

BBVA BANCO CONTINENTAL AND SUBSIDIARIES

Consolidated Financial Statements

As of September 30, 2014 and as of December 31, 2013 and for the nine-months period ended September 30, 2014 and 2013

BBVA BANCO CONTINENTAL AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF SEPTEMBER 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. each own 50% 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 legal address of the Bank's main office is Av. República de Panamá No. 3055, San Isidro, Lima.

Economic Activity

The Bank's operations primarily include financial intermediation; which consists of universal banking 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 as amended (hereinafter the General Law). The General Law establishes certain requirements, rights, obligations, guarantees, restrictions and other conditions governing legal entities operating in the financial and insurance system.

As of September 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 September 30, 2014 and December 31, 2013, was 5,486 and 5,327, respectively.

As of September 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 its corporate purpose and its relationship with the Bank, accounting standards require that the DPR financial statements 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 September 30, 2014, have 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 September 30, 2014 and as of December 31, 2013:

Entity	In million of Nuevo Soles					
	Assets		Liabilities		Equity	
	2014	2013	2014	2013	2014	2013
BBVA Banco Continental	62,428	56,548	57,238	51,658	5,190	4,890
Continental Bolsa - Sociedad Agente de Bolsa S.A.	44	66	18	37	26	29
BBVA Asset Management Continental S.A. Sociedad Administradora de Fondos	65	59	13	9	52	50
Continental Sociedad Titulizadora S.A.	2	2	-	-	2	2
Inmuebles y Recuperaciones Continental S.A.	31	27	23	18	8	9
Continental DPR Finance Company	1,227	1,378	1,227	1,378	-	-

2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies as of September 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 September 30, 2014, cash and due from banks includes approximately US\$ 1,008 million and S/. 1,669 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 Banco Central de la República del Perú (BCRP).

As of September 30, 2014, cash and due from banks subject to reserve in local and foreign currency at an implicit rate for local currency of 11.00% and for foreign currency of 45.00% over the total obligations subject to reserve (TOSE) as required by BCRP (as of December 31, 2013, the implicit rates for local and 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 local currency, bear interest at an annual nominal rate set by the BCRP. For the nine-months period ended September 30, 2014, interest income was S/. 6 million (S/. 25 million for the nine-months period ended September 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 September 30, 2014 and December 31, 2013, cash and due from banks included restricted funds of 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. 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))	4,732,187	3,083,921
Investments at fair value through profit or loss	806,700	556,746
Held to maturity Investments	449,727	443,993
	<u><u>5,988,614</u></u>	<u><u>4,084,660</u></u>

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

	<u>2014</u>	<u>2013</u>
Investments at fair value through profit and loss	S/. 0	S/. 0
Peruvian Treasury Bonds (b)	715,548	322,024
Mutual Funds (d)	58,112	54,619
American Treasury Bonds	28,700	0
Foreign Stock	2,940	179,628
Local Stock (c)	<u>1,400</u>	<u>475</u>
	<u>806,700</u>	<u>556,746</u>
Available-for-sale Investments	4,236,229	2,874,246
BCRP Certificates of Deposits (a)	446,576	156,266
Foreign Stock	48,745	52,772
American Treasury Bonds	<u>637</u>	<u>637</u>
Corporate Bonds	<u>4,732,187</u>	<u>3,083,921</u>
Held-to Maturity Investments		
Peruvian Treasury Bonds (b)	<u>449,727</u>	<u>443,993</u>

- (a) BCRP certificates of deposits are freely tradable securities with maturities up to January 2016, which were acquired in public auctions or secondary markets, at the rates offered by financial institutions. As of September 30, 2014, the annual interest rate of these certificates ranged between 3.5% and 3.8% in local currency (between 3.6% and 4.2% as of December 31, 2013), and between 0.07% and 4.14% in foreign currency, (0.10% and 0.15% as of December 31, 2013).
- (b) Treasury bonds are issued by the Peruvian Government. As of September 30, 2014, these bonds accrued annual interest at rates between 1.7% and 6.75% (1.00% and 7.28% as of December 31, 2013) in local currency; and 10.5% in foreign currency (6.57% as of December 31, 2013). These bonds mature through August 2046 (August 2046 as of December 31, 2013).
- (c) As of September 30, 2014 and December 31, 2013, this mainly included stocks listed on the Lima Stock Exchange (BVL) for a total value of S/. 35 and S/. 38 million, respectively.
- (d) As of September 30, 2014 and December 31, 2013, investment in mutual funds corresponded to investments held by Grupo Continental in Mutual Funds managed by BBVA Asset Management Continental S.A. Sociedad Administradora de Fondos.
- (e) American Treasury bonds are issued by the American Government, these bonds accrued interest at rate of 2.5% and mature through August 2024.

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 loans portfolio, net	20,732,608	18,997,859
Non current loan portfolio, net	<u>20,127,672</u>	<u>19,247,468</u>
	<u>40,860,280</u>	<u>38,245,327</u>

	<u>2014</u>		<u>2013</u>	
	<u>S/. 000</u>	%	<u>S/. 000</u>	%
Direct Credits				
Loans	15,743,495	39%	14,851,955	39%
Mortgages	9,296,842	22%	8,433,344	22%
Leasing	4,356,478	10%	4,202,111	11%
Foreign Trade	4,143,535	11%	3,899,483	10%
Consumer	3,383,529	8%	3,285,220	9%
Others	2,904,031	7%	2,545,083	6%
Discounted Notes	1,072,285	3%	1,293,059	3%
	<u>40,900,195</u>	<u>100%</u>	<u>38,510,255</u>	<u>100%</u>
Refinanced and restructured loans	680,617	2%	593,079	2%
Past-due loans and loans in legal collection	965,174	2%	690,928	2%
	<u>42,545,986</u>	<u>104%</u>	<u>39,794,262</u>	<u>104%</u>
Plus: Accrued Interest	288,572	1%	270,988	1%
	<u>42,834,558</u>	<u>105%</u>	<u>40,065,250</u>	<u>105%</u>
Deferred income from loans transactions	(34,717)	-	(31,316)	-
Allowance for direct loan losses	(1,939,561)	(-5%)	(1,788,607)	(-5%)
	<u>40,860,280</u>	<u>100%</u>	<u>38,245,327</u>	<u>100%</u>
Indirect Loans	<u>15,199,786</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 September 30, 2014 and as of December 31, 2013, amounted to S/. 33,666 and S/.31,864 million, respectively.

As of September 30, 2014, a portion of the mortgage loan portfolios secure a debt with Fondo Mi Vivienda – Mi Hogar, for up to approximately S/. 556 million (S/.520 million as of December 31, 2013) (Note 10).

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

	2014		2013	
	Loans in		Loans in	
	S/.	US\$	S/.	US\$
	%	%	%	%
Loans and discounts	8.10	6.73	8.26	6.99
Mortgage loans	9.24	8.44	9.35	8.59
Consumer loans	21.81	17.01	22.10	15.93

- b) Below are the reporting balances as of September 30, 2014 and December 31, 2013, under the loan segment established by SBS Resolution No. 11356-2008:

	2014		2013	
	S/. 000	%	S/. 000	%
Medium businesses	10,513,374	25%	10,044,532	25%
Large businesses	10,006,179	24%	8,042,304	20%
Mortgages	9,446,658	22%	8,551,796	21%
Corporate	5,695,672	13%	6,626,562	17%
Consumer	3,566,597	8%	3,457,612	9%
Small businesses	1,519,740	4%	1,579,785	4%
Public sector entities	743,468	2%	661,358	2%
Financial Institutions	522,013	1%	305,217	1%
Stock brokers	352,976	1%	378,301	1%
Micro businesses	113,307	0%	86,295	0%
Other	66,002	0%	60,500	0%
	42,545,986	100%	39,794,262	100%

- c) As of September 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	13,013,256	31%	12,009,407	30%
Manufacturing industry	7,764,529	18%	7,219,306	18%
Trade	7,731,433	18%	7,327,627	18%
Real estate, business and leasing	2,755,518	6%	2,990,426	8%
Transportation, storage and communications	2,654,496	6%	2,812,902	7%
Mining	1,356,042	3%	2,436,053	6%
Agriculture and livestock	1,118,164	3%	1,224,867	3%
Electricity, gas and water	1,137,357	3%	1,204,586	3%
Construction	951,335	2%	1,084,405	3%
Financial intermediation	880,350	2%	904,683	2%
Other	3,183,506	7%	580,000	2%
	42,545,986	100%	39,794,262	100%

- d) For the nine-months period ended September 30, 2014 and the year ended December 31, 2013, the movement in the allowance for direct loan losses was:

	<u>2014</u>	<u>2013</u>
	S/. 000	S/. 000
Balance as of January 1	1,788,607	1,465,086
Provisions	1,033,675	1,099,461
Recoveries and reversals	(643,340)	(577,576)
Sale of portfolio	(265,514)	(239,561)
Foreign exchange difference and other adjustments	26,133	41,197
	<u>1,939,561</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 date of consolidated statement of financial position date. All provisions of the current standard have been complied with.

As of September 30, 2014, the general provision of the loans portfolio was S/. 1,055 million (S/. 1,040 million as of December 31, 2013) including pro-cyclical provisions of S/. 179 million (S/. 169 million as of December 31, 2013).

During 2014, Grupo Continental sold a loan portfolios for S/.180 million (S/.221 million as of December 31, 2013). The selling price amounted to S/.22 million (S/.15 million as of December 31, 2013) and is recorded in "Results from financial operations" in the consolidated statement of income. For the nine-months peirod ended September 30, 2014, Grupo Continental did not sell any written-off loans (For the year ended December 31, 2013, Grupo Continental sold written-off loans for a purchase price of 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>Units to be received</u> S/.000	<u>Total</u> S/.000
Cost:								
Balance as of January 1, 2013	10 3,694	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	<u>(2,270)</u>	<u>41,006</u>	<u>(2,362)</u>	<u>-</u>	<u>41,272</u>	<u>(86,837)</u>	<u>(9,760)</u>	<u>(18,951)</u>
Balance as of December 31, 2013	123,982	648,484	397,569	6,503	187,403	60,452	1,928	1,426,321
Additions	-	6,218	31,574	413	5,931	42,184	2,870	89,191
Disposals	-	-	(11)	-	-	-	-	(11)
Transfers and others	<u>-</u>	<u>43,304</u>	<u>3,699</u>	<u>(74)</u>	<u>5,042</u>	<u>(53,475)</u>	<u>(2,466)</u>	<u>(3,970)</u>
Balance as of September 30, 2014	<u>123,982</u>	<u>698,007</u>	<u>432,831</u>	<u>6,842</u>	<u>198,376</u>	<u>49,161</u>	<u>2,332</u>	<u>1,511,531</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	<u>-</u>	<u>(1,237)</u>	<u>(4,508)</u>	<u>-</u>	<u>(99)</u>	<u>-</u>	<u>-</u>	<u>(5,844)</u>
Balance as of December 31, 2013	-	357,358	193,298	4,634	53,021	-	-	608,311
Additions	-	24,212	27,923	469	14,118	-	-	66,722
Disposals	-	-	(11)	-	-	-	-	(11)
Transfers and others	<u>-</u>	<u>(22)</u>	<u>(1,204)</u>	<u>-</u>	<u>15</u>	<u>-</u>	<u>-</u>	<u>(1,211)</u>
Balance as of September 30, 2014	<u>-</u>	<u>381,548</u>	<u>220,006</u>	<u>5,103</u>	<u>67,154</u>	<u>-</u>	<u>-</u>	<u>673,811</u>
Net cost:								
Balance as of September 30, 2014	<u>123,982</u>	<u>316,459</u>	<u>212,825</u>	<u>1,739</u>	<u>131,222</u>	<u>46,161</u>	<u>2,332</u>	<u>837,720</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 September 30, 2014 and December 31, 2013, these captions were comprised as follows:

- (a) Other assets as of September 30, 2014, mainly include S/. 67 million for deferred charges (S/. 74 million as of December 31, 2013) and S/. 214 million for transactions in process (S/. 13 million as of December 31, 2013).
- (b) Payables as of September 30, 2014 mainly include pending payments to suppliers for S/. 153 million (S/. 130 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 September 30, 2014 mainly include S/. 340 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 September 30, 2014 and December 31, 2013, amounted to S/. 518 and S/. 435 million, respectively. As of September 30, 2014, Grupo Continental had several pending lawsuits and other processes that are related to its activities, and in the opinion of Management and legal counsel, no additional provisions are needed. Therefore, as of September 30, 2014 and December 31, 2013, Management has not created a higher provision than the amount recorded for these contingencies and processes on the statement of financial position, which amounted to S/.181 and S/.194 million, respectively.

8. OBLIGATIONS TO THE PUBLIC AND DEPOSITS FROM FINANCIAL INSTITUTIONS

As of September 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	15,493,052	14,890,868
Demand deposits	12,346,224	12,219,603
Savings deposits	10,285,276	9,323,333
Other Obligations	66,447	46,100
Total obligations to the public	38,190,999	36,479,904
Deposits from financial institutions	1,542,884	939,620
Total obligations to the public and deposits from financial institutions	<u>39,733,883</u>	<u>37,419,524</u>

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

9. INTER-BANK FUNDS

As of December 31, 2014 inter-bank funds assets had current maturities, and accrued interest at a rate of 0.15% in foreign currency and were unsecured.

As of September 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	2,884,494	381,759
Due to Banks and financial obligations – non current	<u>12,358,851</u>	<u>11,700,753</u>
	<u>15,243,345</u>	<u>12,082,512</u>

Bellow are details of financial debts and obligations:

	<u>2014</u>	<u>2013</u>
	<u>S/. 000</u>	<u>S/. 000</u>
Duetobanksandfinancialobligations		
Foreignfinancialinstitutions(a)	3,799,411	4,063,862
CentralReserveBank(Note4-a)	2,683,434	-
FondoMiVivienda-MiHogar(MyHousing-MyHomeProgram)(c)	556,894	519,985
Foreignfinancialorganizations(b)	488,871	856,464
Privateloanagreement(d)	289,000	363,350
CorporaciónFinancieradeDesarrollo–COFIDE	64,124	28,730
Accruedexpensespayable	<u>68,540</u>	<u>66,203</u>
	<u>7,950,274</u>	<u>5,898,594</u>
Securitiesandbonds		
Corporatebonds	4,544,745	4,439,062
SubordinatedBonds	1,484,802	603,400
Notes(debtinstruments)-Note15	829,671	936,325
Leasingbonds	312,250	139,875
Certificateofdeposits(negociable)	54,625	-
Accruedexpensespayable	<u>66,978</u>	<u>65,256</u>
	<u>7,293,071</u>	<u>6,183,918</u>
	<u>15,243,345</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 September 30, 2014 and December 31, 2013, Grupo Continental Management believes to comply with.

(a) Foreign financial institutions

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

Name of Creditor	Balance as of September 30, 2014		Balance as of December 31, 2013		Due Dates
	US\$000	S/. 000	US\$000	S/. 000	
Goldman Sachs Bank (i)	503,413	1,454,864	505,308	1,412,336	January 2017
Deutsche Bank (ii)	347,652	1,004,714	347,366	970,888	November 2020
Credit Suisse (iii)	200,000	578,000	200,000	559,000	October 2040
DEG Deutsche Investitions (iv)	47,500	137,275	50,000	139,750	October 2017 and June 2018
Standard Chartered	40,000	115,600	62,000	173,290	May 2016
Bank of America	40,000	115,600	50,000	139,750	May 2016
Wells Fargo Bank	40,000	115,600	40,000	111,800	May 2016
Citibank NA	40,000	115,600	40,000	111,800	May 2016
China Development Bank	36,000	104,040	43,000	120,185	December 2016
Other	20,110	58,118	57,301	160,158	October 2014
Mercantil Commercebank NA	-	-	25,000	69,875	May 2014
Toronto Dominion Bank	-	-	9,000	25,155	April 2014
Bank of Montreal	-	-	25,000	69,875	March 2014
	<u>1,314,675</u>	<u>3,799,411</u>	<u>1,453,975</u>	<u>4,063,862</u>	

- (i) In January 2012, Grupo Continental entered into a loan for 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 interest rate swap agreement (Note 15) whereby Grupo Continental recorded, as of September 30, 2014, a S/. 5 million gain 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/. 17 million were recorded on September 30, 2014).
- (ii) Loan for a nominal amount of US\$ 350 million, at a fixed rate of 5.5% due in November 2020, which is recorded at fair value. This loan was hedged by an interest rate swap which was terminated in April 25, 2013. As of September 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 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 Tier 2 Regulatory Capital, in accordance with current standards.
- (b) International Financial Organizations
- Loans from international financial organizations accrued interest at international market rates between 1.7% and 6.4% as of September 30, 2014 (1.7% and 6.4% as of December 31, 2013), and are unsecured.

Name of Creditor	Balance as of 30.09.14		Balance as of 31.12.13		Due Dates
	US\$000	S/. 000	US\$000	S/. 000	
Internacional Finance Corporation - IFC	109,160	315,471	117,857	329,410	December 2018 and June 2022
Inter-American Development Bank - IDB (i)	60,000	173,400	160,000	447,200	February 2017 / 2019 and August 2015
Inter-American Investment Corporation - IIC	-	-	28,570	79,854	August 2014
	<u>169,160</u>	<u>488,871</u>	<u>306,427</u>	<u>856,464</u>	
Accrued expenses payable	<u>1,286</u>	<u>3,716</u>	<u>3,270</u>	<u>9,138</u>	
	<u>170,446</u>	<u>492,587</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 Tier 2 Regulatory Capital, in accordance with legal provisions in force.

(c) Fondo Mi Vivienda – Mi Hogar

These loans mainly include the loans obtained for the social housing program “Mi Vivienda” in local currency for S/. 535 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 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/. 557 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 covenants 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 September 30, 2014, debts included a Private Loan Agreement (Note 15-b) for a total amount of US\$ 100 million (US\$ 130 million as of December 31, 2013).

As of September 31, 2014 and December 31, 2013, the detail of the outstanding issued bonds is as follows:

Program	Authorized Amount	Issuance	Series	Currency	Original Disbursed Amount	Balance as of 30.09.2014 S/. 000	Balance as of 31.12.13 S/. 000	Maturity Date
Corporate Bonds								
Third	USD 100 million or S/. 315 million	Fourth Seventh	A Sole	USD PEN	- 60,000	- 60,000	23,850 60,000	September2014 May2018
Fourth	USD 100 million	First Second Third	Sole A A	PEN PEN PEN	40,000 80,000 100,000	40,000 80,000 100,000	40,000 80,000 100,000	August2020 August2020 August2018
Fifth	USD 250 million	First Second Fifth Sixth	A A Sole A	PEN PEN PEN USD	50,000 150,000 200,000 54,000	50,000 150,000 183,337 156,060	50,000 150,000 186,851 150,930	December2016 December2026 October2019 July2016
First international issuance	USD 500 million	First	Sole	USD	500,000	1,445,000	1,397,500	August2022
Second international issuance	USD 300 million	First	Sole	USD	300,000	866,000	837,157	July2016
Third international issuance	USD 500 million	Third	Sole	USD	500,000	1,414,348	1,362,774	April2018
						4,544,745	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	39,763 57,800 70,003	39,744 55,900 68,124	May2022 May2027 June2032
Second	USD 100 million	First Second Third Fourth Fifth Sixth	A A A Sole Sole A	USD PEN USD PEN PEN PEN	20,000 50,000 20,000 45,000 50,000 30,000	57,479 62,326 57,800 54,132 59,370 35,008	55,577 60,652 55,900 52,679 57,776 34,068	September2017 November2032 February2028 July2023 September2023 December2033
Third	USD 55 millon	First	Sole	USD	45,000	130,050	122,980	Octubre2028
First	USD 300 million	First	Sole	USD	300,000	861,071	-	Setiembre2029
						1,484,802	603,400	
Lease Bonds								
First	USD 200 million	First Second Third Fourth	A A A A	USD PEN PEN PEN	25,000 30,000 40,000 200,000	72,250 - 40,000 200,000	69,875 30,000 40,000 -	April2016 September2014 November2014 May2017
						312,250	139,875	
Certificates of deposits						54,625	-	
Notes								
	USD 250 million	First Second	2008-A 2012- A,2012- B,2012- Cy2012- D	USD USD	250,000 235,000	180,625 649,045	279,500 656,825	December2015 June2017yJune2022
	USD 235 million							
						829,670	936,325	
Accrued Interest from Securities, Bonds and Outstanding obligations								
						66,979	65,256	
						7,293,071	6,183,918	

Corporate bonds are unsecured and bear annual interest at annual rates between 5.8% and 7.5% as of September 30, 2014 for local currency (between 5.8% and 7.5% as of December 2013) and 2.3% and 5% as of September 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). For the nine-months period ended September 30, 2014, the Bank recorded S/. 2 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/. 37 million gain for the nine-period ended September 30, 2013).

The notes issuances of June 2012 for US\$ 235 million included US\$ 70 million, hedged by an interest rate swap, which ended on June 5, 2013. For the nine-months period ended September 30, 2013, the Bank has recorded gains of 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. The issuance was hedged through an interest rate swap (Note 15-a) that ended on May 30, 2013. For the nine-months ended September 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. The 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). For the nine-months period ended September 30, 2014, Grupo Continental has recorded losses for S/. 4 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 September 30, 2013 the Bank has recorded gains for S/. 25 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 September 30, 2014, the authorized, issued and fully paid capital stock of the Bank, consisted of 3,246,530,842 outstanding ordinary shares with a face value of S/. 1 each (2,724,770,230, as of December 31, 2014).

The General Annual Shareholders’ Meetings held on March 31, 2014 and March 27, 2013, authorized an increase of the capital stock of S/. 522 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 September 30, 2014 and December 31, 2013, the stock market quotation value of the Bank’s stock was S/. 4.83 and S/. 5.30 per share, respectively, with a negotiation frequency of 100.00% as

of September 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	8,380	4.20%
De 1.01 al 5	3	3.56%
De 80.01 al 100	1	92.24%
	<u>8,384</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 funded 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.

(a) Retained Earnings

General Shareholders' Annual Meetings held on March 31, 2014 and March 27, 2013, authorized the distribution of dividends for approximately S/. 652 and S/. 623 million, respectively.

Dividends distributed to shareholders other than domiciled legal entities, are subject to income tax at a 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 and S/. 498 million, respectively.

(b) Adjustments to Equity

Adjustments to equity include unrealized gains for S/. 7 million corresponding to the available-for-sale investment portfolio as of September 30, 2014 (S/. 9 million as of December 31, 2013), S/. 3 million corresponding to unrealized gains for held-to-maturity investments as of September 30, 2014 (S/. 3 million as of December 31, 2013) and S/. 3 million for the valuation of cash flow hedge derivatives as of September 30, 2014 (S/. 3 million as of December 31, 2013).

(a) 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 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 September 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 the first tranche being 40% of the total requirement as from July 2012. The increase is annual, at 15% per year, reaching 100% on July 31, 2016. These regulations are enabled and disabled on the basis of pro-cycle provisions rule applicable to credits.

As of September 30, 2014, the Bank's Regulatory Capital, determined in accordance with current legal standards, totaled S/. 7,288 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/. 51,218 million as of September 30, 2014 (S/. 47,207 million as of December 31, 2013).

As of September 30, 2014, the Bank's capital adequacy ratio by credit, market and operational risk was 14.23% (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 million)	
	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)	954,472	942,342
Basic and diluted earnings per share	<u>0.294</u>	<u>0.290</u>

14. TRANSACTIONS WITH RELATED PARTIES

As of September 30, 2014 and December 31, 2013, Grupo Continental has granted loans, and 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>
	<u>S/. 000</u>	<u>S/. 000</u>
Assets -		
Cash and due from banks	1,478	22,406
Loan portfolio	100,904	43,271
Other assets	156,492	102,708
Liabilities -		
Deposits and obligations	156,187	251,699
Due to banks and financial obligations	7,184	-
Other liabilities	407,772	414,276
Contingentes y cuentas de orden -		
Contingent accounts	10,142,325	7,790,585
Memoranda accounts	1,938,243	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 September 30, 2014 and September 30, 2013, are comprised as follows:

	<u>2014</u>	<u>2013</u>
	<u>S/. 000</u>	<u>S/. 000</u>
Interest income	-	10
Interest expenses	(12,260)	(5,793)
Other income (expenses), net	(50,912)	(39,023)

Personnel Loans

As of September 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 September 30, 2014 and December 31, 2013, direct loans to employees, directors, executives and key staff amounted to S/. 393 and S/. 379 million, respectively.

In addition, as of September 30, 2014, key staff salaries and directors fees amounted to S/. 8 million (S/. 7 million as of September 30, 2013).

15. CONTINGENT AND MEMORANDA ACCOUNTS

a) Derivatives financial instruments

As of September 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:

September 30, 2014			
Underlying	Nominal	Assets	Liabilities
	S/. 000	S/. 000	S/. 000
Trading Derivatives			
Currency forwards	16,380,861	143,466	182,203
Commodities options and others	1,864,265	16,300	16,300
Interest rate options	271,778	466	466
Currency swap	7,394,400	439,120	329,811
Interest rate swap	4,707,265	30,645	54,575
Provision for country risk		(5)	
Total trading derivatives	30,618,569	629,992	583,355
Hedging Derivatives			
At Fair Value (i)			
Currency swap	Bond issued	218,030	-
			32,174
Interest rate swap	Due to Banks	1,445,000	12,145
			-
Interest rate swap	Bond issued	1,445,000	-
			20,478
Cash Flows (ii)			
Interest rate swap	Due to Banks	578,000	3,513
			-
Total Derivados de cobertura		3,686,030	15,658
			52,652
TOTAL		34,304,599	645,650
			636,007

December 31, 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	Bond issued	210,863	-
			26,050
Interest rate swap	Due to Banks	1,397,500	19,891
			-
Interest rate swap	Bond issued	1,608,363	2,628
			25,868
Cash Flows (ii)			
Interest rate swaps	Due to Banks	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 September 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/. 218 million. Through this Cross Currency Swap, the Bank converts its fixed-rate local currency issuance into a variable-rate US Dollar issuance. As of September 30, 2014, the fair value of the CCS amounted to S/. 2 million (loss), and is included in the "Results from financial operations" of the consolidated statement of income (as of September 30, 2013 the fair value amounted to a loss of S/. 37 million).
- (ii) As of September 30, 2014, Grupo Continental had contracted an Interest Rate Swap (IRS) for a nominal amount of S/. 2,890 million, with the purpose of changing the USD fix interest rate debt into variable. 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 September 30, 2014, the total variation of the fair value of interest rate swaps amounted to S/. 2 million (loss) and is included in the "Results from financial operations" of the consolidated statement of income (as of September 30, 2013 the variations of the fair value amounted to a loss of S/. 69 million).

Cash flow hedging derivative

- (iii) As of September 30, 2014, Grupo Continental had entered into Interest Rate Swaps for a nominal amount of S/. 578 million to hedge interest rates on fixed rate debt. 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 September 30, 2014, the total variation of the fair value of interest rate swaps amounted to S/. 3 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\$ 63 million (residual amount as of September 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\$ 100 million (Series 2010-A) as of September 30, 2014. 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\$ 225 million. This note issue has two maturities: (i) US\$ 115 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 September 30, 2014.

16. INTEREST INCOME

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

17. INTEREST EXPENSES

Interest expenses for the third quarter of 2014 compared to the third quarter of 2013 decreased by 8%, mainly by the net effect of decreasing interest obligations to the public interest and increasing interest in securities, debts and financial obligations.

18. ADMINISTRATION EXPENSES

During the third quarter of 2014 compared to the third quarter of 2013, administrative expenses increased by 7%. 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. FEES (NET)

During the third quarter of 2014 compared to the third quarter of 2013, income and expenses from financial services increased by 9%. This category includes collection operations, transfer, consulting, brokering or lending 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 that could significantly affect the financial statements