**BBVA Banco Continental**

**Consolidated Financial Statements**
As of June 30, 2013 (Unaudited) and as of December 31, 2012 (Audited) and for the six-month periods ended June 30, 2013 and 2012

Translation of a report originally issued in Spanish

## 1. BANK ORGANIZATION AND BUSINESS ACTIVITIES

### Background

BBVA Banco Continental (hereinafter, the Bank) is a subsidiary of Holding Continental S.A. which owns 92.24% of the capital stock. Banco Bilbao Vizcaya Argentaria and Inversiones Breca S.A. own 50% respectively of the capital stock of Holding Continental S.A. The Bank is a public company incorporated in 1951, authorized to operate by the Superintendency of Banking, Insurances and Private Pension Fund Administrators of Peru (hereinafter, the SBS for its Spanish acronym) and domiciled in Peru. The Bank's main office legal address is Av. República de Panamá N° 3055, San Isidro, Lima.

### Business Activity

The Bank's operations primarily includes financial intermediation, which consists of universal banking activities regulated by SBS in accordance with General Law of the Financial and Insurance Systems and Organic Law of the SBS, Law N° 26702 (hereinafter, the General Law) and its amendments. The General Law establishes certain requirements, rights, obligations, guarantees, restrictions and other conditions that legal entities operating in the financial and insurance system are subject to.

As of June 30, 2013 and December 31, 2012, the Bank carried out its business through a national network of 307 and 303 offices, respectively. The total number of employees of the Bank and its subsidiaries as of June 30, 2013 and December 31, 2012, was 5,406 and 5,099, respectively.

As of June 30, 2013 and December 31, 2012, the Bank held a 100% shareholding interest and voting rights over its subsidiaries Continental Bolsa Sociedad Agente de Bolsa S.A., BBVA Asset Management Continental S.A. Sociedad Administradora de Fondos, Continental Sociedad Titulizadora S.A. and Inmuebles y Recuperaciones Continental S.A. Although the Bank has no interest in the capital or voting rights in Continental DPR Finance Company (DPR), given the characteristics of the corporate purpose and its relationship with the Bank, accounting standards call for the DPR financial statements to be included, on a consolidated basis, with those of the Bank. All the above companies together with the Bank are referred hereafter as Continental´s Group.

### Financial Statements' approval

The financial statements for the periods ended June 30, 2013 and December 31, 2012 has been authorized to be issued by the Bank's Management.

### Subsidiaries and Special Purpose Entity

The consolidated financial statements include the financial statements of the Bank, its subsidiaries and a special purpose company.

Below are the main balances of the companies forming part of Continental´s Group as of June 30, 2013 and December 31, 2012.

| | In millions of nuevos soles | | | | | |
|---|---|---|---|---|---|---|
| | Assets | | Liabilities | | Equity | |
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| BBVA Banco Continental | 52,386 | 49,713 | 48,183 | 45,485 | 4,203 | 4,228 |
| Continental Bolsa - Sociedad Agente de Bolsa S.A. | 52 | 65 | 18 | 32 | 34 | 33 |
| BBVA Asset Management Continental S.A. Sociedad Administradora de Fondos | 53 | 51 | 3 | 7 | 50 | 44 |
| Continental Sociedad Titulizadora S.A. | 2 | 2 | - | | 2 | 2 |
| Inmuebles y Recuperaciones Continental S.A. | 23 | 20 | 4 | 5 | 19 | 15 |
| Continental DPR Finance Company | 1,499 | 1,490 | 1,499 | 1,490 | - | - |

## 2. SIGNIFICANT ACCOUNTING POLICIES

The accounting principles and practices as of June 30, 2013 remain unchanged with respect to those in the audit report issued on February 8, 2013 by Beltrán, Gris y Asociados S. Civil de R.L.; representatives of Deloitte, for the years ended December 31, 2012 and 2011, except as noted in section 2 (a.2).

Additionally, the Resolution SBS N° 7036-2012 requires disclosure of the following information:

### (a) Basis for Preparation

#### (a.1) Statement of compliance, basis for preparation and presentation

The consolidated financial statements have been prepared and presented in accordance with legal regulations and accounting principles generally accepted in Peru (Peruvian GAAP) for financial entities, which comprise accounting standards and practices authorized by the SBS by virtue of the authority conferred to it by the General Law. Those standards are contained in the Accounting Manual for the Financial System Companies (hereinafter, Accounting Manual) approved through SBS Resolution N° 895-98 dated September 1, 1998, effective January 1, 2001 and supplemental standards.

The SBS has established that for situations not addressed by such standards, the regulations set forth in Peruvian GAAP shall be applied.

Peruvian GAAP are composed of: the standards and interpretations issued or adopted by the International Accounting Standards Board (hereinafter, IASB), which includes International Financial Reporting Standards (hereinafter, IFRS), International Accounting Standards (hereinafter, IAS), and the Interpretations issued by the International Financial Reporting Interpretations Committee (hereinafter, IFRIC) or by the former Standing Interpretation Committee (hereinafter, SIC) adopted by IASB, made official by Consejo Normativo de Contabilidad, the Peruvian Accounting Board, (hereinafter, CNC, for its Spanish acronym) for their application in Peru.

The aforementioned standards and interpretations referred to in Section (a-3) will be applicable to the Bank when directed by the SBS or for situations not addressed in the Accounting Manual.

#### (a.2) Changes to the Accounting Manual

Through Resolution SBS N° 7036-2012, dated September 19, 2012, the SBS modified the Accounting Manual for financial entities, in order to make a partial adoption of their accounting principles to IFRS, setting forth, among others, the following changes, effective from 2013 onwards:

- Incorporation of the Conceptual Framework of IFRS, in the preparation of financial statements, including definitions of Materiality and Relative Importance.

- Incorporation of the “Statement of Comprehensive Income”, which includes: i) The statements of income; and ii) the Statement of Income and other Comprehensive Results.

- Segregation of financial income and expenses in the income statements, of other income or expenses originating from treasury operations.

- Accrual of income in the terms of loan agreements, including indirect loan commissions.

- Record and presentation of financial lease loans for the disbursed amount effective from June 2013.

- Reclassification of some items of the Statement of Income.

- Reclassification of liabilities from client's collections to accounts payable.

- Separate presentation of the asset and liabilities for deferred tax income

All accounting adjustments that result from the application of the changes to the Accounting Manual will be charged to retained earnings as of January 1, 2013. Management's opinion is that the application of the changes to the Accounting Manual will not have a material impact upon its financial statements.

The additional disclosures required by the changes on the Accounting Manual will be applicable as from December 31, 2013, and their comparative information will be disclosed as may be applicable.

For the quarterly consolidated financial statements corresponding to the 2013 (March, June and September) will not be required comparative presentation. The 2012 period balances reflected in the quarterly financial statements are the best approximations of the comparative information.

**(a.3) Standards and interpretations approved by the CNC for adoption in Peru**

By means of Resolution N° 047-2011-EF/30, issued on June 17, 2011, the CNC approved to formalize for application in Peru, as from January 1, 2012, the 2010 version of IAS, IFRS, IFRIC and SIC, adopted by the IASB at the international level.

CNC, through Resolution N° 048-2011-EF/30 dated January 6, 2012, approved the formalization for application in Peru, as from the day following publication, the 2011 version of IFRS, IAS, IFRIC and SIC issued internationally by the IASB.

CNC, through Resolution N° 051-2012-EF/30 dated August 29, 2012, approved the formalization, the 2012 version of IFRS, IAS, IFRIC and SIC which will substitute the standards relating to the 2011 version, approved by the CNC, in accordance with the respective effective date contained in each of the standards formalized via this resolution.

**(a.4) New Accounting Pronouncements approved internationally**

The following standards and interpretations have been issued internationally as of December 31, 2012 and 2011:

- **Amendments to IFRS 7 "Disclosures – Transfer of Financial Assets".** Effective for annual periods beginning on or subsequent to July 1, 2011.

- **IFRS 9 "Financial Instruments".** Effective for annual periods beginning on or subsequent to January 1, 2015.

- **IFRS 10 "Consolidated Financial Statements".** Effective for annual periods beginning on or subsequent to January 1, 2013.

- **IFRS 11 “Joint Agreements”.** Effective for annual periods beginning on or subsequent to January 1, 2013.

- **IFRS 12 “Disclosure of Interests in Other Entities”.** Effective for annual periods beginning on or subsequent to January 1, 2013.

- **IFRS 13 “Fair Value Measurement”.** Effective for annual periods beginning on or subsequent to January 1, 2013, early adoption is permitted.

- **IAS 19 (reviewed in 2011) “Employee benefits”.** Effective for annual periods beginning on or subsequent to January 1, 2013.

- **IAS 27 (reviewed in 2011) “Separate Financial Statements”.** Effective for annual periods beginning on or subsequent to January 1, 2013.

- **IAS 28 (reviewed in 2011) “Investments in Associates and Joint Ventures”.** Effective for annual periods beginning on or subsequent to January 1, 2013.

- **Amendments to IAS 1 – “Presentation of items of other comprehensive income”.** Effective for annual periods beginning on or subsequent to July 1, 2012.

- **Amendments to IAS 12 – “Deferred Income Tax on - Recovery of assets”.** Effective for annual periods beginning on or subsequent to January 1, 2012.

- **Amendments to IAS 32 – “Financial Instruments: Presentation”.** Effective for annual periods beginning on or subsequent to January 1, 2013 and 2014 with respect to disclosures.

- **Amendments to IFRS “Annual Improvements to IFRS – 2009-2011 Cycle”.** Effective for annual periods beginning on or subsequent to January 1, 2013. The amendments include amendments to IAS 16 “Property, Plant and Equipment”, and to IAS 32 “Financial Instruments: Presentation”.

The Bank´s management considers that the application of these new accounting pronouncements, will not have a material impact on its Financial Statements.

**(b) Responsibility for information and estimates**

The Bank´s Management is responsible for the information contained in these financial statements. Certain estimates made to quantify some assets, liabilities, revenues, expenses and commitments recorded therein have been made based on experience and other relevant factors. Final results could differ from those estimates.

The estimates are reviewed on an ongoing basis. Changes in accounting estimates are prospectively recognized, by recording the effects of changes in the corresponding income accounts for the year in which the corresponding reviews are conducted.

The most important estimates and sources of uncertainty related with the preparation of Bank’s financial statements refer to:

- Investments at fair value through profit and loss, available for sale investments and investments in associates.
- Provision for loan losses.
- Other assets and contingent claims.
- Provision for accounts receivable.
- Provision for assets seized.
- Useful life assigned to property, furniture and equipment.
- Register of contingent liabilities.

- Deferred income taxes.
- Financial derivatives instruments.

### (c) Preparation and presentation currency

The Bank prepares and presents its consolidated financial statements in Nuevos Soles (S/.), which is the currency of the main economic environment in which the entity operates.

### (d) Allowance for loan losses

The allowance for loan losses is determined in accordance with the criteria and percentages established by SBS Resolution N° 11356-2008 “Regulations for the Evaluation and Classification of a Debtor and the Required Provision”.

The SBS has established quantitative criteria (sales and borrowing levels in the financial system) and qualitative criteria for the classification of the direct and indirect loan portfolio according, as follows:

1. Corporate.
   This category will additionally consider the following:
   a. Multilateral Development Banks
   b. Sovereign
   c. Public sector entities
   d. Stock brokers
   e. Financial System Companies
2. Large businesses
3. Medium businesses
4. Small businesses
5. Micro-businesses
6. Revolving consumer loans
7. Non-revolving consumer loans
8. Mortgage loans

Provisions for indirect loans are calculated after adjusting balances through the application of the following credit conversion factors:

| | Indirect loans | Conversion Factor |
|---|---|---|
| (a) | Confirmed irrevocable letters of credit of up to one year, when the issuing bank is a first class financial system company. | 20% |
| (b) | Issuance of letters of guarantee supporting affirmative and negative covenants. | 50% |
| (c) | Issuance of guarantees, import letters of credit and stand-by letters not included in paragraph "b)", and confirmations of letters of credit not included in paragraph "a)" and bank acceptances. | 100% |
| (d) | Undisbursed Loans granted and unused lines of credit. | 0% |
| (e) | Other indirect loans not covered in previous sub-paragraphs. | 100% |

Debtors are classified and are provisioned for loan losses within the following categories: normal, with potential problems, substandard, doubtful and loss.

The provision for loan losses includes the general and specific portions. The specific portion estimated for commercial loans is calculated based on percentages set by the SBS, which vary depending on the customer’s classification and the type of guarantee received.

General provisions include those with respect to debtors classified as normal in accordance with the requirements of the SBS, as well as general voluntary provisions.

Mandatory general provisions are determined based on percentage rates that include a fixed component and a variable component (pro-cyclical) and vary depending on the type of loan. The rule for determining the pro-cyclical component is activated or deactivated upon communication of the SBS, which depends upon a periodical measurement of annual percentage variations (in moving averages) in the actual Gross Domestic Product of Peru (GDP) published by Banco Central de Reserva del Peru (hereinafter BCRP).

Voluntary general provisions have been determined by the Bank based on the economic situation of customers within the refinanced and restructured loan portfolio, prior experience and other factors that, in Management’s opinion, may result in possible losses in the loan portfolio. The amount of the voluntary general provision is reported to SBS.

The Bank’s Management reviews and analyzes the non-retail loan portfolio classifying debtors according to the assessment of their cash flows, global indebtedness with third parties and level of compliance with the payment of such debts. Retail loan portfolio (small business, micro-business, revolving consumer, non-revolving consumer and mortgage loans) is classified and provisioned in accordance with the delay in loan payments and takes into account the classification of the debtors by other financial entities. Additionally, pursuant to SBS Resolution N° 041-2005, the Bank assesses the exposure to credit exchange risks for loans in foreign currency.

The minimum percentages required for loan provisions are as follows:

**Normal Category**

| Types of Loans | Fixed Component | Procyclical Component |
|---|---|---|
| Corporate loans | 0.70% | 0.40% |
| Corporate loans with customer deposit guarantees | 0.70% | 0.30% |
| Large business loans | 0.70% | 0.45% |
| Large business loans with customer deposit guarantees | 0.70% | 0.30% |
| Medium business loans | 1.00% | 0.30% |
| Small business loans | 1.00% | 0.50% |
| Micro business loans | 1.00% | 0.50% |
| Revolving consumer loans | 1.00% | 1.50% |
| Non-revolving consumer loans | 1.00% | 1.00% |
| Revolving consumer loans under eligible agreements | 1.00% | 0.25% |
| Mortgage loans | 0.70% | 0.40% |
| Mortgage loans with customer deposit guarantees | 0.70% | 0.30% |

As of June 30, 2013 and December 31, 2012, the pro-cyclical component for the provision for loan losses was in place (Multiple Official Letter N° B-2193-2010-SBS).

**Other risk categories and per type of guarantee are as follows:**

| Risk Category | No Guarantee | Preferred Guarantee | Readily liquid preferred guarantees |
|---|---|---|---|
| With potential problems | 5.00% | 2.50% | 1.25% |
| Substandard | 25.00% | 12.50% | 6.25% |
| Doubtful | 60.00% | 30.00% | 15.00% |
| Loss | 100.00% | 60.00% | 30.00% |

### (e) Leasing operations

Financial lease operations are recorded as loans in accordance with SBS rules and IAS 17. The initial recording of transactions is made at the net value of the investment on the leasing (value of the asset subject to leasing).

### (f) Financial Derivatives

In accordance with SBS Resolution N° 1737-2006 "Regulation for Trading and Accounting of Derivative Products in Financial System Companies" and its amendments, derivative financial instruments are initially recorded on the trade date.

### (f.1) Trading

Financial derivatives are initially recognized in the Bank's statements of financial position, at cost; and subsequently maintained at their fair value. On a monthly basis, financial derivatives for trading are measured at their fair value. In the case of foreign currency forwards, interest rate swaps, currency swaps and currency options are booked at their estimated market value, recognizing assets or liabilities, as the case may, in the statement of financial position; and the gain or loss of the valuation or settlement of the financial derivatives is booked in the statement of income. The financial instruments' face value is recorded in their respective currency as committed or agreed upon, in the memoranda accounts (Note 15).

### (f.2) Hedging:

A derivative financial instrument that seeks to ensure financial hedging of a given risk is recorded as being for hedging purposes if, in its trading, it is expected that changes in the fair value or cash flows will be highly effective in offsetting changes in fair value or cash flows of the hedged item attributable to the hedged risk from the beginning, which should be documented in the trading of the derivative, and during the period of hedging. A hedge is considered highly effective if it is expected that changes in fair value or cash flows of the hedged item and hedge financial instrument are within a range of 80% to 125%.

If the SBS considers that the documentation is unsatisfactory or finds weaknesses in the methodologies used, it may require the dissolution of the hedge and the recording of the derivative financial product as trading.

#### Fair value hedge

For fair value hedges that qualify as such, the change in fair value of the hedging derivative is recognized in the statements of income.

Changes in the fair value of the hedged item attributable to the hedged risk are recorded as part of the balance of the hedged item and recorded in the statements of income.

#### Cash flow hedge

For cash flow hedge, the derivative instrument is recognized at its fair value, and could affect income and equity accounts. The effective portion of fair value adjustments is recognize in equity accounts (Other comprehensive income) and the ineffective portion must recognize in the statements of income.

For both types of hedging, if the hedge instrument expires, is sold, terminated or exercised, or the time when the hedge no longer meets the criteria for hedge accounting, the hedging relationship is ended prospectively and the effects of such action are recorded in consolidated statements of income within the term of the hedged item.

## (g) Investments at fair value through profit and loss and held to maturity investments

The investment portfolio is classified and valued in accordance with SBS Resolution SBS N° 7033-2012 which approved the “Regulations for Classification and Valuation of Investment of Financial System Companies”.

### (g.1) Investments at fair value through profit or loss

Investments maintained for sale in the short-term, having a pattern of making short-term gains or having been designated by the Bank in this category since its initial recording are valued at fair value. The gain or loss on the valuation or sale of these investments is recorded in the statements of income.

### (g.2) Available-for-sale investments

This category includes all investments instruments that are not classified as investments at fair value through profit or loss, held to maturity investments or investments in associates.

These securities are initially recorded at the fair value, including any transaction costs which will be directly attributable to the acquisition of such investments. Any subsequent measurement of such investments will be made at fair value and the gain or loss from the fluctuation of the fair value of the investment instrument classified in this category, will be directly recognized in equity, until such time as the instrument is sold or realized, when, any profit or loss previously recognized in equity, is transferred and recorded in the consolidated statements of income, except for the impairment losses that are recorded in the consolidated statements of income (Note 2(l)).

### (g.3) Held-to-maturity investments

This category includes the investment instrument that meet the following requirements: (i) were acquired or reclassified with the intention of being held them until maturity and for which the Bank has the financial capacity to maintain them until maturity, and (ii) are classified by at least two local or foreign risk credit rating agencies and they must be within the parameters set by the SBS.

These securities are initially recorded at the fair value, including any transaction costs which will be directly attributable to the acquisition of such investments. Thereafter, the measurement of these investments is performed on the basis of the amortized cost, using the effective interest rate. Any impairment losses of value are recognized in the statements of income (Note 2(l)).

## (h) Investments in associates

It comprises the capital values acquired by the Bank for the purpose of having equity participation. These investments are initially recorded at acquisition cost and subsequently valued using the equity method.

## (i) Property, plant and equipment

Property, plant and equipment are recorded at cost, which includes acquisition-related disbursements and are presented net of accumulated depreciation. Annual depreciation is expensed, and determined on a cost basis using the straight-line method based on the estimated useful life of assets, as follows:

| | Years |
|---|---|
| Buildings | 33 |
| Facilities | 33 - 10 |
| Leasehold improvements | 10 |
| Furniture and equipment | 10 - 4 |
| Vehicles | 5 |

The disbursements subsequently incurred which are related to assets the cost of which can be reliably measured and from which it is likely that future economic benefits will be obtained from such asset, are capitalized or recognized as property, furniture and equipment. Disbursements for maintenance and repairs are expensed during the period as incurred. When a fixed asset is sold or disposed of, the corresponding cost and accumulated depreciation are eliminated in the accounts and the resulting gain or loss is recognized in the consolidated statements of income.

Banks are prohibited from using fixed assets as collateral except for assets acquired under financial leasing transactions.

### (j) Realizable assets and assets recovered through legal actions

Seized assets are initially recorded at the value assigned through legal proceedings or out of court settlements and this value must not be higher than total unpaid debt that is cancelled. Assets recovered by resolution of contract are initially recorded at the lower of the outstanding debt or the net realizable value. If the outstanding debt value is greater, the difference is recognized as a loss, if there is no probability of recovery.

In addition, the Bank records the following provisions on seized assets:

- 20% of the value of goods received at the acquisition date.
- For buildings, a monthly impairment allowance is recorded effective from the 12th month following the acquisition or recovery, which shall be constituted over a term of 42 months or less, based on the net value obtained during the 12th month. Likewise, the net carrying amount of real estate is annually compared to the realization value determined by an independent appraiser, and if this value is lower, an impairment provision is constituted.
- For assets other than buildings, the remaining balance is provisioned within a term no longer than 12 months.

### (k) Intangible assets

Intangible assets with finite useful lives are recorded at acquisition cost less accumulated amortization and accumulated impairment losses. Amortization is recognized as an expense and is determined under the straight-line method based on the estimated useful life of the assets, represented by equivalent depreciation rates. The useful life of these assets has been estimated between to be 1 and 5 years.

Costs related with developing or maintaining computer software are recognized as expenses when incurred. Costs directly related to unique and identifiable software products controlled by the Bank which are likely to generate economic benefits for more than a year are recognized as intangible assets.

The costs incurred in developing computer programs recognized as assets are amortized over their estimated useful lives.

### (l) Impairment loss

When there are events or economic changes indicating that the value of an asset might not be recoverable, management reviews the book value of these assets at each balance sheet date. If, after this analysis, the book value of the asset exceeds its recoverable amount, an impairment loss is recognized in the statement of income. Recoverable amounts are estimated for each asset.

### (m) Due to banks and correspondents – Securities, bonds and outstanding obligations

Due to banks and correspondents and securities issuances (corporate, subordinate and leasing bonds) are recorded at their nominal value or at their fair value with changes in results. Interest earned is recognized in the consolidated statement of income. Any discounts granted on the premiums generated during their placement are deferred and amortized during the effective term of the related liabilities.

**(n) Provisions**

Provisions are recognized only when the Bank has a present obligation (legal or implicit) as a result of a past event, it is probable that resources will be required to settle the obligation, and the amount of the obligation can be reliably estimated. Provisions are reviewed periodically, and adjusted to reflect the best estimate as of the balance sheet date. When the effect of the time value of money is material, the amount recorded as a provision is equal to the present value of future payments required to settle the obligation.

**(o) Contingent liabilities and assets**

Contingent liabilities are not recognized in the consolidated financial statements but are disclosed in a note to the financial statements, except when the likelihood of an outflow of resources to cover a contingent liability is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed in the notes to the consolidated financial statements when it is probable that there will be an inflow of resources.

Items previously treated as contingent liabilities are recognized in the financial statements in the period in which the change in probabilities occurs, that is when it is determined to be likely, or virtually certain, that an outflow of resources will take place. The amounts treated as contingent assets are recognized in the financial statements in the period in which it is determined that it is virtually certain to produce an inflow of resources.

**(p) Employees' benefits**

**(p.1) Employees' profit sharing**

The Bank recognizes a liability and an expense for employees' profit sharing on the basis of 5% of the tax base determined in accordance with current tax legislation.

In the case of the subsidiaries, according to legal regulations, there will be no determination of employee profit sharing, since the number of employees of each subsidiary does not exceed 20.

**(p.2) Employees' vacations and other employees' benefits**

Employees' annual vacations, paid absences and other employees' benefits are recognized on the accrual basis. Provisions for annual vacations, paid absences and other benefits to employees resulting from services rendered by employees are recognized at the consolidated balance sheet date.

**(p.3) Accrual for seniority indemnities**

The accrual for seniority indemnities comprises all the liabilities related to employees' vested rights according to the current legislation. Payments are deposited mainly at the Bank, which is the financial institution elected by the employees.

**(q) Income and expense recognition**

Interest income and expenses and commissions from services are recognized in the consolidated statements of income on an accrual basis in the period related to the relevant transaction.

Interest on past-due loans, refinanced loans, restructured loans, and under legal collection loans, as well as interests on loans classified as doubtful or loss, are recognized in the statements of income when collected.

When the debtor’s financial condition is determined to have improved, thus eliminating the uncertainty as to the recoverability of principal, the interest is again recorded on an accrual basis.

Other income and expenses are recognized on an accrual basis.

**(r) Foreign exchange gains and losses**

Foreign currency transactions are translated at the closing exchange rate established by the SBS at the transaction date.

Exchange gains and losses from the settlement of monetary items denominated in foreign currency, or from the adjustment of assets and liabilities for exchange rate variations after initial recording, are recognized as an income or an expense in the consolidated statement of income for the period during which such gains or losses arise.

**(s) Income Tax**

Current and deferred income tax, are recognized in profit or loss included in the consolidated statement of income, except when they related to items recognized in equity accounts, in which case, the current income and deferred tax is also recognized in equity accounts.
Current income tax is calculated using tax rates that have been enacted by current tax laws to net taxable income for the year. Current tax income is recognized as an expense for the period.

Deferred income taxes liabilities are recognized for all taxable temporary differences arising from comparing the book values of assets and liabilities to their tax basis, regardless of when such temporary differences are expected to be reversed Deferred income taxes assets are recognized for deductible temporary differences, arising from comparing the book values of assets and liabilities to their tax basis, to the extent that it is probable that the Bank will have future taxable income against which the deductible temporary differences can be applied, within the established time-limit, in accordance with law. Assets and liabilities are measured using the income tax rate enacted or substantially in effect at the related balance sheet date expected to be applied to the taxable income in the year in which the liabilities are settled or the assets are recovered.

**(t) Dividend distributions**

Dividend distributions are recognized as a liability in the financial statements in the year when the dividends are approved by the Bank´s shareholders.

**(u) Basic and diluted earnings per share**

Basic earnings per share were computed by dividing the consolidated net income by the weighted-average number of ordinary shares outstanding during each year. Since the Bank does not have financial instruments with diluting effects, basic and diluted earnings per share are the same.

**(v) Fiduciary activity**

Assets derived from fiduciary activities where there is a commitment to return those assets to the customers and where the Bank acts as a holder, trustee or agent, have been excluded from the financial statements. Such assets are controlled in separate financial statements and presented in off-balance sheets accounts.

**(w) Cash and cash equivalents**

Cash and cash equivalents shown in the statement of cash flow comprises balances in cash and due from banks and inter-bank funds. Based on SBS regulation, Continental´s Group prepares and presents cash flow using the indirect method. In the consolidated balance sheet, bank overdrafts are reclassified as liabilities.

## 3. CASH AND DUE FROM BANKS

As of June 30, 2013, cash and due from banks includes approximately US$ 1,974 million and S/. 2,703 million (US$ 2,429 million and S/.2,496 million as of December 31, 2012), which represent the legal reserve that Peruvian entities must maintain as a guarantee of third party deposits. These funds are deposited in Bank's vaults and in BCRP.

As of June 30, 2013 the total obligations subject to legal reserve requirements (TOSE) are affected to an implicit rate in local currency of 18.3162% and in foreign currency of 46.3114% according to the BCRP requirements (as of December 31, 2012 are affected to an implicit rate in local currency of 17.7839% and in foreign currency of 43.3972%).

The legal minimum reserve funds, which are 9%, are not interest-bearing. The legal additional reserve amount in foreign and local currency accrues interest at annual nominal rate established by the BCRP. As of June 30, 2013, interest income was S/. 17.3 million (S/. 33.5 million as of December 31, 2012), and is included in the consolidated statement of income. Pursuant to legal provisions in force, special reserves cannot be seized.

As of June 30, 2013 cash and due from banks included restricted funds for S/. 1.9 million (S/. 1.2 million as of December 31, 2012) required in connection with legal proceedings against the Bank to guarantee any potential liabilities generated by these lawsuits.

## 4. INVESTMENTS AT FAIR VALUE THROUGH PROFIT AND LOSS, AVAILABLE-FOR- SALE AND HELD TO MATURITY INVESTMENTS

Investments in securities are classified by Continental´s Group as follows:

| | 2013 | 2012 |
|---|---|---|
| | **S/.000** | **S/.000** |
| Available-for-sale investments (Nota 11 (e)) | 4,361,852 | 2,289,134 |
| Held to Maturity Investments | 441,020 | 436,829 |
| Investments at fair value through profit and loss | 173,724 | 160,810 |
| | **4,976,596** | **2,886,773** |

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

| | 2013 | 2012 |
|---|---|---|
| **Available-for-sale Investments** | **S/. 000** | **S/. 000** |
| BCRP Certificates of Deposits (a) | 4,147,650 | 1,971,223 |
| Peruvian Treasury Bonds (b) | 140,963 | 225,871 |
| Local Stock (c) | 49,558 | 47,763 |
| Foreign Stock | 23,681 | 17,993 |
| Peruvian Global Treasury Bonds | - | 26,277 |
| Other Investments | - | 7 |
| | 4,361,852 | 2,289,134 |
| **Held-to Maturity Investments** | | |
| Peruvian Treasury Bonds (b) | 441,020 | 436,829 |
| **Investments at fair value through profit and loss** | | |
| Peruvian Treasury Bonds (b) | 125,542 | 115,632 |
| Mutual Funds (d) | 48,182 | 39,223 |
| Local Stock (c) | - | 369 |
| Corporate Bonds | - | 5,586 |
| | 173,724 | 160,810 |

(a) BCRP certificates of deposits are freely tradable securities, with maturities due up to August 2014, which were acquired in public auctions or secondary markets. As of June 30, 2013, the annual interest rate of these certificates ranged between 3.7% and 4.3% (between 3.79% and 4.20% as of December 31, 2012).

(b) Treasury bonds are issued by the Peruvian Government. As of June 30, 2013 those bonds accrued annual interest at rates between 1.00% and 8.54% (1.00% and 5.11% as of December 31, 2012) in local currency and between 3.15% and 6.57% in foreign currency (6.57% as of December 31, 2012), and with maturities due up to February 2042 (February 2042 as of December 31, 2012).

(c) As of June 30, 2013 and December 31, 2012 mainly include stocks listed in the Lima Stock Exchange (BVL) for a total amount of S/. 37.7 million (S/.36.4 million as of December 31, 2012).

(d) As of June 30, 2013 and December 31, 2012, the investment in mutual funds corresponds to the participation shares that Continental´s Group maintains in different mutual funds managed by BBVA Asset Management Continental S.A. Sociedad Administradora de Fondos.

## 5. LOAN PORTFOLIO, NET

a) The balances comprises:

| | **2013** | **2012** |
|---|---|---|
| | **S/.000** | **S/.000** |
| Current credit portfolio, net | 17,015,706 | 14,637,329 |
| Non-current credit portfolio, net | 17,681,705 | 17,132,796 |
| | **34,697,411** | **31,770,125** |

| | **2013** | | **2012** | |
|---|---|---|---|---|
| | **S/. 000** | **%** | **S/. 000** | **%** |
| **Direct Credits** | | | | |
| Loans | 13,080,866 | 38% | 11,761,407 | 37% |
| Mortgages | 7,985,697 | 23% | 7,148,709 | 23% |
| Leasing | 4,166,006 | 12% | 4,066,925 | 13% |
| Consumer | 3,398,389 | 10% | 3,274,544 | 10% |
| Foreign Trade | 3,043,821 | 9% | 2,656,836 | 8% |
| Discounted Notes | 1,069,345 | 3% | 1,048,364 | 3% |
| Others | 3,306,272 | 9% | 3,063,952 | 10% |
| | **36,050,396** | **104%** | **33,020,737** | **104%** |
| **Plus: Accrued Interest** | 318,846 | 1% | 245,070 | 1% |
| | **36,369,242** | **105%** | **33,265,807** | **105%** |
| Deferred income from loans | (27,223) | 0% | (30,596) | 0% |
| Allowance for loan losses | (1,644,608) | -5% | (1,465,086) | -5% |
| | **34,697,411** | **100%** | **31,770,125** | **100%** |
| **Indirect Loans** | **11,053,614** | | **10,250,869** | |

Loans can be secured by guarantees granted by customers, principally comprising mortgages, deposits, letters of guarantee, warrants and financial lease operations, which as of June 30, 2013 and December 31, 2012, amounted to S/. 28,995 million and S/. 26,784 million, respectively.

As of June 30, 2013, a debt with Fondo Mi Vivienda – Mi Hogar was secured by a loan portfolio of up to S/.498.4 million (S/. 445.9 million as of December 31, 2012) (Note 10 (c)).

As of June 30, 2013 and December 31, 2012, the annual weighted average rates for the main products were as follows:

| | 2013 | | 2012 | |
|---|---|---|---|---|
| | Loans in | | Loans in | |
| | S/. | US$ | S/. | US$ |
| | % | % | % | % |
| Loans and discounts | 8.90 | 7.85 | 9.40 | 7.62 |
| Mortgages | 9.49 | 8.61 | 9.59 | 8.66 |
| Consumer | 22.87 | 15.33 | 23.01 | 15.29 |

b) As of June 30, 2013 and December 31, 2012, the loan portfolio under the segmentation established by SBS Resolution N° 11356-2008 is as follows:

| | 2013 | | 2012 | |
|---|---|---|---|---|
| | S/. 000 | % | S/. 000 | % |
| Medium businesses | 9,626,420 | 27% | 9,076,737 | 27% |
| Mortgages | 8,094,358 | 22% | 7,235,433 | 22% |
| Large businesses | 7,168,572 | 20% | 6,481,488 | 19% |
| Corporate | 4,872,552 | 13% | 4,313,342 | 13% |
| Consumer | 3,537,387 | 10% | 3,397,306 | 10% |
| Small businesses | 1,645,458 | 5% | 1,552,787 | 5% |
| Public sector entities | 452,926 | 1% | 174,677 | 1% |
| Stock brokers | 250,789 | 1% | 306,839 | 1% |
| Financial Institutions | 228,712 | 1% | 231,191 | 1% |
| Micro businesses | 143,554 | 0% | 230,101 | 1% |
| Multilateral development banks | 29,668 | 0% | 20,836 | 0% |
| | **36,050,396** | **100%** | **33,020,737** | **100%** |

c) As of June 30, 2013 and December 31, 2012, the loan portfolio was distributed in the following economic sectors:

| | 2013 | | 2012 | |
|---|---|---|---|---|
| | S/. 000 | % | S/. 000 | % |
| Mortgage and consumer | 11,631,744 | 32% | 10,632,738 | 32% |
| Commerce | 6,651,304 | 18% | 5,877,536 | 18% |
| Manufacturing | 6,379,790 | 18% | 5,529,589 | 17% |
| Real estate | 2,511,259 | 7% | 2,540,325 | 8% |
| Transportation, storage and communications | 2,129,920 | 6% | 2,105,357 | 6% |
| Agriculture and livestock | 1,165,149 | 3% | 1,041,856 | 3% |
| Utilities | 978,538 | 3% | 1,049,974 | 3% |
| Construction | 855,619 | 2% | 764,371 | 2% |
| Hotels and restaurants | 690,151 | 2% | 664,544 | 2% |
| Other community service activities | 565,654 | 2% | 489,974 | 2% |
| Others | 2,491,268 | 7% | 2,324,473 | 7% |
| | **36,050,396** | **100%** | **33,020,737** | **100%** |

d) As of June 30, 2013 and December 31, 2012, the change in the allowance for loan losses was:

| | 2013 | 2012 |
|---|---|---|
| | **S/. 000** | **S/. 000** |
| **Balance as of January 1** | 1,465,086 | 1,249,934 |
| Provision | 700,044 | 944,540 |
| Recoveries and reversals | (430,346) | (458,043) |
| Write-offs | (693) | (1,098) |
| Sale of portfolio | (128,554) | (251,987) |
| Foreign exchange differences and other adjustments | 39,071 | (18,260) |
| **Balance as of June 30, 2013** | **1,644,608** | **1,465,086** |

Management considers that level of the provision for loan losses is adequate to cover potential losses in the portfolio as of the balance sheet date. As of June 30, 2013, the general provision of loan portfolio of S/.987.7 million (S/. 926.7 million as of December 31, 2012) includes pro-cyclical provisions of S/.154.6 million (S/. 142.8 million as of December 31, 2012).

During 2013, Continental´s Group sold a fully provisioned portfolio for approximately S/. 124.6 million (S/. 80.5 million as of June 30, 2012). The selling price was S/. 10.8 million (S/. 4.9 million as of June 30, 2012), recorded in the “Other income and expenses” in the statement of income.

## 6. PROPERTY, FURNITURE AND EQUIPMENT, NET

The change in the cost and accumulated depreciation of property, furniture and equipment were as follows:

| | Land | Building and Facilities | Furniture and equipment | Vehicles | Facilities Leasehold improvements | Work in Progress | Units to Receive | Total |
|---|---|---|---|---|---|---|---|---|
| | S/.000 | S/.000 | S/.000 | S/.000 | S/.000 | S/.000 | S/.000 | S/.000 |
| **Cost:** | | | | | | | | |
| Balance as of January 1, 2012 | 100,293 | 498,831 | 284,755 | 4,384 | 101,194 | 65,170 | 7,731 | 1,062,358 |
| Additions | 3,401 | 20,733 | 56,275 | 632 | 11,383 | 73,752 | 9,954 | 176,130 |
| Disposal | - | - | (14) | - | - | - | - | (14) |
| Adjustments or other | - | 79,884 | (5,525) | - | 29,291 | (112,188) | (11,055) | (19,593) |
| Balance as of December 31, 2012 | 103,694 | 599,448 | 335,491 | 5,016 | 141,868 | 26,734 | 6,630 | 1,218,881 |
| Additions | 22,558 | 3,614 | 24,000 | 1,487 | 934 | 45,025 | 510 | 98,128 |
| Disposal | - | - | (9) | - | - | - | - | (9) |
| Adjustments or other | (21) | 21,110 | (346) | - | 23,501 | (46,058) | (4,253) | (6,067) |
| Balance as of June 30, 2013 | 126,231 | 624,172 | 359,136 | 6,503 | 166,303 | 25,701 | 2,887 | 1,310,933 |
| **Accumulated Depreciation:** | | | | | | | | |
| Balance as of January 1, 2012 | - | 301,406 | 127,877 | 3,223 | 26,252 | - | - | 458,758 |
| Additions | - | 27,747 | 32,938 | 674 | 11,319 | - | - | 72,678 |
| Disposal | - | - | (14) | - | - | - | - | (14) |
| Adjustments or other | - | (805) | 3,736 | - | (516) | - | - | 2,415 |
| Balance as of December 31, 2012 | - | 328,348 | 164,537 | 3,897 | 37,055 | - | - | 533,837 |
| Additions | - | 15,318 | 15,601 | 359 | 7,527 | - | - | 38,805 |
| Disposal | - | - | (5) | - | - | - | - | (5) |
| Adjustments or other | - | (117) | (1,106) | - | (122) | - | - | (1,345) |
| Balance as of June 30, 2013 | - | 343,549 | 179,027 | 4,256 | 44,460 | - | - | 571,292 |
| Balance as of June 30, 2013 | 126,231 | 280,623 | 180,109 | 2,247 | 121,843 | 25,701 | 2,887 | 739,641 |
| Balance as of December 31, 2012 | 103,694 | 271,100 | 170,954 | 1,119 | 104,813 | 26,734 | 6,630 | 685,044 |

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

As of June 30, 2013 and December 31, 2012 these items include the following amounts:

(a) As of June 30, 2013 “Other assets” is mainly comprised of deferred charges by S/. 109.8 million (S/. 76.8 million as of December 31, 2012), and S/. 14.4 million of transaction in process (S/. 59.4 million as of December 31, 2012).

(b) Accounts payable as of June 30, 2013 mainly included payments owed to suppliers, of S/. 261.7 million (S/. 280.6 million as of December 31, 2012) and other accounts payable of 37.2 million (S/. 47.3 million as of December 31, 2012)

(c) As of June 30, 2013 “Other liabilities” is mainly comprised of S/.149.7 million of transactions in process. (S/.132.2 million as of December 31, 2012).

(d) “Provisions” include among others, provisions for indirect loans, provisions for litigations, claims, and provision for staff, that as of June 30, 2013 and December 31, 2012 amounted to S/. 484.3 million and S/. 462.5 million, respectively. As of June 30, 2013, Continental´s Group had several pending lawsuits litigation and other processes that are related to the activities carried out, which in the opinion of Management and legal counsel, no additional provisions are needed. Therefore, as of June 30, 2013 and December 31, 2012, Management has not considered a higher provision than the amount recorded for these contingencies and processes on the statement of financial position, which amounted to S/. 206.8 million and S/. 209.1 million, respectively.

## 8. OBLIGATIONS TO THE PUBLIC AND DEPOSITS FROM FINANCIAL INSTITUTIONS

As of June 30, 2013 and December 31, 2012 these balances are summarized as follows:

| | **2013** | **2012** |
|---|---|---|
| | **S/. 000** | **S/. 000** |
| Savings deposits | 14,790,965 | 8,005,259 |
| Time deposits | 10,003,328 | 14,652,328 |
| Demand deposits | 8,408,348 | 9,237,771 |
| Other Obligations | 43,714 | 159,161 |
| **Total obligations to the public** | **33,246,355** | **32,054,519** |
| Deposits from financial institutions | 906,644 | 764,991 |
| **Total obligations to the public and deposits from financial institutions** | **34,152,999** | **32,819,510** |

Interest rates on deposits and other obligations accounts are established by Continental´s Group, based on current market interest rates.

## 9. INTER-BANK FUNDS

As of June 30, 2013 and December 31, 2012, inter-bank funds’ assets had current maturities, accrued interest at an average annual interest rate of 4.25% in local currency and 0.25% in foreign currency (4.25% in local currency and 1.80% in foreign currency as of December 31, 2012) and were unsecured.

As of June 30, 2013, inter-bank funds’ liabilities had current maturities, accrued interest at an average annual interest rate of 4.25% in local currency, (4.22% in local currency and 1.61% in foreign currency as of December 31, 2012) and were unsecured.

## 10. DUE TO BANKS AND CORRESPONDENTS AND OTHER FINANCIAL OBLIGATIONS

These balances are summarized as follows:

| | 2013 | 2012 |
|---|---|---|
| | **S/. 000** | **S/. 000** |
| Current | 107,099 | 1,995,545 |
| Non-current | 12,035,752 | 8,961,270 |
| | **12,142,851** | **10,956,815** |

These balances comprises:

| | 2013 | 2012 |
|---|---|---|
| **Due to banks and correspondents** | **S/. 000** | **S/. 000** |
| Foreign financial institutions (a) | 4,132,467 | 4,876,093 |
| Foreign Financial Organizations (b) | 878,313 | 1,278,644 |
| Programa Mi Vivienda - Mi Hogar (my House - My Home Program) (c) | 498,401 | 445,894 |
| Private Loan Agreement (d) | 417,300 | 433,500 |
| Corporación Financiera de Desarrollo – COFIDE | 54,042 | 57,417 |
| Accrued interest payable | 66,781 | 65,234 |
| | **6,047,304** | **7,156,782** |
| **Securities, Bonds and Outstanding obligations** | | |
| Corporate bonds | 4,415,377 | 2,185,719 |
| Notes (debt instruments ) - Note 15 | 1,001,520 | 980,196 |
| Subordinated Bonds | 476,117 | 457,857 |
| Leasing bonds | 139,550 | 133,750 |
| Accrued interest payable | 62,983 | 42,511 |
| | **6,095,547** | **3,800,033** |
| | **12,142,851** | **10,956,815** |

Loan agreements signed with certain Foreign Financial Institutions and International Financial Organizations, include covenants that require compliance with financial ratios and other specific conditions that, as of June 30, 2013 and December 31, 2012, the Bank's management believes it is compliance with these covenants.

(a) Foreign financial institutions

As of June 30, 2013, these balances accrued interest based on market rates in effect, ranging between 1.6% and 7.4% (0.5% and 7.4% as of December 31, 2012). The breakdown of these transactions is as follows:

| Name of creditor | Balance as of June 30, 2013 | | Balance as of December 31, 2012 | | Due dates |
|---|---|---|---|---|---|
| | US$000 | S/. 000 | US$000 | S/. 000 | |
| Goldman Sachs Bank (i) | 485,311 | 1,350,135 | 491,446 | 1,253,187 | January 2017 |
| Deutsche Bank (ii) | 347,171 | 965,830 | 369,425 | 942,034 | November 2020 |
| Credit Suise (iii) | 200,000 | 556,400 | 200,000 | 510,000 | October 2040 |
| Standard Chartered | 121,344 | 337,579 | 122,197 | 311,602 | November 2013, May 2014 and May 2016 |
| Wells Fargo Bank | 90,104 | 250,669 | 164,955 | 420,634 | November 2013 and May 2016 |
| DEG Deutsche Investitions (iv) | 52,500 | 146,055 | 55,000 | 140,250 | October 2017, June 2018 |
| China Development Bank | 50,000 | 139,100 | 50,000 | 127,500 | December 2016 |
| Bank of America | 40,000 | 111,280 | 70,000 | 178,500 | May 2016 |
| Citibank NA | 40,000 | 111,280 | 70,000 | 178,500 | May 2016 |
| Commercebank NA | 25,000 | 69,550 | 25,000 | 63,750 | May 2014 |
| Bank of Montreal | 25,000 | 69,550 | 25,000 | 63,750 | March 2014 |
| Toronto Dominion Bank | 9,000 | 25,039 | 24,000 | 61,200 | April 2014 |
| JP Morgan Chase Bank | - | - | 80,000 | 204,000 | April 2013 |
| Sumitomo Bank | - | - | 55,000 | 140,250 | April 2013 |
| Bank of Nova Scotia | - | - | 39,000 | 99,450 | April 2013 |
| Bank of New York | - | - | 25,000 | 63,750 | April 2013 |
| BBVA Madrid | - | - | 19,831 | 50,569 | January 2013 and February 2013 |
| HSBC Bank PLC | - | - | 15,263 | 38,921 | January 2013 |
| Fifth Third Bank | - | - | 11,000 | 28,050 | April 2013 |
| Others | - | - | 77 | 196 | April 2013 |
| | **1,485,430** | **4,132,467** | **1,912,194** | **4,876,093** | |

(i) In January 2012, the Bank took on a loan in the nominal amount of US$ 500 million, agreed upon at a fixed rate of 5.75% with the principal maturing ("bullet") in January 2017. Furthermore, on the same date, there was an Interest Rate Swap (Note 15-a) whereby the Bank booked as of June 30, 2013 S/. 34 million gain from the variation of the loan’s fair value, which is included in the consolidated statement of income (As of June 30, 2012 the Bank had recorded gains of S/. 4 million).

(ii) Loan for a nominal amount of US$350 million, at a fixed rate of 5.5% and maturity in November 2020. This loan was hedged by an Interest Rate Swap (IRS) (Note 15-a), which was cancelled on April 25, 2013. As of June 30, 2013, the Bank had recorded gains of S/. 17.9 million corresponding to the change in the loan’s fair value, which is included in the consolidated statement of income (as of June 30, 2012, it recorded a loss of S/. 18 million which is included in the consolidated statement of income).

(iii) It corresponds to a subordinated loan approved by the SBS and it is considered as part of TIER 1 Regulatory Capital to the limit permitted by the General Law.

(iv) It corresponds to a subordinated loan for an amount of US$30 million approved by the SBS. It is considered part of TIER 2 Regulatory Capital, according to the current legislation.

(b) International Financial Organizations

Debts to international financial organizations accrued interest at international market rates between 1.76% y 6.4% as of June 30, 2013 (1.2% y 6.4% as of December 31, 2012), and are unsecured.

| Name of creditor | Balance as of June 30, 2013 | | Balance as of December 31, 2012 | | Due Date |
|---|---|---|---|---|---|
| | **US$000** | **S/. 000** | **US$000** | **S/. 000** | |
| Banco Interamericano de Desarrollo - BID (i) | 165,000 | 459,029 | 170,000 | 433,500 | February 2012 / 2014 / 2017 / 2019 and August 2015 |
| Internacional Finance Corporation - IFC | 122,143 | 339,802 | 126,429 | 322,393 | December 2012 / 2018 |
| Corporación Andina de Fomento - CAF | - | - | 100,000 | 255,000 | August 2011 / September 2011 /December 2012 |
| Corporación Interamericana de Inversiones -CII | 28,570 | 79,482 | 40,000 | 102,001 | Jun 2011 / August 2014 |
| Banco Latinoamericano de Exportación | - | - | 65,000 | 165,750 | July 2012 |
| Accrued expenses payable | 3,246 | 9,030 | 3,756 | 9,577 | |
| | **318,959** | **887,343** | **505,185** | **1,288,221** | |

(i) Includes two subordinated loans for an amount of US$50 million, approved by the SBS and it is considered as part of TIER 2 Regulatory Capital, in accordance with legal provisions in force.

(c) Programa Mi Vivienda – Mi Hogar

As of June 30, 2013, these debts mainly include the resources obtained for the social housing program “Mi Vivienda” in local currency for S/. 452.9 million and in foreign currency for US$ 9.5 million. These loans have different maturities, up to January 2033 and they accrue interest at an effective annual rate of 7.75% on the foreign currency portion and 6.25% plus the Constant Adjustment Index (hereinafter VAC for its Spanish acronym) on the local currency portion.

The obligation to the Fondo Mi Vivienda – Mi Hogar of S/.498.4 million as of June 30, 2013 (S/. 445.9 million as of December 31, 2012) was secured by a portion of the mortgage loan portfolio up to that amount (Note 5). Loans include specific agreements about how these funds must be used, financial conditions that the borrower must meet, as well as administrative terms.

(d) Private Loan Agreement

As of June 30, 2013, debts included a Private Loan Agreement (Note 15-b) for a total amount of US$ 150 million (US$ 170 million as of December 31, 2012).

**Securities, Bonds and Outstanding obligations**

As of June 30, 2013 and December 31, 2012 the detail of the outstanding issued bonds is as follows:

| Program | Authorized Amount | Issuance | Series | Currency | Original Disbursed Amount | Balance as of 30.06.2013 | Balance as of 31.12.12 | Maturity Date |
|---|---|---|---|---|---|---|---|---|
| | | | | | | S/. 000 | S/. 000 | |
| **Corporate Bonds** | | | | | | | | |
| Second | | First | B | PEN | - | - | 23,000 | March 2013 |
| | USD 50 million or S/. 160 million | First | C | PEN | - | - | 30,000 | April 2013 |
| | | First | D | PEN | - | - | 17,000 | May 2013 |
| Third | USD 100 million or S/. 315 million | Fourth | A | USD | 8,533 | 23,739 | 21,759 | September 2014 |
| | | Seventh | Sole | PEN | 60,000 | 60,000 | 60,000 | May 2018 |
| Fourth | USD 100 million | First | Sole | PEN | 40,000 | 40,000 | 40,000 | August 2020 |
| | | Second | A | PEN | 80,000 | 80,000 | 80,000 | August 2020 |
| | | Third | A | PEN | 100,000 | 100,000 | 100,000 | August 2018 |
| Fifth | USD 250 million | First | A | PEN | 50,000 | 50,000 | 50,000 | December 2016 |
| | | Second | A | PEN | 150,000 | 150,000 | 150,000 | December 2026 |
| | | Fifth | Sole | PEN | 200,000 | 187,139 | 215,065 | October 2019 |
| | | Sixth | A | USD | 54,000 | 150,228 | 137,700 | July 2016 |
| First international issuance | USD 500 million | First | Sole | USD | 500,000 | 1,357,963 | 1,261,195 | August 2022 |
| Second international issuance | USD 300 million | First | Sole | USD | 299,430 | 833,014 | - | July 2016 |
| Third international issuance | USD 500 million | Third | Sole | USD | 497,230 | 1,383,294 | - | April 2018 |
| | | | | | | **4,415,377** | **2,185,719** | |
| **Subordinated Bonds** | | | | | | | | |
| First | USD 50 million or S/. 158.30 million | First | A | PEN | 40,000 | 39,732 | 39,721 | May 2022 |
| | | Second | A | USD | 20,000 | 55,640 | 50,681 | May 2027 |
| | | Third | A | PEN | 55,000 | 67,250 | 66,169 | June 2032 |
| Second | USD 100 million | First | A | USD | 20,000 | 55,311 | 51,000 | September 2017 |
| | | Second | A | PEN | 50,000 | 59,875 | 58,912 | November 2032 |
| | | Third | A | USD | 20,000 | 55,640 | 51,000 | February 2028 |
| | | Fourth | Sole | PEN | 45,000 | 52,003 | 51,166 | July 2023 |
| | | Fifth | Sole | PEN | 50,000 | 57,035 | 56,118 | September 2023 |
| | | Sixth | A | PEN | 30,000 | 33,631 | 33,090 | December 2033 |
| | | | | | | **476,117** | **457,857** | |
| **Lease Bonds** | | | | | | | | |
| First | USD 200 million | First | A | USD | 25,000 | 69,550 | 63,750 | April 2016 |
| | | Second | A | PEN | 30,000 | 30,000 | 30,000 | September 2014 |
| | | Third | A | PEN | 40,000 | 40,000 | 40,000 | November 2014 |
| | | | | | | **139,550** | **133,750** | |
| **Notes** | | | | | | | | |
| | USD 250 million | First | 2008-A | USD | 250,000 | 347,750 | 382,500 | December 2015 |
| | USD 235 million | Second | 2012-A, 2012-B, 2012-C y 2012-D | USD | 235,000 | 653,770 | 597,696 | June 2017 y June 2022 |
| | | | | | | **1,001,520** | **980,196** | |
| **Accrued Interest from Securities, Bonds and Outstanding obligations** | | | | | | **62,983** | **42,511** | |
| | | | | | | **6,095,547** | **3,800,033** | |

Corporate bonds are unsecured and accrued annual interest at rates between 3.1% and 7.9% for local currency as of June 30, 2013 (between 5.8% and 7.9% as of December 31, 2012) and between 2.3% and 6.3% for foreign currency as of June 30, 2013 (between 4.7% and 6.4% as of December 31, 2012).

Corporate bonds for S/.200 million is hedged by a Cross Currency Swap (Note 15-a). As of June 30, 2013, the Bank booked a gain of S/. 33 million relating to the variation of the issuance's fair value and it is included in the consolidated statement of income.

The issuance notes of June 2012 for US$ 235 million includes US$ 70 million booked at its fair value due to a hedged through an IRS (Note 15-a) which was cancelled on June 5, 2013. As of June 30, 2013 the Bank has booked gains of S/. 5.1 million corresponding to the fair value´s variation of the issuance and is included in the consolidated statement of income. (As of June 30. 2012 the Bank has booked a loss of S/. 349 thousand included in the consolidated statement of income).

In August 2012, the Bank conducted an international issuance for a nominal amount of US$ 500 million, at a fixed rate of 5%, maturing in August 2022. The principal will be fully paid off upon maturity. This financial instrument is carried in the books at fair value and the variation of its fair value is hedged by an Interest Rate Swap (Note 15-a) which was ended on May 30, 2013. As of June 30, 2013, the Bank has booked a gain for S/. 73.3 million corresponding to the variation of the issuance's fair value, which is included in the consolidated statement of income.

In April de 2013, the Bank conducted an international issuance for a nominal amount of US$ 500 million, at a fixed rate of 3.25% maturing in April 2018 The principal will be fully paid off upon maturity. This financial instrument is carried in the books at fair value and the variation of its fair value is hedged by an Interest Rate Swap (Note 15-a) As of June 30, 2013, the Bank has booked a gain for S/. 34.8 million corresponding to the variation of the issuance's fair value, which is included in the consolidated statement of income.

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

Leasing bonds accrued interest at an annual rate of 6.3% for local currency and 7.2% for foreign currency, are secured by leasing transactions which are included in loan portfolio and were funding by this bonds.

## 11. SHAREHOLDERS' EQUITY

### (a) Capital Stock

As of June 30, 2013 and December 31, 2012, the authorized, issued and fully paid capital stock of the Bank consisted of 2,226,472,773 outstanding ordinary shares with a face value of S/.1 each. Currently are pending of registration 498,297,457 relating to capitalization of retained earnings and special reserves, respectively.

The General Shareholders' Annual Meetings held on March 27, 2013 and March 29, 2012, authorized an increase of the capital stock of S/. 498.3 million and S/.282.2 million, respectively, by means of the capitalization of retained earnings and special reserves.

The Bank's ordinary stock is listed in the Lima Stock Exchange (hereinafter, BVL for its Spanish acronym). As of June 30, 2013 and December 31, 2012, the stock market quotation value of the Bank's stock was S/. 6.33 and S/. 6.66 per share, respectively, with a negotiation frequency of 100% in both years.

The number of shareholders and the ownership structure of the Bank were as follows:

| Percentage of individual interest (%) | Number of shareholders | Total interest |
|---|---|---|
| Up to 1 | 8,419 | 7.76% |
| 80.01 to 100 | 1 | 92.24% |
| | 8,420 | 100.00% |

**(b) Legal Reserves**

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

The General Shareholders' Annual Meetings held on March 27, 2013 and March 29, 2012 approved an allocation to the legal reserve for the equivalent of 10% of the net income for year 2012 (S/. 124.6 million) and year 2011 (S/. 112.9 million) respectively.

**(c) Special Reserves**

The General Shareholders' Annual Meetings held on March 27, 2013 approved the capitalization of special reserves by S/. 91 thousand.

**(d) Retained Earnings**

General Shareholders' Annual Meetings held on March 27, 2013 and March 29, 2012, agreed to distribute dividends for approximately S/. 622.8 million and S/. 733.8 million, respectively.

Dividends distributed to shareholders other than domiciled legal entities, are subject to the rate of income tax rate of 4.1% which should be withheld by the Bank.

The General Shareholders' Annual Meeting held on March 27, 2013 and March 29, 2012, approved the capitalization of retained earnings by S/. 498.2 million and S/. 282.2 million, respectively.

**(e) Unrealized results**

The equity´s adjustments include S/. 18.8 million of unrealized gain of the available for sale investments (S/. 30.9 million as of December 31, 2012), S/. 2.8 million corresponding to unrealized gain of held to maturity investment (S/. 2.9 million as of December 31, 2012) and S/. 6.1 million of fair value's variation of an IRS designated as cash flow hedging instrument.

**(f) Net income**

On June 26, 2013, the Bank's Board of Directors, in the exercise of the delegation conferred upon it by the Annual General Shareholders' Meeting held on March 27, 2013, and pursuant to the article 184° of the General Law, unanimously resolved to commit the capitalization of S/.400 million of the 2013 profits. The formalization of this commitment will become effective during the General Shareholders' Meeting to be held in March 2014.

## 12. REGULATORY CAPITAL AND LEGAL LIMITS

According to the General Law, the regulatory capital amount cannot be less than 10% of credit, market and operational risk average weighted assets and contingent loans. As of June 30, 2013, the Bank used the standard method for the calculation of the Regulatory Capital by credit, market and operational risk. In addition, on July 20, 2011, Resolution SBS N° 8425-2011 (Additional Regulatory Capital Requirements regulation) was published, directing companies to apply the requirements for economic cycle, market concentration risk, interest rate risk in the banking books and other risks. This Additional Regulatory Capital Requirement must be achieved in five years, with its first tranche being 40% of the total requirement as from July 2012. Its gradual increase is annual, at a rate of 15%, reaching 100% on July 31, 2016. The additional capital requirement by economic cycle are enabled and disabled on the basis of pro-cycle provisions rule applicable to credits.

As of June 30, 2013, Bank's Regulatory Capital calculated following SBS regulations was S/. 5,554 million (S/. 4,844 million as of December 31, 2012). This amount is used to calculate certain limits and restrictions applicable to all financial entities in Peru. In Bank’s management opinion, such limits and restrictions have been fully met by the Bank.

Credit, market and operational risk weighted average assets calculated in accordance with applicable regulations, amount to S/. 41,995 million as of June 30, 2013 (S/. 38,961 million as of December 31, 2012).

As of June 30, 2013 and December 31, 2012, the Bank´s capital adequacy ratio by credit, market and operational risk was 13.23% and 12.43%, respectively.

## 13. BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per ordinary share were computed by dividing net income by the weighted-average number of ordinary shares outstanding during each year. Since there were no ordinary shares with potentially diluting effects, meaning financial instruments or other contracts entitling to the right to obtain ordinary shares, the basic and diluted earnings per share are the same.

The basic and diluted earnings per share were as follows:

| | Number of Shares (in million) | |
|---|---|---|
| | **2013** | **2012** |
| Outstanding at the beginning of the period | 2,226.5 | 1,944.2 |
| Capitalization of earnings | 498.3 | 780.6 |
| Outstanding at the end of the period | 2,724.8 | 2,724.8 |
| Net income for the period (in thousands of Peruvian Nuevos Soles) | 603,596 | 603,600 |
| Basic and diluted earnings per share | 0.222 | 0.222 |

## 14. TRANSACTIONS WITH RELATED PARTIES

As of June 30, 2013 and December 31, 2012, Continental´s Group has granted loans, provided and requested banking services correspondent services, operations involving financial derivatives booked at their nominal values, among others, with related companies, which balances are detailed below:

| | **2013** | **2012** |
|---|---|---|
| | **S/.000** | **S/.000** |
| Assets - | | |
| Cash and due from banks | 11,174 | 34,551 |
| Loans, net | 6,023 | 79 |
| Other Assets | 150,200 | 241,929 |
| | | |
| Liabilities - | | |
| Deposits and obligations to the public | 495,379 | 596,162 |
| Obligations | - | 50,569 |
| Other Liabilities | 484,869 | 128,010 |

| | | |
|---|---|---|
| Contingent and off-balance sheet accounts - | | |
| Contingent accounts | 9,042,064 | 5,743,597 |
| Memoranda accounts | 1,947,729 | 1,755,288 |

Transactions with related parties of Continental´s Group had been realized in the normal course of operations and in the same conditions to third parties.

Operations carried out with related parties, included in the consolidated statement of income were the following:

| | 2013 | 2012 |
|---|---|---|
| | S/.000 | S/.000 |
| Financial income | 10 | 7 |
| Financial expenses | (8,963) | (4,283) |
| Other income (expenses), net | (28,291) | (26,407) |

**Loans to employees**

As of June 30, 2013 and December 31, 2012, Continental´s Group extended credit to certain Directors, executives and employees in accordance with applicable law, which regulates and establishes certain limits on transactions with directors, executives and employees of banks in Peru. As of June 30, 2013 and December 31, 2012, direct loans to employees, directors, executives and key staff amounted to S/. 339.3 million and S/. 314.5 million, respectively.

In addition, for the six-months ended June 30, 2013, compensation paid to key staff and per diem allowances for the Board of Directors amounted to S/. 5.0 million (S/. 4.8 million as of June 30, 2012).

## 15. CONTINGENT AND MEMORANDA ACCOUNTS

(a) Financial Derivatives

As of June 30, 2013 and December 31, 2012, the notional amount equivalent in Nuevos Soles and the fair value of derivative financial instruments were as follows:

| | 2013 | | |
|---|---|---|---|
| | **Nominal value** | **Asset** | **Liabilities** |
| | **S/.000** | **S/.000** | **S/.000** |
| **Trading Derivatives** | | | |
| Currency forwards | 10,940,933 | 346,792 | 322,398 |
| Commodities and others | 1,277,487 | 17,377 | 18,805 |
| Interest Rate Options | 131,227 | 714 | (714) |
| Cross Currency swaps (CCS) | 6,369,962 | 406,262 | 240,634 |
| Interest rate swaps | 3,729,061 | 33,148 | 91,232 |
| **Hedging Derivatives** | - | - | - |
| Cross currency swap (i) | 209,882 | - | 23,693 |
| Interest rate swap (ii) | 3,548,282 | 23,669 | 31,309 |
| | **26,206,835** | **827,962** | **727,357** |
| Country-risk allowance | - | (3,500) | - |
| | **26,206,835** | **824,462** | **727,357** |

| | 2012 | | |
|---|---|---|---|
| | **Nominal value** | **Asset** | **Liabilities** |
| | **S/.000** | **S/.000** | **S/.000** |
| **Trading Derivatives** | | | |
| Currency forwards | 7,216,383 | 89,991 | 62,481 |
| Commodities and others | 1,793,352 | 27,847 | 27,847 |
| Interest Rate Options | 114,164 | 279 | 279 |
| Cross Currency swaps (CCS) | 4,305,678 | 347,015 | 168,224 |
| Interest rate swaps | 3,275,797 | 28,400 | 116,462 |
| **Hedging Derivatives** | | | |
| Cross currency swap (i) | 192,380 | 17,010 | - |
| Interest rate swap (ii) | 3,621,000 | 141,868 | - |
| | **20,518,754** | **652,410** | **375,293** |

(i) As of June 30, 2013, the Bank has entered into a Cross Currency Swap (CCS) to hedge the fair value of the bonds issued, in the nominal amount of S/. 210 million. Through this Cross Currency Swap, the Bank converts its fixed-rate domestic currency issuance into a variable-rate US Dollar issuance. As of June 30, 2013, the fair value of the CCS amounted to S/. 33.5 million (loss), and is included in the consolidated statement of income (As of June 30, 2012 the fair value generated a S/. 3 million gain).

(ii) As of June 30, 2013, the Bank had entered into Interest Rate Swap for a nominal amount of S/. 2,991.9 million to hedge interest rates for debts received. Through these Interest Rate Swaps, the Bank gets a fixed interest rate in US Dollars and pays for a variable interest rate in the same currency. As of June 30, 2013, the total variation of the fair value of interest rate swaps amounted to S/. 129 million (loss) and includes S/. 74 million (loss) of IRS cancelled during 2013 (as of June 30, 2012 the fair value´s variation amounted to S/. 48 million)

As of June 30, 2013, the Bank had entered into Interest Rate Swap for a nominal amount of S/. 556.4 million to hedge interest rates for debts received. Through these Interest Rate Swaps, the Bank gets a variable interest rate in US Dollars and pays for a fixed interest rate in the same currency. As of June 30, 2013, the total variation of the fair value of interest rate swaps amounted to S/. 6.1 million, which is recorded in equity accounts.

(b) Other Creditors

In December 2008, Continental DPR Finance Company, a special purpose entity incorporated in the Cayman Islands, issued notes through a private placement of debt instruments for US$ 125 million (residual amount as of June 30, 2013). The maturity date of the notes is December 15, 2015 and they have quarterly coupons with a 2-year grace period. The debt instruments bear interest at Libor rate plus a spread (Note 10).

In April 2010, Continental DPR Finance Company, entered into a debt agreement through a private contract totaling US$ 150 million (Series 2010-A) as of June 30, 2013. This series expire on March 15, 2017 with quarterly coupons with a 2-year grace period. The aforementioned debt accrues interest at Libor plus a spread (Note 10).

In June 2012, Continental DPR Finance Company placed an issue via a private notes issue (debt instruments) for US$ 235 million. This note issue has two maturities: (i) US$ 125 million maturing on June 15, 2017; and (ii) US$ 110 million, maturing on June 15, 2022. All notes have quarterly coupons, take two-year and three-year grace periods into account respectively and accrue interest at Libor plus a spread, except for part of the 10-year issue for US$ 70 million, which was issued at a fixed rate (Note 10).

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

The operative documents for the issuance of the notes include covenants requiring compliance by the Bank with certain financial ratios and other specific conditions related to transferred flows. The Bank's Management believes it was in compliance with such conditions as of June 30, 2013.

## 16. FINANCIAL INCOME

Financial income for the first six-months of 2013 increased by 9% compared to the first six-months of 2012, mainly due to higher interest income received from the loan portfolio, cash and due from banks, held to maturity investment and interbank-funds.

## 17. FINANCIAL EXPENSES

Financial expenses for the first six-months of 2013 increased by 26% compared to the first six-months of 2012. The categories mainly explaining the variation are interest on deposits and Due to banks and correspondents

## 18. ADMINISTRATIVE EXPENSES

During the first six-months of 2013, administrative expenses increased by 15% compared to the six-months of 2012. This category includes personnel expenses (salaries, additional benefits, bonuses, social contributions, length of service compensation, vacation and other staff- related expenses) and overhead (expenses such as computer services, transportation of funds, taxes, advertising and promotion, insurance, general services, security, surveillance and others).

## 19. INCOME AND EXPENSES FROM FINANCIAL SERVICES, NET

During the first six-months of 2013, income and expenses from financial services increased by 10% compared to the six-months of 2012. This category includes fees for indirect loans, maintenance of clients' accounts, collect services, transfers, bank draft, demand deposits transactions, clearing, financial advisory services and for other activities related to intermediation services.

## 20. SUBSEQUENT EVENTS

We are not aware of any subsequent events, having occurred from the financial statements closing date to date of this report, which have not been disclosed therein or could significantly affect the financial statements, except that:

On July 15, 2013, the board of directors of the Bank approved the First International Serie of Subordinate Issuance (under Regulation S and Rule 144A of the US Securities Act of 1993) for a total amount up to US$ 600 million or its equivalent in Nuevos Soles or another foreign currencies, with a maturity up to 15 years. This serie would have a deadline of two years and will be previously subject to SBS´s authorization.