

BBVA BANCO CONTINENTAL AND SUBSIDIARIES

Consolidated Financial Statements

As of June 30, 2014 (Unaudited) and as of December 31, 2013 (Audited) and for the six-month periods ended June 30, 2014 and 2013

(Translation of a report originally issued in Spanish)

BBVA BANCO CONTINENTAL AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF JUNE 30, 2014

(In thousands of Nuevos Soles)

1. INCORPORATION, ECONOMIC ACTIVITY AND APPROVAL OF FINANCIAL STATEMENTS

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 Superintendencia de Banca, Seguros y Administradoras Privadas de Fondos de Pensiones (Superintendency of Banking, Insurance 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 No. 3055, San Isidro, Lima.

Economic Activity

The Bank's operations primarily include financial intermediation corresponding to multiple banks; activities regulated by the SBS in accordance with Ley General del Sistema Financiero y del Sistema de Seguros y Orgánica de la SBS (General Law of the Financial and Insurance Systems and Organic Law of the SBS), Law No. 26702 and its amendments (hereinafter the General Law). The General Law establishes certain requirements, rights, obligations, guarantees, restrictions and other conditions that private right legal entities operating in the financial and insurance system are subject to.

As of June 30, 2014 and as of December 31, 2013, the Bank carried out its business through a national network of 330 and 312 offices, respectively. The total number of employees of the Bank and its subsidiaries as of June 30, 2014 and December 31, 2013, was 5,516 and 5,327, respectively.

As of June 30, 2014 and December 31, 2013, the Bank held 100% of the shares and voting rights of its subsidiaries Continental Bolsa Sociedad Agente de Bolsa S.A., BBVA Asset Management Continental S.A. Sociedad Administradora de Fondos, Continental Sociedad Titulizadora S.A. and Inmuebles y Recuperaciones Continental S.A. Although the Bank has no interest in the capital or voting rights of 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 hereinafter referred to as Grupo Continental.

Approval of Financial Statements

The consolidated financial statements for the period ended June 30, 2014, 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 that comprised Grupo Continental as of June 30, 2014 and as of December 31, 2013:

Entity	In million of Nuevos Soles					
	Assets		Liabilities		Equity	
	2014	2013	2014	2013	2014	2013
BBVA Banco Continental	56,954	56,548	52,089	51,658	4,865	4,890
Continental Bolsa - Sociedad Agente de Bolsa S.A.	49	66	21	37	28	29
BBVA Asset Management Continental S.A. Sociedad Administradora de Fondos	62	59	13	9	49	50
Continental Sociedad Titulizadora S.A.	2	2	-	-	2	2
Inmuebles y Recuperaciones Continental S.A.	30	27	24	18	6	9
Continental DPR Finance Company	1,280	1,378	1,280	1,378	-	-

2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies as of June 30, 2014, remained unchanged with respect to those in the audit report issued on February 18, 2014, by Beltrán, Gris y Asociados S. Civil de R.L.; representatives of Deloitte, for the years ended December 31, 2013 and 2012.

3. CASH AND DUE FROM BANKS

As of June 30, 2014, cash and due from banks includes approximately US\$ 1,843 million and S/. 1,770 million (US\$ 2,714 million and S/. 1,526 million as of December 31, 2013), which represent the legal reserve that Peruvian entities must maintain as a guarantee of third party deposits and obligations. These funds are deposited in the institutions' vaults or at the BCRP.

As of June 30, 2014, cash and due from banks subject to reserve in local and foreign currency is affected by an implicit rate in local currency of 12.00% and in foreign currency 45.00% over the total obligations subject to reserve (TOSE) in local and foreign currency as required by BCRP (as of December 31, 2013, the implicit rates in local and in foreign currency were 15.00% and 45.00%, respectively).

Special reserve funds representing the legal minimum, which is 9%, do not bear interest. Special reserve funds corresponding to the additional reserve required in foreign currency and domestic currency, bear interest at an annual nominal rate set by the BCRP. As of June 30, 2014, interest income was S/. 5 million (S/. 17 million as of June 30, 2013), included in "Interest from deposits in financial institutions" in the consolidated statement of income. Pursuant to legal provisions in force, special reserves cannot be seized.

As of June 30, 2014 and December 31, 2013, cash and due from banks included restricted funds for S/. 3 million in both periods, required in connection with legal proceedings against the Bank to guarantee any potential liabilities generated by these lawsuits.

4. TRADING INVESTMENTS AND HELD TO MATURITY INVESTMENTS

Investments in securities are classified by Grupo Continental as follows:

	<u>2014</u>	<u>2013</u>
	<u>S/. 000</u>	<u>S/. 000</u>
Available-for-sale investments (Note 11 (d))	2,474,057	3,083,921
Investments at fair value through profit or loss	586,430	556,746
Held to Maturity Investments	<u>450,145</u>	<u>443,993</u>
	<u>3,510,632</u>	<u>4,084,660</u>

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

	<u>2014</u>	<u>2013</u>
	<u>S/. 000</u>	<u>S/. 000</u>
Available-for-sale investments		
BCRP Certificates of Deposits (a)	1,743,689	2,874,246
Peruvian Treasury Bonds (b)	675,127	156,266
Shares in local companies (c)	54,604	52,772
Shares in foreign companies	<u>637</u>	<u>637</u>
	<u>2,474,057</u>	<u>3,083,921</u>
Investments at fair value through profit or loss		
Peruvian Treasury Bonds (b)	318,029	322,024
BCRP Certificates of Deposits (a)	215,468	179,628
Investments in Mutual Funds (d)	51,617	54,619
Shares in local companies (c)	<u>1,316</u>	<u>475</u>
	<u>586,430</u>	<u>556,746</u>
Held to Maturity Investments		
Peruvian Treasury Bonds (b)	<u>450,145</u>	<u>443,993</u>

- (a) BCRP certificates of deposits are freely tradable securities with maturities up to December 2015, which were acquired in public auctions or secondary markets, according to the rates offered by financial institutions. As of June 30, 2014, the annual interest rate of these certificates ranged between 3.6% and 4% in local currency (between 3.6% and 4.2% as of December 31, 2013), and 0.15% in foreign currency, (0.10% and 0.15% as of December 31, 2013).
- (b) Treasury bonds are issued by the Peruvian Government. As of June 30, 2014, those bonds accrued annual interest at rates between 1.7% and 6.7% (1.00% and 7.28% as of December 31, 2013) in local currency; and 6.57% in foreign currency (6.57% as of December 31, 2013) and due until August 2046 (August 2046 as of December 31, 2013).
- (c) As of June 30, 2014 and December 31, 2013, this mainly included stocks listed in the Lima Stock Exchange (BVL) for a total value of S/. 38 million for both periods.
- (d) As of June 30, 2014 and December 31, 2013, investment in mutual funds corresponded to investment installments maintained by Grupo Continental in Mutual Funds managed by BBVA Asset Management Continental S.A. Sociedad Administradora de Fondos.

5. LOAN PORTFOLIO, NET

a) The loan portfolio is comprised as follows:

	<u>2014</u>	<u>2013</u>
	<u>S/. 000</u>	<u>S/. 000</u>
Current loan portfolio, net	20,662,252	18,997,859
Non - current loan portfolio, net	<u>19,775,561</u>	<u>19,247,468</u>
	<u>40,437,813</u>	<u>38,245,327</u>

	<u>2014</u>		<u>2013</u>	
	<u>S/. 000</u>	<u>%</u>	<u>S/. 000</u>	<u>%</u>
Direct loans				
Loans	15,788,137	39%	14,851,955	39%
Mortgages	8,993,867	22%	8,433,344	22%
Foreign Trade	4,342,440	11%	3,899,483	10%
Leasing	4,256,105	10%	4,202,111	11%
Consumer	3,354,995	8%	3,285,220	9%
Discounted Notes	1,176,280	3%	1,293,059	3%
Other	<u>2,757,276</u>	<u>7%</u>	<u>2,545,083</u>	<u>6%</u>
	40,669,100	100%	38,510,255	100%
Refinanced and restructured loans	611,332	2%	593,079	2%
Past-due loans and loans in legal collection	<u>826,692</u>	<u>2%</u>	<u>690,928</u>	<u>2%</u>
	42,107,124	104%	39,794,262	104%
Plus: Accrued Interest	<u>282,869</u>	<u>1%</u>	<u>270,988</u>	<u>1%</u>
	42,389,993	105%	40,065,250	105%
Deferred income from loan transactions	(32,019)	-	(31,316)	-
Allowance for direct loan losses	<u>(1,920,161)</u>	<u>(5%)</u>	<u>(1,788,607)</u>	<u>(5%)</u>
TOTAL	<u>40,437,813</u>	<u>100%</u>	<u>38,245,327</u>	<u>100%</u>
Indirect Loans	<u>13,553,816</u>		<u>12,298,340</u>	

Loans can be secured by collateral granted by customers, principally comprising mortgages, deposits, letters of guarantee, warrants and financial lease operations, which as of June 30, 2014 and as of December 31, 2013, amounted to S/. 33,303 and S/.31,864 million, respectively.

As of June 30, 2014, a portion of the mortgage loan portfolios is secured by a debt with Fondo Mi Vivienda – Mi Hogar, for up to approximately S/. 547 million (S/.520 million as of December 31, 2013) (Note 10).

As of June 30, 2014 and December 31, 2013, the annual average rates for the main products were as follows:

	2014		2013	
	Placements in		Placements in	
	S/.	US\$	S/.	US\$
	%	%	%	%
Loans and discounts	8.21	6.72	8.26	6.99
Mortgage loans	9.28	8.50	9.35	8.59
Consumer loans	22.12	16.79	22.10	15.93

- b) Below are the balances as of June 30, 2014 and December 31, 2013, under the loans segmentation established by SBS Resolution No. 11356-2008:

	2014		2013	
	S/. 000	%	S/. 000	%
Medium businesses	10,998,133	26%	10,044,532	25%
Large businesses	9,779,883	23%	8,042,304	20%
Mortgages	9,133,000	22%	8,551,796	21%
Corporate	5,526,103	13%	6,626,562	17%
Consumer	3,532,811	8%	3,457,612	9%
Small businesses	1,544,156	4%	1,579,785	4%
Public sector entities	650,878	2%	661,358	2%
Financial system companies	504,148	1%	305,217	1%
Stock brokers	239,477	1%	378,301	1%
Micro businesses	106,530	-	86,295	-
Multilateral development Banks	92,003	-	60,500	-
Sovereign	2	-	-	-
	42,107,124	100%	39,794,262	100%

- c) As of June 30, 2014 and December 31, 2013, the loan portfolio was distributed in the following economic sectors:

	2014		2013	
	S/. 000	%	S/. 000	%
Mortgage and consumer loans	12,665,810	30%	12,009,407	30%
Manufacturing industry	7,762,487	18%	7,219,306	18%
Trade	7,747,530	18%	7,327,627	18%
Real estate, business and leasing	2,774,588	7%	2,812,902	7%
Transportation, storage and communications	2,764,612	7%	2,436,053	6%
Mining	1,293,755	3%	1,224,867	3%
Agriculture and livestock	1,145,180	3%	1,084,405	3%
Electricity, gas and water	1,107,081	3%	1,204,586	3%
Construction	934,637	2%	904,683	2%
Financial intermediation	820,836	2%	580,000	2%
Other	3,090,608	7%	2,990,426	8%
	42,107,124	100%	39,794,262	100%

- d) As of June 30, 2014 and December 31, 2013, the movement in the allowance for direct loan losses was:

	<u>2014</u>	<u>2013</u>
	<u>S/. 000</u>	<u>S/. 000</u>
Balance as of January 1	1,788,607	1,465,086
Provisions	811,462	1,099,461
Recoveries and reversals	(522,561)	(577,576)
Sale of portfolio	(158,969)	(239,561)
Foreign exchange difference and other adjustments	<u>1,622</u>	<u>41,197</u>
	<u>1,920,161</u>	<u>1,788,607</u>

Management considers that level of the provision for loan losses is adequate to cover potential losses in the direct loan portfolio as of the consolidate statement of financial position date. All provisions of the current standard have been complied with.

As of June 30, 2014, the general provision of the loans portfolio was S/. 1,074 million (S/. 1,040 million as of December 31, 2013) including pro-cyclical provisions of S/. 174 million (S/. 169 million as of December 31, 2013).

During 2014, Grupo Continental sold loan portafolio for S/.126 million (S/.221 million as of December 31, 2013). The selling price amounted to S/.15 million (S/.15 million as of December 31, 2013) and is recorded in "Results from financial operations" in the consolidated statement of income. As of June 30, 2014, Grupo Continental did not sell written-off loan portfolio (As of December 31, 2013, Grupo Continental sold written-off loan portfolio for S/.7 million).

6. PROPERTY, FURNITURE AND EQUIPMENT, NET

The property, furniture and equipment, net account's movement was as follows:

	<u>Land</u> S/. 000	<u>Property and Facilities</u> S/. 000	<u>Furniture and Equipment</u> S/. 000	<u>Vehicles</u> S/. 000	<u>Facilities and Leasehold Improvements</u> S/. 000	<u>Work in Progress</u> S/. 000	<u>Receivable Substituting Units</u> S/. 000	<u>Total</u> S/. 000
Cost:								
Balance as of January 1, 2013	103,694	599,448	335,491	5,016	141,868	26,734	6,630	1,218,881
Additions	22,558	8,030	64,453	1,487	4,263	120,555	5,058	226,404
Disposals	-	-	(13)	-	-	-	-	(13)
Transfers and others	(2,270)	41,006	(2,362)	-	41,272	(86,837)	(9,760)	(18,951)
Balance as of December 31, 2013	123,982	648,484	397,569	6,503	187,403	60,452	1,928	1,426,321
Additions	-	3,463	20,118	-	3,911	29,154	1,332	57,978
Disposals	-	-	(9)	-	-	-	-	(9)
Transfers and others	-	35,307	3,462	(74)	3,092	(42,897)	(1,446)	(2,556)
Balance as of June 30, 2014	<u>123,982</u>	<u>687,254</u>	<u>421,140</u>	<u>6,429</u>	<u>194,406</u>	<u>46,709</u>	<u>1,814</u>	<u>1,481,734</u>
Accumulated depreciation:								
Balance as of January 1, 2013	-	328,348	164,537	3,897	37,055	-	-	533,837
Additions	-	30,247	33,278	737	16,065	-	-	80,327
Disposals	-	-	(9)	-	-	-	-	(9)
Transfers and others	-	(1,237)	(4,508)	-	(99)	-	-	(5,844)
Balance as of December 31, 2013	-	357,358	193,298	4,634	53,021	-	-	608,311
Additions	-	16,026	18,192	344	9,323	-	-	43,885
Disposals	-	-	(9)	-	-	-	-	(9)
Transfers and others	-	3	(897)	-	(6)	-	-	(900)
Balance as of June 30, 2014	<u>-</u>	<u>373,387</u>	<u>210,584</u>	<u>4,978</u>	<u>62,338</u>	<u>-</u>	<u>-</u>	<u>651,287</u>
Net cost:								
Balance as of June 30, 2014	<u>123,982</u>	<u>313,867</u>	<u>210,556</u>	<u>1,451</u>	<u>132,068</u>	<u>46,709</u>	<u>1,814</u>	<u>830,447</u>
Balance as of December 31, 2013	<u>123,982</u>	<u>291,126</u>	<u>204,271</u>	<u>1,869</u>	<u>134,382</u>	<u>60,452</u>	<u>1,928</u>	<u>818,010</u>

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

As of June 30, 2014 and December 31, 2013, these captions were comprised as follows:

- (a) Other assets as of June 30, 2014, mainly include S/. 63 million for deferred charges (S/. 74 million as of December 31, 2013) and S/. 175 million for transaction in process (S/. 13 million as of December 31, 2013).
- (b) Payables as of June 30, 2014 mainly include pending payments to suppliers for S/. 165 million (S/. 139 million as of December 31, 2013), and sundry payables for S/. 37 million (S/. 44 million as of December 31, 2013).
- (c) Other liabilities as of June 30, 2014 mainly include S/. 88 million of transactions in process (S/. 41 million as of December 31, 2013).
- (d) Provisions include, among others, provisions for indirect loans, litigations, claims, and provisions for staff, which, as of June 30, 2014 and December 31, 2013, amounted to S/. 466 million and S/. 435 million, respectively. As of June 30, 2014, Grupo Continental 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, 2014 and December 31, 2013, 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/.180 and S/.194 million, respectively.

8. OBLIGATIONS TO THE PUBLIC AND DEPOSITS FROM FINANCIAL INSTITUTIONS

As of June 30, 2014 and December 31, 2013, these deposits were classified as follows:

	<u>2014</u>	<u>2013</u>
	<u>S/. 000</u>	<u>S/. 000</u>
Time deposits	13,843,672	14,890,868
Demand deposits	13,087,447	12,219,603
Savings deposits	10,123,450	9,323,333
Other Obligations	46,249	46,100
Total obligations to the public	37,100,818	36,479,904
Deposits from financial institutions	1,594,208	939,620
Total obligations to the public and deposits from financial institutions	38,695,026	37,419,524

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

9. INTER-BANK FUNDS

As of June 30, 2014, inter-bank funds' assets had current maturities, and they accrued interest at a rate of 5.18% in local currency, (0.15% in foreign currency as of December 31, 2013) and they were unsecured.

As of June 30, 2014, inter-bank funds' liabilities had current maturities, accrued interest at a rate of 4.00% in local currency, (4.00% in local currency as of December 31, 2013) and were unsecured.

10. DUE TO BANKS AND FINANCIAL OBLIGATIONS

These balances are summarized as follows:

	<u>2014</u>	<u>2013</u>
	<u>S/. 000</u>	<u>S/. 000</u>
Due to banks and financial obligations - current	454,132	381,759
Due to banks and financial obligations - non current	11,278,994	11,700,753
	<u>11,733,126</u>	<u>12,082,512</u>

Below are details of financial debts and obligations:

	<u>2014</u>	<u>2013</u>
	<u>S/. 000</u>	<u>S/. 000</u>
Due to banks and Financial Obligations		
Foreign financial institutions (a)	3,637,781	4,063,862
Foreign Financial Organizations (b)	566,832	856,464
Programa Mi Vivienda - Mi Hogar (My Housing- My Home Program) (c)	547,140	519,985
Central Reserve Bank (Note 4-a)	250,000	-
Private Loan Agreement (d)	307,560	363,350
Corporación Financiera de Desarrollo – COFIDE	28,730	28,730
Accrued expenses payable	56,500	66,203
	<u>5,394,543</u>	<u>5,898,594</u>
Securities and Bonds		
Corporate bonds	4,452,815	4,439,062
Notes (debt instruments) - Note 15	866,760	936,325
Subordinated Bonds	612,443	603,400
Leasing bonds	339,900	139,875
Accrued expenses payable	66,665	65,256
	<u>6,338,583</u>	<u>6,183,918</u>
	<u>11,733,126</u>	<u>12,082,512</u>

The loan agreements entered into with some foreign financial institutions and international financial institutions include certain financial ratio performance clauses and other specific conditions, which, as of June 30, 2014 and December 31, 2013, Grupo Continental Management believes to have totally fulfilled.

(a) Foreign financial institutions

As of June 30, 2014, these balances accrued interest based on market rates in effect, ranging between 1.5% and 7.4% (1.4% and 7.4% as of December 31, 2013). The breakdown of these transactions is as follows:

Name of Creditor	Balance as of 30.06.14		Balance as of 31.12.13		Due Dates
	US\$ 000	S/. 000	US\$ 000	S/. 000	
Goldman Sachs Bank (i)	505,861	1,414,388	505,308	1,412,336	January 2017
Deutsche Bank (ii)	347,556	971,767	347,366	970,888	November 2020
Credit Suisse (iii)	200,000	559,200	200,000	559,000	October 2040
DEG Deutsche Investitions (iv)	47,500	132,810	50,000	139,750	October 2017 and June 2018
Standard Chartered	40,000	111,840	62,000	173,290	May 2016
Bank of America	40,000	111,840	50,000	139,750	May 2016
Wells Fargo Bank	40,000	111,840	40,000	111,800	May 2016
Citibank NA	40,000	111,840	40,000	111,800	May 2016
China Development Bank	36,000	100,656	43,000	120,185	December 2016
Mercantil Commercebank NA	-	-	25,000	69,875	May 2014
Toronto Dominion Bank	-	-	9,000	25,155	April 2014
Other minor banks	4,148	11,600	57,301	160,158	July 2014
Bank of Montreal	-	-	25,000	69,875	March 2014
	<u>1,301,065</u>	<u>3,637,781</u>	<u>1,453,975</u>	<u>4,063,861</u>	

- (i) In January 2012, Grupo Continental entered into a loan of US\$ 500 million nominal amount, at a fixed rate of 5.75% with the principal maturing in January 2017 ("bullet"). In addition, on the same date, Grupo Continental entered into an IRS Agreement (Note 15-a) whereby Grupo Continental recorded a S/. 2 million loss from the variation of the loan's fair value, which is included in "Results from financial operations" in the consolidated statement of income (Gains for S/. 34 million were recorded on June 30, 2014).
- (ii) Loan for a nominal amount of US\$ 350 million, at a fixed rate of 5.5% and due in November 2020, which is recorded at fair value. This loan is hedged by an Interest Rate Swap (IRS), which was hedged by an IRS, which was terminated in April 25, 2013. As of June 30, 2013, Grupo Continental had recorded gains for S/. 18 million corresponding to the change in the loan's fair value, which is included in the "Results from financial operations", in the consolidated statement of income.
- (iii) Corresponding to a subordinated loan approved by the SBS, which meets the conditions to be considered as Tier 1 Regulatory Capital up to the limit allowed by the General Law.
- (iv) It mainly includes a subordinated loan for US\$ 30 million approved by the SBS, which is considered as part of Tier 2 Regulatory Capital, in accordance with current standards.

(b) International Financial Organizations

Debts to international financial organizations accrued interest at international market rates between 1.7% and 6.4% as of June 30, 2014 (1.7% and 6.4% as of December 31, 2013), and are unsecured.

Name of Creditor	Balance as of 30.06.14		Balance as of 31.12.13		Due Dates
	US\$ 000	S/. 000	US\$ 000	S/. 000	
International Finance Corporation - IFC	109,159	305,209	117,857	329,410	December 2018 and June 2022
Inter-American Development Bank - IDB (i)	65,000	181,740	160,000	447,200	February 2017 / 2019 and August 2015
Inter-American Investment Corporation - IIC	28,570	79,883	28,570	79,854	August 2014
	<u>202,729</u>	<u>566,832</u>	<u>306,427</u>	<u>856,464</u>	
Accrued expenses payable	983	2,747	3,270	9,138	
	<u>203,712</u>	<u>569,579</u>	<u>309,697</u>	<u>865,602</u>	

- (i) This includes two subordinated loans for an amount of US\$50 million, approved by the SBS, which are deemed to be part of Tier 2 Regulatory Capital, in accordance with legal provisions in force.

(c) Programa Mi Vivienda – Mi Hogar

These debts mainly include the resources obtained for the social housing program “Mi Vivienda” in local currency for S/. 525 million and in foreign currency for US\$ 8 million (S/. 478 million in local currency and US\$ 9 million in foreign currency as of December 31, 2013, respectively). These loans have different maturities, up to December 2033 and they bear 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/. 547 million (S/. 520 million as of December 31, 2013) 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 Debt Agreement

As of June 30, 2014, debts included a Private Loan Agreement (Note 15-b) for a total amount of US\$ 110 million (US\$ 130 million as of December 31, 2013).

As of June 30, 2014 and December 31, 2013, the details of the issued bonds were as follows:

Program	Authorized Amount	Issuance	Series	Currency	Nominal Issuance Value	Balance as of 30.06.14	Balance as of 31.12.13	Maturity Date
						S/. 000	S/. 000	
Corporate Bonds								
Third	USD 100 million or S/. 315 million	Fourth Seventh	A Single	USD PEN	8,533 60,000	23,858 60,000	23,850 60,000	September 2014 May 2018
Fourth	USD 100 million	First Second Third	Single A A	PEN PEN PEN	40,000 80,000 100,000	40,000 80,000 100,000	40,000 80,000 100,000	August 2020 August 2020 August 2018
Fifth	USD 250 million	First Second Fifth Sixth	A A Single A	PEN PEN PEN USD	50,000 150,000 200,000 54,000	50,000 150,000 186,144 150,984	50,000 150,000 186,851 150,930	December 2016 December 2026 April 2019 July 2016
First International Issuance	USD 500 million	First	Single	USD	500,000	1,398,000	1,397,500	August 2022
Second International Issuance	USD 300 million	First	Single	USD	300,000	837,710	837,157	July 2016
Third International Issuance	USD 500 million	Third	Single	USD	500,000	1,376,119	1,362,774	April 2018
						4,452,815	4,439,062	
Subordinated Bonds								
First	USD 50 million or S/. 158.30 million	First Second Third	A A A	PEN USD PEN	40,000 20,000 55,000	39,756 55,920 69,650	39,744 55,900 68,124	May 2022 May 2027 June 2032
Second	USD 100 million	First Second Third Fourth Fifth Sixth	A A A Single Single A	USD PEN USD PEN PEN PEN	20,000 50,000 20,000 45,000 50,000 30,000	55,605 62,012 55,920 53,859 59,070 34,831	55,577 60,652 55,900 52,679 57,776 34,068	September 2017 November 2032 February 2028 July 2023 September 2023 December 2033
Third	USD 55 million	First	Single	USD	45,000	125,820	122,980	October 2028
						612,443	603,400	
Leasing Bonds								
First	USD 200 million	First Second Third Third	A A A A	USD PEN PEN PEN	25,000 30,000 40,000 200,000	69,900 30,000 40,000 200,000	69,875 30,000 40,000 -	April 2016 September 2014 November 2014 May 2017
						339,900	139,875	
Notes								
	USD 250 million USD 235 million	First Second	2008-A 2012-A, 2012-B, 2012-C y 2012-D	USD USD	250,000 235,000	209,700 657,060	279,500 656,825	December 2015 June 2017 y June 2022
						866,760	936,325	
Expenses payable on outstanding bonds and debentures						66,665	65,256	
						6,338,583	6,183,918	

Corporate bonds are unsecured and bear annual interest at annual rates between 5.8% and 7.5% as of June 30, 2014 for local currency (between 5.8% and 7.5% as of December 2013) and 2.3% and 6.4% as of June 30, 2014 for foreign currency (2.3% and 6.4% as of December 31, 2013).

Corporate bonds for S/. 200 million are hedged by a cross currency swap – CCS – (Note 15-a). As of June 30, 2014, the Bank recorded S/. 1 million worth of gains, corresponding to the variation in the fair value of the bonds, which are included in “Results from financial operations” in the consolidated statement of income (S/. 33 million gain as of June 30, 2013).

The notes issuances of June 2012 for US\$ 235 million included US\$ 70 million, hedged by an IRS, which ended on June 5, 2013. As of June 30, 2013, the Bank has recorded gains for S/. 5 million, corresponding to the variation of the financing fair value, included in “Results from financial operations” in the consolidated statement of income.

In August 2012, the Bank carried out an international issuance for a nominal amount of US\$ 500 million, at a fixed interest rate of 5%, maturing in August 2022. Principal will be fully paid off upon maturity. Likewise, such issuance was hedged through an interest rate swap (Note 15-a) that ended on May 30, 2013. As of June 30, 2013, Grupo Continental had recorded gains for S/. 73 million corresponding to the variation in the issuance’s fair value, included in “Results from financial operations” in the consolidated statement of income.

In April 2013, the Bank carried out an international issuance for a nominal amount of US\$ 500 million, at a fixed interest rate of 3.25%, maturing in April 2018. Principal will be fully paid off upon maturity. Likewise, such issuance is recorded in the books at fair value, and the variation in fair value is hedged through an interest rate swap (Note 15-a). As of June 30, 2014, Grupo Continental has recorded losses for S/. 12 million corresponding to the variation in the issuance’s fair value, included in “Results from financial operations” in the consolidated statement of income. As of June 30, 2013 the Bank has recorded gains for S/. 35 million corresponding to the variation in the issuance’s fair value included in “Results from financial operations” in the consolidated statement of income.

Subordinated bonds were issued in accordance with the General Law requirements and with annual interest rates between VAC plus a spread and 5.9%, in local currency, and between Libor plus a spread and 6.5% in 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 funded by these bonds.

11. NET EQUITY

(a) Capital Stock

As of June 30, 2014 and December 31, 2013, the authorized, issued and fully paid capital stock of the Bank, consisted of 2,724,770,230 outstanding ordinary shares with a face value of S/. 1 each. Currently pending registration are 521,735,165 and 25,447 common shares relating to capitalization of retained earnings and special reserves, respectively.

The General Annual Shareholders’ Meetings held on March 31, 2014 and March 27, 2013, authorized an increase of the capital stock of S/. 522 million and S/. 498 million, respectively, by means of the capitalization of retained earnings and special reserves.

The ordinary stock is listed in the Lima Stock Exchange (hereinafter, BVL for its Spanish acronym). As of June 30, 2014 and December 31, 2013, the stock market quotation value of the Bank’s stock was S/. 5.70 and S/. 5.30 per share, respectively, with a negotiation frequency of 100.00% as of June 30, 2014 and 95.24% as of December 31, 2013.

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	8,309	4.68%
1.01 to 5	2	3.08%
80.01 to 100	1	92.24%
	<u>8,312</u>	<u>100.00%</u>

(b) Legal Reserves

Pursuant to applicable law, the Bank must set a legal reserve of at least 35 percent of its paid-in capital. This reserve is configured through an annual transfer of at least 10 percent of net income.

The General Annual Shareholders' Meetings held on March 31, 2014 and March 27, 2013 approved an allocation to the legal reserve for the equivalent of 10% of the net income for years 2013 (S/. 130 million) and 2012 (S/. 125 million), respectively.

(c) Retained Earnings

General Shareholders' Annual Meetings held on March 31, 2014 and March 27, 2013, agreed to distribute dividends for approximately S/. 652 million and S/. 623 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 Annual Shareholders' Meeting held on March 31, 2014 and March 27, 2013, approved the capitalization of retained earnings by S/. 522 million and S/. 498 million, respectively.

(d) Adjustments to Equity

Adjustments to equity include unrealized gains for S/. 15 million corresponding to the available-for-sale investment portfolio (S/. 9 million as of December 31, 2013), S/. 3 million corresponding to unrealized gains for held-to-maturity investments (S/. 3 million as of December 31, 2013) and S/. 1 million for the valuation of cash flow hedge derivatives (S/. 3 million as of December 31, 2013).

(e) Net income

On April 23, 2014 and June 26, 2014, the Board of Directors, in exercise of the delegation conferred by the General Annual Shareholders' Meetings held on March 31, 2014 and the provisions of Article 184, Section A) Item 2, of the General Law, unanimously agreed to adopt the commitment of capitalization of profits for the year 2014, for S/. 250 million and S/. 200 million, respectively. The formalization of this commitment will be effective at the next General Annual Shareholders' Meeting.

12. REGULATORY CAPITAL AND LEGAL LIMITS

According to the General Law, the regulatory capital amount cannot be less than 10% of contingent assets and loans weighted by credit, market and operational risk. As of June 30, 2014, the Bank used the standard method for the calculation of the Regulatory Capital by credit, market and operational risk.

On July 20, 2011, SBS Resolution No. 8425-2011 (Regulations governing Additional Regulatory Capital Requirements) was published, directing companies to apply the requirements by economic cycle, credit concentration risk (individual and by sector), 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. These regulations are enabled and disabled on the basis of pro-cycle provisions rule applicable to credits.

On an individual basis, as of June 30, 2014, the Bank's Regulatory Capital, determined, in accordance with current legal standards, totaled S/. 6,392 million (S/. 5,866 million as of December 31, 2013). This amount is used to calculate certain limits and restrictions applicable to all financial entities in Peru. In the opinion of the Bank's management, such limits and restrictions have been fully met.

Credit, market and operational risk weighted average assets and indirect loans, in accordance with current legal standards, amount to S/. 48,322 million as of June 30, 2014 (S/. 47,207 million as of December 31, 2013).

As of June 30, 2014, the Bank's capital adequacy ratio by credit, market and operational risk was 13.23% (12.42% as of December 31, 2013).

13. BASIC AND DILUTED EARNINGS PER SHARE

The basic and diluted earnings per share were as follows:

	Number of Shares (in millions)	
	2014	2013
Outstanding at the beginning of the period / year	2,724.8	2,226.5
Capitalization of earnings	521.7	1,020.0
Outstanding at the end of the period	<u>3,246.5</u>	<u>3,246.5</u>
Net income for the period (in thousands of Nuevos Soles)	622,608	603,596
Basic and diluted earnings per share	<u>0.192</u>	<u>0.186</u>

14. TRANSACTIONS WITH RELATED PARTIES

As of June 30, 2014 and December 31, 2013, Grupo Continental has granted loans, provided and requested banking services correspondent services, operations involving financial derivatives booked at face values, among others, with related companies, which balances are detailed below:

	<u>2014</u>	<u>2013</u>
	S/. 000	S/. 000
Assets -		
Cash and due from banks	36,559	22,406
Loan portfolio	81,862	43,271
Other Assets	109,313	102,708
Liabilities -		
Deposits and obligations	251,584	251,699
Due to banks and financial obligations	9,195	-
Other Liabilities	255,997	414,276
Contingent and Memoranda accounts -		
Contingent accounts	8,309,505	7,790,585
Memoranda accounts	1,718,401	1,628,374

Grupo Continental's transactions with related companies have been carried out during the normal course of operations and subject to the same conditions which would have applied to third parties.

The transactions with related companies included in the consolidated statement of income for the periods ended June 30, 2014 and June 30, 2013, are comprised as follows:

	<u>2014</u>	<u>2013</u>
	S/. 000	S/. 000
Interest income	-	10
Interest expenses	(5,885)	(8,963)
Other income (expenses), net	(38,584)	(28,291)

Personnel Loans

As of June 30, 2014 and December 31, 2013, Grupo Continental 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, 2014 and December 31, 2013, direct loans to employees, directors, executives and key staff amounted to S/. 384 million and S/. 379 million, respectively.

In addition, as of June 30, 2014, key staff salaries and directors fees amounted to S/. 5 million (S/. 5 million as of June 30, 2013).

15. CONTINGENT AND MEMORANDA ACCOUNTS

a) Derivatives Financial Instruments

As of June 30, 2014 and December 31, 2013, the notional amount equivalent in thousands of Nuevos Soles and the fair value of derivative financial instruments were as follows:

2014			
Underlying	Nominal	Assets	Liabilities
	S/. 000	S/. 000	S/. 000
Trading Derivatives			
Currency forwards	9,611,726	50,024	32,754
Commodities options and others	1,742,853	18,126	18,126
Interest rate options	287,960	525	525
Currency swap	7,045,339	391,698	227,133
Interest rate swap	4,407,062	31,552	63,497
Provision for country risk	-	(2,879)	-
Total trading derivatives	23,094,940	489,046	342,035
Hedging Derivatives			
At Fair Value (i)			
Currency swap	210,939	-	23,957
Interest rate swap	1,398,000	22,008	-
Interest rate swap	1,398,000	-	14,338
Cash Flows (ii)			
Interest rate swap	559,200	1,800	-
Interest rate swap	559,200	1,800	-
Total hedging derivatives	3,566,139	23,808	38,295
TOTAL	26,661,079	512,854	380,330

2013			
Underlying	Nominal	Assets	Liabilities
	S/. 000	S/. 000	S/. 000
Trading Derivatives			
Currency forwards	11,889,467	138,392	204,097
Commodities options and others	1,566,665	17,452	17,452
Interest rate options	287,857	796	796
Currency swap	6,503,755	385,882	254,652
Interest rate swap	3,528,356	37,446	84,004
Provision for country risk	-	(2,716)	-
Total trading derivatives	23,776,100	577,252	561,001
Hedging Derivatives			
At Fair Value (i)			
Currency swap	210,863	-	26,050
Interest rate swap	1,397,500	19,891	-
Interest rate swap	1,608,363	2,628	25,868
Cash Flows (ii)			
Interest rate swaps	559,000	4,270	-
Interest rate swaps	559,000	4,270	-
Total hedging derivatives	3,775,726	26,789	51,918
TOTAL	27,551,826	604,041	612,919

Hedging derivative at fair value

- (i) As of June 30, 2014, Grupo Continental has entered into a Cross Currency Swap (CCS) to hedge the fair value of the bonds issued, in the nominal amount of S/. 211 million. Through this Cross Currency Swap, the Bank converts its fixed-rate local currency issuance into a variable-rate US Dollar issuance. As of June 30, 2014, the fair value of the CCS amounted to S/. 1 million (loss), and is included in the "Results from financial operations" of the consolidated statement of income (as of June 30, 2013 the fair value amounted to a loss of S/. 34 million).

As of June 30, 2014, Grupo Continental had contracted an Interest Rate Swap (IRS) for a nominal amount of S/. 2,796 million, to hedge interest rates for debt 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, 2014, the total variation of the fair value of interest rate swaps amounted to S/. 14 million (gain) and is included in the "Results from financial operations" of the consolidated statement of income (as of June 30, 2013 the variations of the fair value amounted to a loss of S/. 129 million).

Cash flow hedging derivative

- (ii) As of June 30, 2014, Grupo Continental had entered into Interest Rate Swap for a nominal amount of S/. 559 million to hedge interest rates for debt 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, 2014, the total variation of the fair value of interest rate swaps amounted to S/. 1 million, and 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\$ 75 million (residual amount as of June 30, 2014). 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\$ 110 million (Series 2010-A) as of June 30, 2014. This series expires 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. The A and B series have two-year grace periods while the C and D series have three-year grace periods 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 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 fully in compliance with such conditions as of June 30, 2014.

16. INTEREST INCOME

Interest income for the second quarter of 2014 - compared to 2013 - increased by 3%, mainly due to the net effect of increased income on loans and decrease in income cash and due from banks and available-for-sale investments.

17. INTEREST EXPENSES

Interest expenses for the second quarter of 2014 - compared to 2013 - decreased by 10%, mainly due to the net effect of decreasing interest from obligations with the public and higher interest on securities, titles and outstanding obligations.

18. ADMINISTRATIVE EXPENSES

During the second quarter of 2014 - compared to 2013 - administrative expenses increased by 8%. This category includes personnel expenses (salaries, additional benefits, bonuses, social contributions, length of service compensation, vacation and other staff-related expenses) and overheads (expenses such as computer services, transportation, rentals, advertising, overhead expenses, security, surveillance and others).

19. FEES (NET)

During the second quarter of 2014, income and expenses from financial services increased by 12%. This category includes collection operations, transfers, consultancy fees, brokering or lending or intermediation activities and other expenses and income.

20. SUBSEQUENT EVENTS

We are not aware of any significant events having occurred between the financial statements closing date and the date of this report.