR quota, in accordance to what is stated in the IMF Constitutive Agreement. Balance as of December 31, 2015 and 2014 includes the exchange difference generated by the update of SDR allocations received from the IMF between April 30 and December 31 every year, which amounts to S/ 201 million and S/ 13 million (positive update), respectively.

SDR allocations accrue interests according to the conditions of the Constitutive Agreement. Annual interest rates as of December 31, 2015 and 2014 were 0.05 percent.

- (c) The allocation of Andean pesos corresponds to those delivered by FLAR amounting to 20 million Andean pesos, equivalent to S/ 68 million and 60 million as of December 31, 2015 and 2014, respectively; this allocation does not generate interests, does not have any defined maturity for its settlement, and the counterpart has been recorded as an account receivable in the "Other assets abroad" caption in the statement of financial position.
- (d) During 2015 and 2014, the Central Bank recorded interests for approximately S/ 1 million and S/ 2 million, respectively, corresponding to its liabilities abroad, mainly for the obligations for SDR allocations, which are recorded in the "Financial expenses" caption in the statement of income and other comprehensive income.

13. OUTSTANDING SECURITIES ISSUED

- (a) The composition of this item is as follows:

	2015 (S/ 000)	2014 (S/ 000)
Certificates of deposit (CDBCRP)	15,380,100	15,575,100
Adjustable certificates of deposit (CDRBCRP)	7,249,217	2,627,313
Certificates of deposit at variable rates (CDVBCRP)	160,620	-
Discounts for the sale of CDBCRP, CDRBCRP and CDV BCRP	<u>(245,937)</u>	<u>(291,093)</u>
	<u>22,544,000</u>	<u>17,911,320</u>

- (b) As of December 31, 2015 and 2014, outstanding securities issued comprise mainly certificates of deposit in local currency, which are placed by the auction mechanism

or by direct placement with the purpose of withdrawing liquidity surpluses from the financial system.

CDR BCRP are adjusted due to changes in the exchange rate of U.S. dollar against Peruvian soles, such change is recorded in the caption "Readjustment for valuation article N°89 – Organic Act" in the net equity.

- (c) During 2015 and 2014, the Central Bank registered expenses for interests on outstanding securities issued, for S/ 586 million and S/ 585 million, respectively, which are part of the "Financial expenses" caption in the statement of income.
- (d) As of December 31, 2015 and 2014, certificates of deposits issued by the Central Bank were acquired by:

	2015 (S/ 000)	2014 (S/ 000)
Banks	17,166,337	10,917,513
Banco de la Nación	3,916,500	4,500,000
Deposit Insurance Funds	1,034,600	875,600
Financial companies	316,200	765,400
Mutual funds and pension fund administrators' funds	148,500	664,000
Consolidated Fund of Social Security Reserve	-	218,400
Other entities	207,800	261,500
Subtotal	<u>22,789,937</u>	<u>18,202,413</u>
Discounts for the sale of CDBCRP, CDRBCRP and CDV BCRP	<u>(245,937)</u>	<u>(291,093)</u>
Total	<u>22,544,000</u>	<u>17,911,320</u>

14. DEPOSITS IN LOCAL CURRENCY

- (a) These items are made up as follows:

	2015 (S/ 000)	2014 (S/ 000)
Public sector	23,768,197	28,866,829
Banco de la Nación	6,925,544	7,620,552
Banks	774,300	517,000
Deposits Insurance Fund	444,561	1,033,082
Municipal savings and credit banks	324,225	258,300
Financial companies	13,600	120,506
Rural savings and credit banks	3,145	120,550
Other entities and funds	2,481	323
Total	<u>32,256,053</u>	<u>38,537,142</u>

- (b) As of December 31, 2015 and 2014, deposits in local currency are classified by type of transaction as follows:

	Interest rate %	Maturity	2015 (S/ 000)	2014 (S/ 000)
Current accounts	Between 0 and 2.50	No maturity	15,120,839	7,024,895
Time deposits	Between 2.09 and 3.75	Between January and June 2016	9,934,700	22,832,839
Special deposits (overnight)	2.50	4 days	<u>7,200,514</u>	<u>8,679,408</u>
Total			<u>32,256,053</u>	<u>38,537,142</u>



- (c) During 2015 and 2014, the Central Bank recognized interest on deposits in local currency for S/ 853 million and S/ 1,075 million, respectively, which are recorded in the caption "Financial expenses" of the statement of income.

15. MONETARY BASE

- (a) The composition of this item is as follows:

	2015 (S/ 000)	2014 (S/ 000)
Currency in circulation (b)	48,890,028	47,543,004
Deposits in local currency (c)		
Deposits from banks	1,402,132	3,856,496
Municipal savings and credit banks	433,625	834,076
Deposits from Banco de la Nación	350,000	1,250,000
Deposits from financial institutions	191,554	233,825
Rural savings and credit banks	24,029	147,517
Other	115	30
	<u>2,401,455</u>	<u>6,321,944</u>
Total	<u>51,291,483</u>	<u>53,864,948</u>

- (b) Composition of currency in circulation is as follows:

	2015		2014	
	Units	S/ (000)	Units	S/ (000)
Denomination S/ 10	131,216,513	1,312,165	124,924,882	1,249,249
Denomination S/ 20	133,330,245	2,666,605	128,148,595	2,562,972
Denomination S/ 50	122,874,401	6,143,720	118,543,883	5,927,194
Denomination S/ 100	333,471,851	33,347,185	324,395,124	32,439,512
Denomination S/ 200	16,264,260	<u>3,252,852</u>	16,947,954	<u>3,389,591</u>
Subtotal		<u>46,722,527</u>		<u>45,568,518</u>
Denomination S/ 0.01	353,837,976	3,538	353,931,690	3,539
Denomination S/ 0.05	422,218,589	21,111	393,932,705	19,697
Denomination S/ 0.10	1,297,993,397	129,799	1,205,678,761	120,568
Denomination S/ 0.20	350,789,265	70,158	319,882,684	63,977
Denomination S/ 0.50	418,733,582	209,367	393,672,782	196,836
Denomination S/ 1.00	712,660,956	712,661	621,072,028	621,072
Denomination S/ 2.00	143,623,636	287,247	131,372,828	262,746
Denomination S/ 5.00	146,379,551	<u>731,898</u>	136,867,462	<u>684,337</u>
Subtotal		<u>2,165,779</u>		<u>1,972,772</u>
Commemorative coins		<u>1,722</u>		<u>1,714</u>
Total		<u>48,890,028</u>		<u>47,543,004</u>

- (c) As of December 31, 2015 and 2014, corresponds to deposits in local currency of the financial entities subject to reserve requirements in the national financial system. Such funds are intended to cover the amount of reserves required by the Central Bank for obligations subject to reserve requirements in local currency which do not have maturity.

Additionally, the amount of reserve requirements may be covered with cash in local currency, note 16(a), and in cash of the entity subject to reserve requirements.

The required reserve comprises minimum reserve requirements, which, as of December 31, 2015 and 2014, had a rate of 6.5 and 9 percent, respectively, for obligations subject to reserve requirements in local currency, and additional reserves, which is the part of the required reserves that exceeds the legal minimum reserve requirements. As of December 31, 2015, additional reserve requirements in local currency are chargeable only for those entities that exceed the limits for sale of foreign currency through forwards and swaps.

Obligations subject to reserve requirements are classified in two regimes: general and special. As of December 31, 2015, reserve requirements funds corresponding to the additional reserve of the general regime and special regime, that were deposited in the Central Bank and earned interests at an annual rate of 0.4694 percent, equivalent to the rate of remuneration of overnight deposits at the Central Bank minus 195 basis point (as of December 31, 2014, the rate was 0.35 percent equivalent to the rate of remuneration of overnight deposits at the central Bank minus 195 basis point).

On November 30, 2014, the Central Bank issued Circular Letter N°039-2014-BCRP related to the provisions for reserve requirements in local currency, under which the reserve ratio and minimum fund requirements in the current accounts of the Central Bank were reduced. The purpose of these measures was to provide pertinent liquidity in local currency to continue promoting the structured evolution of credit.

On November 4, 2015, the Central Bank issued Circular No. 040-2015-BCRP, related to the provisions for reserve requirements in local currency, under which it was established that the spot transactions within the limits for foreign currency sales operations through forwards and swaps, do not include those with related companies that have the condition of an entity subject to reserve requirements.

16. DEPOSITS IN FOREIGN CURRENCY

- (a) The composition of this caption is as follows:

	2015 (S/ 000)	2014 (S/ 000)
Banks (b)	45,109,953	36,073,782
Public sector (c)	46,351,036	35,531,690
Other financial system institutions (b)	881,544	527,195
Financial companies (b)	674,081	707,180
Banco de la Nación (b)	279,092	431,041
Other entities and funds	299,906	73,035
Total	<u>93,595,612</u>	<u>73,343,923</u>

- (b) As of December 31, 2015 and 2014, correspond to deposits in foreign currency made by entities subject to reserve requirements in the national financial system. Such funds are intended to cover the amount of reserves required by the Central Bank for obligations subject to reserve requirements in foreign currency which do not have maturity.

The required reserve comprise minimum reserve requirements, which as of December 31, 2015 and 2014, had a rate of 9 percent for the obligation subject to reserve requirements in foreign currency, and additional reserves, which is the part of the reserves required that exceeds the legal minimum reserve requirements. As of December 31, 2015, the additional reserve rate in foreign currency fluctuated between 27 and 35 percent (between 35 and 36 percent as of December 31, 2014).



As of December 31, 2015, the reserve funds corresponding to the additional reserves of the general and special regimes that were deposited in the Central Bank accrued interests at annual rates of 0.0897 percent, equivalent to 25 percent of the annual average 1-month LIBOR (as of December 31, 2014, such rate was 0.0409 percent).

On November 30, 2014, the Central Bank issued Circular N°040-2014-BCRP related to the provisions for reserve requirements in foreign currency, under which the reserve ratio applicable to indexed obligations were reduced in order to make the same considerations for the obligations in local currency.

On November 4, 2015, the Central Bank issued Circular No. 041-2015-BCRP, under which it is allowed to reduce the reserve requirements in foreign currency through the use of currency repos under the expansion scheme, as the additional reserve requirements in foreign currency become more demanding if credit balances in that currency are not reduced. These measures are intended to promote de-dollarization of credit in foreign currency and the growth of credit in local currency.

- (c) As of December 31, 2015 and 2014, deposits in foreign currency of the public sector entities are denominated in U.S. dollar, comprise mainly contracts subscribed with the General Direction of the Public Treasury of the MEF, which establishes the conditions for the reception of the deposits from said entity. As of December 31, 2015, such deposits correspond to demand and time deposits, which accrued interests at an effective annual rates between 0.07 and 0.47 percent (as of December 31, 2014, the effective annual rates ranged between 0.02 and 0.275 percent). Time deposits have maturities between January and October 2016 (as of December 31, 2014, between January and November 2015).
- (d) During 2015 and 2014, the Central Bank recognized interests on deposits in foreign currency amounting to S/ 90 million and S/ 57 million, respectively, which are included in the "Financial expenses" caption in the statements of income and other comprehensive income.

17. OTHER LIABILITIES

- (a) These items are made up as follows:

	2015 (S/ 000)	2014 (S/ 000)
Financial liabilities		
Re-sale commitment of foreign currency, note 9(b)	29,638,588	8,836,703
Contribution subscribed to international organizations pending payment, notes 8(c) and (d) and note 11(b)	1,545,477	1,391,603
Interest and commissions payable	810,872	486,871
Deposits Insurance Fund	127,224	2,642
Accounts payable	6,639	5,847
Fund for diseases, insurance and pension of Central Bank employees	2,984	6,409
	<u>32,131,784</u>	<u>10,730,075</u>
Non-financial liabilities		
Actuarial liability (b)	154,910	147,948
Other provisions	37,769	35,452
Other	5,918	6,701
	<u>198,597</u>	<u>190,101</u>
Total	<u>32,330,381</u>	<u>10,920,176</u>

- (b) As of December 31, 2015 and 2014, includes the allowance for the actuarial obligation corresponding to the subvention of supplemental retirement pensions, widowhood, burial subsidy and reserve of current risks of healthcare services calculated by an actuary, deducting the value of net assets of the Fund, note 2.2(n).

The Fund is a private legal entity incorporated by Law Decree N°7137, which is intended to provide assistance to the Central Bank's active and retired employees; as well as to their spouses, children and parents, as established in its regulations. This assistance is additional to social security benefits and other social benefits granted by Law (ESSALUD, National Pension System - Decree Act N°19990, and the Private Pensions System). According to IAS 19 – Employee Benefits, the aforementioned assistance correspond to a defined benefits plan.

As of December 31, 2015 and 2014, 15.3 and 25.9 percent of the Fund's assets, respectively, are deposited in the Central Bank, which accrued interests at an annual effective rates of 4.80 and 4.39 percent, respectively, and the difference which has been granted as loans to the Central Bank's employees is directly discounted from the payroll.

The net expense recognized in the statements of income and other comprehensive income for employee benefits is made up as follows:

	2015 (S/ 000)	2014 (S/ 000)
Variation of the net assets of the Fund	3,731	3,723
Variation of reserves calculated by the actuary	15,296	23,274
Balance at the end of the period	<u>19,027</u>	<u>26,997</u>

As of December 31, 2015 and 2014, the caption "Expense for actuarial allowance" in the "Operative expenses" of the statement of income includes the expense of the actuarial reserve that amounts to S/ 19 million and S/ 27 million, respectively, note 22.

As of December 31, 2015 and 2014, the movement in provision for actuarial obligation for retired and active employees of the Central Bank is as follows:

	2015 (S/ 000)	2014 (S/ 000)
Balance at the beginning of the year	147,948	132,500
Transfers to the Fund during the year (i)	(12,065)	(11,549)
Allowance for employee benefit plans	19,027	26,997
Balance at the end of the year	<u>154,910</u>	<u>147,948</u>

- (i) In January 2015 and 2014 the Central Bank's Board authorized the transfer to the Fund for Disease, Insurance and Pensions for Central Bank's Employees of S/ 33.7 million for each year. During year 2015, from the amount indicated above, S/ 12.1 million were used to pay pensions of retired personnel, that generated a decrease in the actuarial liability by the same amount (S/ 11.6 million during fiscal year 2014) and S/ 20.5 million were transferred to the Fund for health expenses of active personnel increasing the balance of "operating expenses" account (S/ 21.0 million during fiscal year 2014), see note 22; and approximately S/ 1.1 million was transferred for health expenses of National Mint (CNM) personnel, which were recognized in cost of coins issued (S/ 1.1 million during fiscal year 2014).

The main categories of the assets of the plan as a percentage of the fair value of the total assets of the plan are as follows:



	<u>2015</u> (%)	<u>2014</u> (%)
Deposits in Central Bank	15.3	25.9
Accounts receivable from employees	<u>84.7</u>	<u>74.1</u>
Total	<u>100.0</u>	<u>100.0</u>

The main hypothesis used when determining the actuarial liability for employee benefit plans are shown below:

	<u>2015</u>	<u>2014</u>
Discount rate	6.00%	6.00%
Increase of pensions	1.30%	7.10%
Increase of burial subsidy	9.70%	0.60%
Increase of health services	4.10%	16.30%
Average period of amortization of pensions	9.57	9.59
Retired employees as of the date of financial statements:		
Men	921	916
Women	603	594

The following chart presents the sensibility of the actuarial assumptions in the results of the Central Bank:

Year	Increase / decrease of the discount rate	Effect in reserves from the period
	bps	S/ 000
2015	50	(5,914)
	-50	6,364
2014	50	(5,698)
	-50	6,126
	Increase / decrease of life expectancy	Effect in reserves from the period
	Years	S/ 000
2015	+1	3,588
	-1	(3,768)
2014	+1	(3,706)
	-1	3,414

18. NET EQUITY

(a) Capital

As of December 31, 2015 and 2014, authorized capital of the Central Bank, subscribed and paid-in by the Peruvian State in accordance with law, amounts to S/ 1,183 million.

Capital is not represented by shares, and its value is only disclosed in the capital account in the statement of financial position. Likewise, through a Supreme Decree countersigned by MEF the Central Bank authorized capital may be readjusted.

(b) Reserves***Legal reserve***

According to the article N°92 of its Organic Act, the Central Bank must distribute its net income annually as follows: (i) 25 percent for the Public Treasury and (ii) 75 percent for the constitution and increase up to 100 percent of its capital of a reserve which, preferably, will be used for capitalization. During 2015 and 2014, the Central Bank has made no capitalization of reserves.

Special statutory reserve

According to article N°63 of the Central Bank Bylaw, the surplus generated by the application of article N°92 of the Organic Act shall be destined to the constitution of a special reserve.

According to the established by article N°93 of the Organic Act on March 25, 2014, after the approval of 2013 financial statements the statutory reserve was applied to cover part of the loss of such year for S/ 688 million.

(c) Fair value reserve

As of December 31, 2015 and 2014 the caption is made up as follows:

	<u>2015</u> (S/ 000)	<u>2014</u> (S/ 000)
Net loss for the fluctuation of:		
Securities from international institutions, note 6(a)	(1,263,840)	(1,128,524)
Bonds issued by MEF, note 9(c)	(350,979)	(167,581)
Structured bonds, note 6(a)	(8)	(1,166)
Balance at the end of the year	<u>(1,614,827)</u>	<u>(1,297,271)</u>

(d) Retained earnings

Article N°93 of the Organic Act indicates that in case of losses, the reserve shall be applied to offset them; if said amount is insufficient, the Public Treasury within 30 days from the approval of the statement of financial position must issue and deliver to the Central Bank, for the non-covered amount, negotiable debt securities that accrue interests.

In this sense, the loss for the year 2014 was covered with bonds and a promissory note issued by the MEF described in note 1. The loss for the year 2013 was covered by the special statutory reserve according to what was described in paragraph (b) above as well as bonds and a promissory note issued by the MEF described in note 1.

(e) Readjustment for valuation article N°89 - Organic Act

In accordance with the accounting policies approved by the Board of Directors based on article N°89 of the Central Bank's Organic Act, the exchange rate differences that result from the valuation in local currency of assets and obligations of the Central Bank in gold, silver, currencies, SDR or other monetary units of international use, are debited or credited in this account but not considered as gains or losses of the period, note 2.2 (e).

The movement of this item as of December 31, 2015 and 2014, is as follows:



	2015 (S/ 000)	2014 (S/ 000)
Balance at the beginning of the year	3,237,268	(476,920)
Plus (less):		
Valuation of U.S. dollar	8,595,430	4,526,291
Valuation of other currencies	356,260	(1,687,151)
Valuation of metals (gold and silver)	90,217	192,891
Valuation of IMF contribution and obligations	(241,772)	(21,766)
Valuation of derivatives and other operations related to exchange rate	(2,377,503)	707,931
Valuation of other	(7,665)	(4,008)
Balance at the end of the year	<u>9,652,235</u>	<u>3,237,268</u>

19. TAX SITUATION

In accordance with the Income Tax Law, entities of the national governmental sector are not subject to income tax. The Central Bank, as a withholding agent, is only subject to the fourth and fifth-category income taxes, and to social contributions.

The Tax authority is entitled to review and, if necessary, amend the taxes calculated by the Central Bank during the last four years, counted as from the date of filing of the related tax returns. The tax and contribution returns for the years 2011 through 2015, inclusive, are open to fiscal review. Since discrepancies may arise over the interpretation by the Tax Authority of the rules applicable to the Central Bank, to date it is not possible to foresee whether any additional tax liabilities will arise as a result of eventual reviews of the financial statements. Therefore, any additional taxes, fines and interest, arising from such reviews, will be recognized in the income (loss) for the year when the disagreement with Tax Authority is resolved. The Central Bank's Management and internal legal advisors consider no significant ultimate liabilities will arise as a result of any possible fiscal reviews for financial statements as of December 31, 2015 and 2014.

20. CONTINGENCIES

Certain civil and labor lawsuits have been filed against the Central Bank, for which the pertinent legal instruments and actions have been submitted and conducted; therefore, the Management of the Central Bank and its legal consultants consider that, as of December 31, 2015 and 2014, it is not necessary to record a provision for possible losses as a result of these legal contingencies.

21. OFF – BALANCE SHEET ACCOUNTS

(a) These items are made up as follows:

	2015 (S/ 000)	2014 (S/ 000)
Bills and coins in stock (b)	52,273,808	56,272,785
Foreign exchange swap operations, (c) and note 2.2(t)	53,294,872	33,124,890
Forward transactions (d)	28,539,573	24,191,363
Future transactions (e)	3,074,016	3,176,598
Securities held in custody (f)	1,924,502	1,753,106
Other	371,853	351,882
Total	<u>139,478,624</u>	<u>118,870,624</u>

- (b) As of December 31, 2015 and 2014, the bills and coins that the Central Bank holds in its vaults, which are not in circulation, are as follows:

	2015 (S/ 000)	2014 (S/ 000)
New	47,443,690	51,680,000
To be classified	2,435,173	2,504,885
Available	2,198,193	1,973,793
To be incinerated and/or melted	191,081	113,478
In transit	5,671	629
Total	<u>52,273,808</u>	<u>56,272,785</u>

The movement of the account of bills and coins in inventory for the year ended December 31, 2015 and 2014 has been as follows:

	2015 (S/ 000)	2014 (S/ 000)
Balance at the beginning of year	56,272,785	24,726,199
Acquisition of bills and coins	6,805,206	45,462,258
Destruction of bills and coins	(9,457,159)	(8,902,856)
Removal of circulation, net of income	(1,347,024)	(5,012,816)
Balance at the end of year	<u>52,273,808</u>	<u>56,272,785</u>

- (c) As of December 31, 2015, the Central Bank had 106 operations denominated "currency swaps" with banking entities in which the notional amount in soles in favor of the Central Bank is S/ 26,352 million and the counterpart in favor of banking entities is US\$ 7,906 million (S/ 16,473 million and US\$ 5,586 million, respectively, as of December 31, 2014). The maturity of these operations is between January and April 2016 (between January and June 2015 as of December 31, 2014) and the interest rate on the notional in soles equals the capitalization of the Cumulative Overnight Interbank Operations Index (ION for its Spanish acronym), calculated and published by the Central Bank, which as of December 31, 2015 is 4.21 percent (3.55 percent as of December 31, 2014). As of 31 December 2015, the average interest rate in US dollars determined by auction amounted to 0.60 percent.

As of 31 December 2015, the Central Bank recognized income and expenses due to interests paid and received on exchange swap for S/ 854 and S/ 0.8 million, which are part of the item "Other financial income" and "Other financial expenses" of the income statement, respectively (as at 31 December 2014 recognized revenues of S/ 88 million and expenses of S/ 0.7 million). Also, in those dates the Central Bank recognized the effect of the variation of the exchange rate on the notional amount committed in US dollars as a debit to the "Valuation readjustments as per Article N° 89 - Organic Law " in equity, by S/ 3.092 million and S/ 291 million, respectively, corresponding to financial entities.

- (d) As of December 31, 2015 and 2014, corresponds to the reference value (nominal amount committed) of the forward exchange transactions maintained by the Central Bank for trading purposes. As of December 31, 2015, the Central Bank maintains 38 forward operations, which maturities are between January and August 2016 (as of December 31, 2014 corresponds to 35 forward operations which maturities were between January and May 2015). Likewise, as of December 31, 2015 the valuation of said instruments generated an asset for an amount of S/ 290 million (S/ 692 million as of December 31, 2014), which was recorded as a part of the caption "Other available assets" and a liability



for an amount of S/ 46 million (S/ 4 million as of December 31, 2014), which was recorded under the caption of "Reserve liabilities". Said valuation was recorded against the caption "Readjustment for valuation article N°89 - Organic Act" of the net equity.

As of December 31, 2015 and 2014, the nominal values of the forward transactions according to the currency are as follows:

	2015 (S/ 000)	2014 (S/ 000)
Purchase of U.S. dollar / sale of other currencies	14,228,603	9,903,079
Sale of Sterling pound / purchase of other currencies different from the sol	5,922,331	539,133
Sale of Canadian dollar / purchase of other currencies different from the sol	3,948,088	-
Sale of Japanese yen / purchase of other currencies different from the sol	2,256,831	7,685,900
Sale of Australian dollar / purchase of other currencies different from the sol	1,369,259	-
Sale of Norwegian crown / purchase of other currencies different from the sol	654,821	-
Purchase of Australian dollar / sale of other currencies different from the sol	159,640	242,287
Purchase of Euro / sale of other currencies different from the sol	-	2,307,024
Sale of Euro / purchase of other currencies different from the sol	-	3,513,940
Total	<u>28,539,573</u>	<u>24,191,363</u>

- (e) As of December 31, 2015 and 2014, corresponds to the reference value (nominal amount committed) of future transactions, maintained by the Central Bank for trading purposes, which are managed directly by the BIS, according to guidelines approved by the Central Bank. As of December 31, 2015 the Central Bank maintains 1,110 contracts of price future transactions which underlying assets are bonds of the United States Treasury issued in U.S. dollars (1,538 contracts of future transactions which underlying assets are bonds of the United States Treasury and bonds of the German Government issued in Euro, as of December 31, 2014), and which maturities are between March 2016 and June 2018 (between March 2015 and December 2016, as of December 31, 2014). Likewise, the estimated fair value, provided by the BIS, generated an asset for an amount of S/ 820,000 (S/ 1,059,000 as of December 31, 2014), which was recorded under the caption "Other available assets" and a liability for an amount of S/ 453,000 (S/ 546,000 as of December 31, 2014), which was recorded under the caption "Reserve liabilities". Such valuation was recorded in the caption "Net yield on securities" of the statements of comprehensive income.
- (f) As of December 31, 2015 and 2014, securities in custody included mainly guaranteed promissory notes for operations with the IMF.

22. OPERATING EXPENSES

- (a) This item is made up as follows:

	2015 (S/ 000)	2014 (S/ 000)
Remunerations and social benefits, note 24	161,013	156,995
Administrative expenses (b)	51,540	49,252
Employees fund	20,457	20,989
Expense for actuarial allowance, note 17(b)	19,027	26,997
Depreciation, note 10(d)	8,619	8,658
Amortization	1,076	2,894
Other	4,753	4,129
Balance at the end of the year	<u>266,485</u>	<u>269,914</u>

- (b) As of December 31, 2015 and 2014, corresponds mainly to the expenses of public services, maintenance, vigilance, advisories, data supplies, and other.

23. EXPENSES AND COST OF ISSUANCE

	2015 (S/ 000)	2014 (S/ 000)
Cost of production of coins issued	55,452	51,622
Expenses for printing of bills issued	24,786	36,660
Expenses for transporting bills and coins	<u>2,033</u>	<u>95</u>
Total	<u>82,271</u>	<u>88,377</u>

24. PERSONNEL EXPENSES AND SOCIAL OBLIGATIONS

	2015 (S/ 000)	2014 (S/ 000)
Salaries	90,119	86,735
Legal gratifications and vacations	28,262	28,908
Bonuses and assignments	17,759	18,200
Severance compensations	10,012	9,446
Social security	9,413	9,084
Training	2,590	1,946
Other	<u>2,858</u>	<u>2,676</u>
Total	<u>161,013</u>	<u>156,995</u>

25. RISK ASSESSMENT

Due to the nature of its activities, the Central Bank is exposed to liquidity, credit, exchange and interest rate, and operational risks. The aim of the risk management program of the Central Bank is to minimize potential adverse effects on its financial performance.

The Bank's statements of financial position mostly comprise financial instruments, as described in note 2.2(b). International reserves are a relevant component of such instruments (represents 84.8 and 92.2 percent as of December 31, 2015 and 2014, respectively) and reserve management adheres to the principles of security, liquidity and profitability indicated in article N°71 of its Organic Act. International reserves contribute to the country's economic and financial stability insofar as they guarantee availability of foreign exchange in extraordinary situations, such as in the case of an eventual significant withdrawal of foreign currency deposits from the national financial system or temporary external shocks which could cause imbalances in the real sector of the economy and feedback expectations. Likewise, a suitable availability of currency contributes to the reduction of the country risk and to the improvement of Peru credit ratings, which results in better conditions for obtaining foreign credits on the part of the private and public Peruvian companies and, also contributes to the expansion of foreign investment in the country.

The Central Bank's reserve management policy prioritizes the preservation of capital and guaranteeing the liquidity of reserves. Once these conditions are met, yield is to be maximized.

The management of international assets is closely related to the origin and characteristics of the Central Bank's liabilities in terms of amount, currency, term, and volatility. The Central Bank seeks to minimize in this way the market risks that may affect the value and availability of the resources managed by the Central Bank.



The Central Bank's Management is well aware of the existing market conditions and, on the basis of its knowledge and experience; it controls the aforementioned risks, following the policies approved by the Board. The most important aspects for risk management are the following:

(i) Liquidity risk

To mitigate this risk, liquidity degree of fixed income instruments is controlled, mainly by the size of the issue and percentage acquired from each issue. Additionally, the Central Bank has in its investment policy a distribution in sections of the investment portfolio. Such portfolio is divided as follows:

- Immediate availability section: Includes very short-term investments mainly to face obligations with local banks and unforeseen events.
- Intermediation and liquid sections: Correspond to deposits in foreign currency made by financial entities (mainly for reverse requirement obligations) and public sector in the Central Bank. With these resources, investments can be made, which mainly comprise bank deposits with staggered maturity and high-liquidity fixed income instruments in international money markets.
- Diversification and investment sections: It comprises Central Bank resources (exchange position), and is aimed for investments including securities with terms generally for more than one year (mainly bonds), which may generate higher yield and support risk diversification.

(ii) Credit risk

Refers to the possibility that a counterpart is not able to timely meet an obligation with the Central Bank. In order to face this risk, investments are diversified into:

- Deposits in first-class foreign banks, according to the capital involved and to short-term and long-term risk ratings assigned by the main international risk rating agencies, such as Standard & Poor's, Moody's and Fitch.
- Fixed income securities issued by international organizations or foreign public organizations. As of December 31, 2015 and 2014 these securities must be long-term bonds assigned with one of the five highest ratings from the more than twenty long-term ratings assigned by risk rating agencies.
- Investments in private debt bonds are not allowed.

The magnitude and concentration of the Central Bank's exposure to credit risk can be obtained directly from the statement of financial position, which describes the size and composition of the Central Bank's financial assets.

Based on the obtained risk ratings and analysis of Management, as of December 31, 2015 and 2014, the Central Bank has no exposure in countries or entities with debt problems that may pose a credit risk due to the deterioration of investments.

(iii) Exchange rate risk

This risk can be defined as the risk to which the Central Bank is exposed due to fluctuations in the value of financial assets and liabilities arising from changes in exchange rates. The magnitude of the risk depends on:

- The imbalance between the Bank's assets and liabilities in foreign currency.

- The exchange rate of transactions in foreign currency pending at the close of the business day.

The Central Bank assets are mostly invested in U.S. Dollars, which reflects both the denomination of liabilities in foreign currency (mainly reserve requirements and special resident deposits) and the currency used by the Central Bank for intervention in the domestic foreign exchange market. The composition by currency of the balances in foreign currency is detailed in note 3.

(iv) Interest rate risk

This risk is associated with unexpected movements in the market yield rates of the portfolio's fixed income assets, which could affect the market value of investments before their maturity. The longer the maturity period of investments, the greater the impact of changes in the yield on the market value of such investments. The measure of such impact is reflected in the duration of the portfolio, which reflects risk-return preferences of the Board of Directors.

The Central Bank faces this risk considering the term structure of its portfolio and its reference portfolio.

In this way, maximum terms have been established for investments, consistent with the market risk profile expected for each portfolio instrument.

The magnitude of the risk depends on:

- The relevant interest rate of financial assets and liabilities; and
- The maturity structure of the Central Bank's portfolio of financial instruments.

(v) Operational risk

It is defined as the risk of incurring in direct or indirect losses as a result of failures in processes and internal controls, persons, information systems, technology or external events.

Operational risks of the Central Bank are classified by: persons, external events, processes, information technology and communication, technology, acquisition, legal, compliance, physical security, information security, and health and safety at the workplace.

Risk management is based on the Central Bank's processes and, given that risk management is a self-assessment process, organizational units along with the Risk Management perform the following, among others:

- Mapping of its processes; that is, identifying activities that support a process.
- Identification of risks and controls; which consist in identifying risks in activities and controls applied to mitigate them.
- Quantification of risks and proposal of control measures, as needed in order to control the risks.

Once risks have been quantified and control measures to be applied have been assessed, the Risk Management submits them to the Risk Committee. The Risk Committee is in charge of approving policies and recommending actions related to risk management and



operational continuity, recommending prevention actions and resolution of events that may affect the Central Bank, and assessing reports and proposals submitted by the Risk Management.

26. INFORMATION ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value or estimated market value is the price that would be received for selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of an asset or liability is measured under the assumptions that market participants would use to value the asset or liability, assuming that market participants act in their best economic interest.

When a financial instrument is traded on an active and liquid market, its price is stipulated by said market through real transactions that offers the best evidence of its fair value. When a price is not stipulated in the market, or cannot be an indicative of the fair value of the instrument to determine said fair value, one can use either the market value of a similar instrument, the analysis of discounted flows or other applicable techniques, which may be affected in a significant way by the assumptions made. Management has used its best judgment in the estimation of the fair values of its financial instruments. Fair value may not be an indicative of the net realizable value or the liquidation value of said instruments.

The methodologies and assumptions applied to determine the estimated market values as of December 31, 2015 and 2014, in all cases applicable according to the Central Bank's policies, depend on the terms and risk characteristics of the diverse financial instruments, as detailed below:

- (a) Cash in foreign currency and deposits in foreign banks represent cash and up to 90 days bank deposits, respectively, which do not represent significant credit risks or interest rate risks.
- (b) The book value of securities issued by international entities classified as available-for-sale investments corresponds to their estimated market value.
- (c) The book value of securities issued by international entities classified as held-to-maturity investments corresponds to their amortized cost using the effective interest rate method, except for those acquired at its nominal value. In accordance with the accounting policies of the Central Bank the market value of these investments is not disclosed. Investments with embedded derivatives are carried out at fair value.
- (d) The book value of gold corresponds to its market value.
- (e) The value of the contributions to international organizations and of deposits in international organizations is considered to correspond to their fair values because they represent the amount the Bank would receive if it withdrew its membership from said organizations. Additionally, contributions to international organizations cannot be traded with third parties. These contributions generate interest rates that depend on their market risk.
- (f) Securities in circulation generate interests at fixed and variable rates according to the respective issuance.
- (g) Deposits in local and foreign currency generate interests at fixed and variable rates which are fixed in periods under a year by the Central Bank.

- (h) The book value of bills and coins maintained by the Central Bank as part of the “Monetary base” caption correspond to their market value because it represents the currency in circulation in the Peruvian economy.

Consequently, as of December 31, 2015 and 2014, the Central Bank’s Management considers that the estimated fair values of the financial instruments of the Central Bank do not differ significantly from their book values, except for what is indicated in paragraph (c) above.

27. SUBSEQUENT EVENTS

Management is not aware of subsequent events that occurred between the closing date and the issuance date of these financial statements, which could significantly affect them, except for the increase in the contribution to the IMF due to Peru’s quota increase in that organization, recorded in February 2016, see note 8 (b).

28. EXPLANATION ADDED FOR ENGLISH TRANSLATION

The accompanying translated financial statements were originally issued in Spanish and are presented on the basis of accounting principles approved by the Central Bank Board, described in note 2. Certain accounting principles applied by the Central Bank that conform to accounting principles approved by the Central Bank Board may differ in certain respects to generally accepted accounting principles in other countries. In the event of discrepancy, the Spanish language version prevails.