OFFERING CIRCULAR

BBVA Continental

US$500,000,000
5.000% Senior Notes due 2022

BBVA Banco Continental, a bank organized and existing under the law of the Republic of Peru (the "Bank"), is offering US$500,000,000 aggregate principal amount of the Bank's senior notes due 2022 (the "Notes"). The Notes will mature on August 26, 2022. The Notes will bear interest of 5.000% per year and will be payable on February 26 and August 26 of each year, commencing on February 26, 2013.

Payments in respect of the Notes will be made without deduction of, withholding for or on account of, taxes imposed by the Republic of Peru and the United States, subject to certain exceptions. See "Description of the Notes—Payment of Additional Amounts."

The Bank may redeem the Notes, in whole or in part, at any time by paying the greater of 100% of the principal amount of the notes and the applicable ''make-whole'' premium amount, plus, in each case, accrued interest to the redemption date. In the event of certain changes in the applicable rate of Peruvian withholding tax, the Bank may redeem the Notes, in whole but not in part, at a price equal to 100% of their principal amount, plus accrued interest to the redemption date. In the event of certain changes in the applicable rate of Peruvian value added tax, the Bank may redeem the Notes, in whole but not in part, at a price equal to, the greater of 100% of the principal amount and the applicable "make-whole" premium amount, plus, in each case, accrued interest to the redemption date. See "Description of the Notes—Redemption at Maturity."

The Notes are the Bank's senior unsecured obligations and rank in right of payment with the Bank's other senior unsecured obligations in accordance with Peruvian banking law. See "Banking Supervision and Regulation—Intervention by the SBS and Liquidation." The Notes are not guaranteed by the Bank's parent company or any of the Bank's subsidiaries.

For a more detailed description of the Notes, see "Description of the Notes" beginning on page 131.

This offering circular constitutes a prospectus pursuant to part IV of the Luxembourg law of July 10, 2005, as amended, implementing the Prospectus Directive 2003/71/EC. Application has been made to list the Notes on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF market.

Investing in the Notes involves risks. See "Risk Factors" beginning on page 18.

Issue Price of Notes: 100%

each, plus accrued interest, if any, from and including August 29, 2012

The Notes have not been registered under the United States Securities Act of 1933, as amended (the "Securities Act") or under the securities laws of any other jurisdiction. The Notes were offered and sold only to investors that are either (1) qualified institutional buyers ("QIBs") in reliance on Rule 144A under the Securities Act or (2) non-U.S. Persons outside of the United States (within the meaning of Regulation S of the Securities Act). Prospective purchasers are hereby notified that the sellers of the Notes may be relying on the exemptions from the provisions of Section 5 of the Securities Act provided by Rule 144A. Each purchaser of Notes will be deemed, by its acceptance of such Notes, to have made certain representations and agreements intended to restrict transfers of the Notes as described under "Notice to Investors." No holder or beneficial owner of the Notes may transfer the Notes except to a transferee who can make the same deemed representations and agreements as set forth in the "Notice to Investors" on behalf of itself and each account for which it is purchasing. Any transfer in breach of the transfer restrictions set forth in "Notice to Investors" will be void *ab initio*, and will not operate to transfer any rights to the transferee.

The Bank has registered the Notes and this offering circular with the Peruvian Superintendency of Capital Markets (*Superintendencia del Mercado de Valores*, or "SMV"). In Peru, this constitutes a public offering directed exclusively to "institutional investors" (as such term is defined under the Seventh Final Disposition of CONASEV Resolution No. 141-98-EF/94.10, as amended). The Notes and this offering circular have been registered with the SMV in accordance with the procedure set forth in Section IV.2.A.b).4 of the Manual for Compliance with the Requirements Applicable to the Public Offering of Securities (*Manual para el Cumplimiento de los Requisitos Aplicables a Ofertas Públicas de Valores Mobiliario*s), as amended by SMV Resolution No. 004-2011-EF/94.01.1.

Delivery of the Notes was made on August 29, 2012.

Joint Bookrunners

BBVA **BofA Merrill Lynch** **Goldman, Sachs & Co.**

Peruvian Placement Agent

Continental Bolsa Sociedad Agente de Bolsa S.A.

The date of this offering circular is September 14, 2012.

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You should rely only on the information contained in this offering circular. No one has been authorized to provide you with information that is different. This document may only be used where it is legal to sell these securities. The information in this document may only be accurate on the date of this document.

Unless otherwise indicated or the context otherwise requires, all references in this offering circular to "the Bank," refer to BBVA Banco Continental and its consolidated subsidiaries. References to "BBVA Banco Continental" are references to BBVA Banco Continental only.

This offering is made in reliance upon an exemption from registration under the Securities Act for offers and sales of securities that do not involve a public offering. By purchasing the Notes, you will be deemed to have made the acknowledgements, representations and agreements described under "Notice to Investors" in this offering circular. No offer is being made to sell the Notes in any jurisdiction except where such an offer or sale is permitted. The Notes may not be transferred or resold except as permitted under the Securities Act and related regulations and applicable state securities laws. You should understand that you will be required to bear the financial risks of your investment for an indefinite period of time.

The distribution of this offering circular, or any part thereof, and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. This offering circular may only be used for the purposes for which it has been published. Any persons in possession of this offering circular are required to become familiar with and to observe such restrictions. For a description of restrictions on offers, sales and deliveries of the Notes and on the distribution of this offering circular, see "Notice to Investors" and "Plan of Distribution."

This offering circular does not constitute an offer of, or an invitation by or on behalf of any entity, or any of such entity's directors, officers and affiliates to subscribe for or purchase any securities in any jurisdiction to any person to whom it is unlawful to make such an offer in such jurisdiction. Each purchaser of the Notes must comply with all applicable laws and regulations in force in each jurisdiction in which it purchases, offers or sells such Notes or possesses or distributes this offering circular and must obtain any consent, approval or permission required by it for the purchase, offer or sale by it of such Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers or sales. Neither the delivery of this offering circular nor any sale made hereunder shall under any circumstances imply that there has been no change in the Bank's affairs, or the affairs of the Bank's subsidiaries, or that the information set forth in this offering circular is correct as of any date subsequent to the date of this offering circular.

This offering circular has been prepared solely for use in connection with the proposed offering of the Notes. Rights are reserved to reject any offer to purchase, in whole or in part, for any reason, or to sell less than all of the Notes offered by this offering circular. Banco Bilbao Vizcaya Argentaria, S.A. ("BBVA"), Merrill Lynch, Pierce, Fenner & Smith Incorporated ("BofA Merrill Lynch") and Goldman, Sachs & Co. will act as initial purchasers with respect to the offering of the Notes.

You must (1) comply with all applicable laws and regulations in force in any jurisdiction in connection with the possession or distribution of this offering circular and the purchase, offer or sale of the Notes, and (2) obtain any required consent, approval or permission for the purchase, offer or sale by you of the Notes under the laws and regulations applicable to you in force in any jurisdiction to which you are subject or in which you make such purchases, offers or sales, and neither the Bank nor the initial purchasers or their agents have any responsibility therefor. See "Notice to Investors" for information concerning certain transfer restrictions applicable to the Notes.

You acknowledge that:

- you have been afforded an opportunity to request from us, and to review, all additional information considered by you to be necessary to verify the accuracy of, or to supplement, the information contained in this offering circular;

- you have not relied on any initial purchaser or its respective agents or any person affiliated with any initial purchaser or its respective agents in connection with your investigation of the accuracy of such information or your investment decision; and

- no person has been authorized to give any information or to make any representation concerning the Bank or the Notes other than those as set forth in this offering circular. If given or made, any such other information or representation should not be relied upon as having been authorized by us, the initial purchasers or their agents.

The Notes are not deposits with the Bank and are not insured by the United States Federal Deposit Insurance Corporation or any other United States governmental agency or any Peruvian governmental agency.

In making an investment decision, you must rely on your own examination of the business of the Bank and the terms of this offering, including the merits and risks involved. These Notes have not been recommended by the Securities and Exchange Commission (the "SEC") or any state securities commission, or by the Peruvian Superintendency of Capital Markets (the "SMV") or any other regulatory authority. Furthermore, these authorities have not confirmed the accuracy or determined the adequacy of this offering circular. Any representation to the contrary is a criminal offense. You should not construe the contents of this offering circular as legal, business or tax advice. You should consult your own attorney, business advisor or tax advisor.

This offering circular may only be used for the purpose for which it has been published. Neither the initial purchasers nor any of their agents is making any representation or warranty as to the accuracy or completeness of the information contained in this offering circular, and nothing contained in this offering circular is, or shall be relied upon as, a promise or representation, whether as to the past or the future. Neither the initial purchasers nor any of their agents has independently verified all of such information and assumes no responsibility for the accuracy or completeness of the information contained in this offering circular.

See "Risk Factors," following "Offering Circular Summary," for a description of certain factors relating to an investment in the Notes, including information about the business of the Bank. None of the Bank, the initial purchasers or any of their respective representatives is making any representation to you regarding the legality of an investment by you under applicable legal investment or similar laws. You should consult with your own advisors as to legal, tax, business, financial and related aspects of a purchase of the Notes.

YOU ARE HEREBY INFORMED THAT THE DESCRIPTION SET FORTH HEREIN WITH RESPECT TO U.S. FEDERAL TAX ISSUES WAS NOT INTENDED OR WRITTEN TO BE USED, AND SUCH DESCRIPTION CANNOT BE USED, BY ANY TAXPAYER FOR THE PURPOSE OF AVOIDING ANY PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER UNDER THE U.S. INTERNAL REVENUE CODE. SUCH DESCRIPTION WAS WRITTEN TO SUPPORT THE MARKETING OF THE NOTES. THIS DESCRIPTION IS LIMITED TO THE U.S. FEDERAL TAX ISSUES DESCRIBED HEREIN. IT IS POSSIBLE THAT ADDITIONAL ISSUES MAY EXIST THAT COULD AFFECT THE U.S. FEDERAL TAX TREATMENT OF THE NOTES, OR THE MATTERS THAT ARE THE SUBJECT OF THE DESCRIPTION NOTED HEREIN, AND THIS DESCRIPTION DOES NOT CONSIDER OR PROVIDE ANY CONCLUSIONS WITH RESPECT TO ANY SUCH ADDITIONAL ISSUES. TAXPAYERS SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

The Notes were available initially only in book-entry form. The Notes that were offered and sold in the United States to U.S. Persons who are QIBs in reliance upon Rule 144A are represented by beneficial interests in a single, permanent global note in fully registered form without interest coupons (the "Rule 144A Note"). The Notes offered and sold outside the United States to non-U.S. persons pursuant to Regulation S are represented by beneficial interests in a single, permanent global note in fully registered form without interest coupons (the "Regulation S Note," and together with the Rule 144A Note, the "Global Notes"). The Global Notes have been accepted for clearance through Clearstream International S.A. and the Euroclear Bank S.A./N.V., as operator of the

Euroclear System. After the initial issuance of the Global Notes, certificated notes may be issued in registered form in very limited circumstances.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER RSA 421-B WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER, OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

NOTICE TO PERU RESIDENTS

IN PERU, THIS CONSTITUTES A PUBLIC OFFERING DIRECTED EXCLUSIVELY TO "INSTITUTIONAL INVESTORS" (AS SUCH TERM IS DEFINED UNDER THE SEVENTH FINAL DISPOSITION OF CONASEV RESOLUTION NO. 141-98-EF/94.10, AS AMENDED).

THE NOTES AND THIS OFFERING CIRCULAR HAVE BEEN REGISTERED WITH THE SMV IN ACCORDANCE WITH THE PROCEDURE SET FORTH IN SECTION IV.2.A.B).4 OF THE MANUAL FOR COMPLIANCE WITH THE REQUIREMENTS APPLICABLE TO THE PUBLIC OFFERING OF SECURITIES (*MANUAL PARA EL CUMPLIMIENTO DE LOS REQUISITOS APLICABLES A OFERTAS PÚBLICAS DE VALORES MOBILIARIOS*), AS AMENDED BY SMV RESOLUTION NO. 004-2011-EF/94.01.1, APPLICABLE TO U.S. OFFERINGS IN RELIANCE OF RULE 144A UNDER THE SECURITIES ACT WITH A PERUVIAN COMPONENT.

THE NOTES SOLD IN PERU ARE SUBJECT TO THE TRANSFER AND RESALE RESTRICTIONS SET FOR IN CONASEV RESOLUTION NO. 079-2008-94.01.1, AS AMENDED.

NOTICE TO HONG KONG RESIDENTS

THE CONTENTS OF THIS DOCUMENT HAVE NOT BEEN REVIEWED BY ANY REGULATORY AUTHORITY IN HONG KONG. YOU ARE ADVISED TO EXERCISE CAUTION IN RELATION TO THE OFFER. IF YOU ARE IN ANY DOUBT ABOUT ANY OF THE CONTENTS OF THIS DOCUMENT, YOU SHOULD OBTAIN INDEPENDENT PROFESSIONAL ADVICE.

WHERE YOU CAN FIND MORE INFORMATION

The following documents will be made available to the holders of the Notes, at the corporate trust office of the Indenture Trustee at no cost: copies of the Indenture (as defined herein) as well as this offering circular, and the annual audited consolidated financial statements of the Bank prepared in conformity with generally accepted accounting principles prescribed for financial institutions subject to supervision by the Superintendency of Banks, Insurance and Private Pension Fund Administrators, or SBS, ("Peruvian GAAP"). Information is also available at the office of the Luxembourg listing agent, so long as the Notes are listed on the Luxembourg Stock Exchange and the rules thereof so require.

Application has been made to list the Notes on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF market in accordance with its rules. This offering circular forms, in all material respects, the listing circular for admission to the Luxembourg Stock Exchange. The Luxembourg Stock Exchange will require certain undertakings in connection with the listing of Notes, including the provision to it of certain financial information, so long as the Notes are listed on the Luxembourg Stock Exchange and the rules thereof so require.

ENFORCEMENT OF JUDGMENTS

The Bank is a bank organized and existing under the laws of Peru. All of its directors and officers reside outside the United States, and all or a significant portion of the assets of such persons may be, and substantially all of its assets are, located outside the United States. As a result, it may not be possible to effect service of process upon such persons or entities outside Peru or to enforce against them in the courts of jurisdictions other than Peru any judgments obtained in such courts that are predicated upon the laws of such other jurisdictions.

Any final and conclusive judgment for a fixed and definitive sum obtained against the Bank in any foreign court having jurisdiction in respect of any suit, action or proceeding against it for the enforcement of any of its obligations in support of the Notes that are governed by New York law will, upon request, be deemed valid and enforceable in Peru without the local court reopening or re-examining the case, reviewing the merits of the cause of action in respect to which such judgment was given or re-litigating the merits adjudicated upon, provided that the following requirements are met:

(i) the judgment does not resolve matters under the exclusive jurisdiction of Peruvian courts (and the matters contemplated by this offering circular are not matters under the exclusive jurisdiction of Peruvian courts);

(ii) such court had jurisdiction under its own conflicts of law rules and under general principles of international procedural jurisdiction;

(iii) the Bank received service of process in accordance with the laws of the jurisdiction of the court rendering such judgment, was granted a reasonable opportunity to appear before such foreign court, and was guaranteed due process rights;

(iv) the judgment has the status of *res judicata* as defined in the jurisdiction of the court rendering such judgment;

(v) no pending litigation in Peru between the same parties for the same issue was initiated before the commencement of the proceeding that concluded with the foreign judgment;

(vi) the judgment is not incompatible with another judgment that fulfills the requirements of recognition and enforceability established by Peruvian law unless such foreign judgment was rendered first;

(vii) the judgment is not contrary to Peruvian national sovereignty, public order or good morals;

(viii) it is not proven that such foreign court denies enforcement of Peruvian judgments or engages in a review of the merits thereof;

(ix) such final judgment has been duly authenticated by a Peruvian consulate in the country in which it was issued and is accompanied by a certified, sworn translation of such judgment in Spanish; and

(x) there is in effect a treaty between the country where said foreign court sits and Peru regarding the recognition and enforcement of foreign judgments. In the absence of such a treaty, the reciprocity rule is applicable (such reciprocity rule being presumed), under which a judgment given by a foreign competent court will be admissible in the Peruvian courts and will be enforceable thereby, except if according to such foreign law: (i) judgments issued by Peruvian courts are not admissible in such foreign country or (ii) judgments issued by Peruvian courts are subject to re-examination by such competent court of the issues dealt with therein.

There is no reason to believe that any such judgment would be under the exclusive jurisdiction of Peruvian courts or that any of the Bank's obligations in support of the Notes, which are governed by New York law, would be contrary to Peruvian public policy and international treaties binding upon Peru or generally accepted principles of international law.

In connection with the issuance of the Notes, the Bank has designated CT Corporation System as its agent upon whom process may be served in connection with any proceedings in New York.

FORWARD-LOOKING STATEMENTS

This offering circular contains forward-looking statements. Examples of such forward-looking statements include, but are not limited to, the following: (1) statements regarding the future results of operations and financial condition of the Bank, (2) statements of plans, objectives or goals, including those related to the operations of the Bank, and (3) statements of assumptions underlying such statements. Words such as "believe," "anticipate," "should," "estimate," "forecast," "expect," "may," "intend" and "plan" and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements.

Forward-looking statements involve inherent risks and uncertainties, both general and specific, and there are risks that the predictions, forecasts, projections and other forward-looking statements will not be achieved. The Bank cautions investors that a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed or implied in such forward-looking statements. These factors include the following:

- events in the global economy and the global financial system;
- changes in the preferences and financial condition of the Bank's consumers, and competitive conditions in the markets the Bank serves;
- changes in overall economic conditions in Peru, including exchange rates, interest rates or the rate of inflation, and changes in political and business conditions in Peru;
- governmental interventions resulting in changes in the Peruvian economy, taxes, tariffs or regulatory environment;
- the effect of changes in accounting principles, new legislation, intervention by regulatory authorities, government directives or monetary or fiscal policy in Peru;
- the Bank's ability to compete successfully;
- changes in the Bank's business;
- the effect of the implementation of any aspect of the Bank's business strategy;
- the Bank's ability to implement marketing strategies successfully;
- the Bank's identification of business opportunities;

- the Bank's ability to develop and introduce new products and services;
- changes in the cost of products and the Bank's operating costs;
- the Bank's level of indebtedness and other financial obligations;
- the Bank's ability to attract new customers;
- the Bank's ability to maintain existing business relationships and to create new relationships;
- limitations on the Bank's access to sources of financing on competitive terms;
- restrictions on foreign currency convertibility and remittance outside Peru;
- failure to meet capital or other requirements;
- changes in reserve requirements; and
- management's belief that pending legal and administrative proceedings will not have a materially adverse effect on the Bank's business, financial condition or results of operations.

Potential investors should read the sections of this offering circular entitled "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "The Bank" for a more complete discussion of the factors that could affect the future performance of the Bank and the markets in which the Bank operates.

Should one or more of these factors or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, believed, estimated, expected or intended, as described in this offering circular. The Bank does not have any intention to update these forward-looking statements.

Moreover, no assurances can be given that any of the historical information, data, trends or practices mentioned and described in this offering circular are indicative of future results or events.

PRESENTATION OF CERTAIN FINANCIAL AND OTHER INFORMATION

Accounting Principles

This offering circular includes the Bank's audited consolidated financial statements as of and for the years ended December 31, 2011 and 2010 and December 31, 2010 and 2009 (the "Audited Financial Statements"), and the Bank's unaudited interim condensed consolidated financial statements as of June 30, 2012 and for the six-month periods ended June 30, 2012 and June 30, 2011 (the "Interim Unaudited Financial Statements," and together with the Audited Financial Statements, the "Financial Statements"), all stated in Peruvian Nuevos Soles.

The Financial Statements have been prepared and presented in accordance with Peruvian GAAP. Peruvian GAAP differs in certain significant respects from International Financial Reporting Standards ("IFRS") and United States Generally Accepted Accounting Principles ("U.S. GAAP"). For a description of highlights of certain differences among Peruvian GAAP, U.S. GAAP and IFRS, see "Annex A—Principal Differences among Peruvian GAAP, U.S. GAAP and IFRS (as adopted by the IASB)." Unless otherwise indicated, the financial information presented herein is based upon the Financial Statements.

The Audited Financial Statements have been audited by Beltran, Gris y Asociados S.C.R.L., a Peruvian entity that is a member firm of Deloitte Touche Tohmatsu Limited, as stated in their reports appearing herein.

Currencies

Unless otherwise specified or the context otherwise requires, references in the Financial Statements to "$," "US$," "Dollars" and "U.S. Dollars" are to United States Dollars and references to "S/.," "Nuevo Sol" or "Nuevos Soles" are to Peruvian Nuevos Soles.

For the convenience of the reader, this offering circular presents translations of certain Nuevo Sol amounts into U.S. Dollars at specified rates, or the S/./$ exchange rate.

No representation is made that the Nuevo Sol or U.S. Dollar amounts in this offering circular could have been or could be converted into U.S. Dollars or Nuevos Soles, as the case may be, at any particular rate or at all. Unless otherwise indicated, the Bank has translated Nuevos Soles amounts into U.S. Dollars at an exchange rate of S/. 2.671 per US$1.00, based on the exchange rate reported by the SBS on June 30, 2012. See "Exchange Rates and Currency" for information regarding rates of exchange between the Nuevo Sol and U.S. Dollar for the periods specified therein. For a discussion of the effects on the Bank of fluctuating exchange rates, see "Management's Discussion and Analysis of Financial Condition and Results of Operations." For a discussion of how the value of the Nuevo Sol may affect the Bank's business, financial condition and results of operations and the value of its securities, read the section of this offering circular entitled "Risk Factors."

Terms Relating to the Bank's Loan Portfolio and Business

- "Total gross loans" for 2011, 2010 and 2009 includes deferred interest on discounted notes, refinanced loans, restructured loans and leasing receivables and excludes accrued interest and provision for loan losses.
- "Performing loans" refers, for purposes of the Bank's consolidated financial information, to loans that do not include past due loans and legal collection loans, which are past due loans that are in the judiciary collection process and, for purposes of the SBS, loans that do not include refinances and restructured loans.
- "Non-performing loans" refers to past due loans plus legal collection loans.

Terms Relating to the Bank's Capital Adequacy

- "Regulatory capital" refers to the sum of tier 1 regulatory capital or basic capital and supplementary capital.
- "Basic capital or tier 1 capital" refers to the tier 1 regulatory capital (*patrimonio efectivo básico ó de Nivel 1*) of the Bank calculated in accordance with article 184(A) of the Peruvian Banking Law, as amended, restated, supplemented or replaced from time to time.
- "Supplementary capital" refers to the sum of tier 2 and tier 3 regulatory capital (*patrimonio efectivo suplementario*), calculated in accordance with Article 184(B) of the Peruvian Banking Law, as amended, restated, supplemented or replaced from time to time.

Other Definitions

- "Retail banking" refers to the Bank's line of business that serves individuals and small businesses with annual sales under US$1.4 million.
- "Middle market banking" refers to the Bank's line of business that serves companies with annual sales of US$1.4 million to US$75 million, institutional customers and government entities.
- "Corporate banking" refers to the Bank's line of business that serves large corporate groups with annual sales equal to or greater than US$75 million and multinational corporations.

Rounding Adjustments

The Bank has made rounding adjustments to certain numbers included in the offering circular. As a result, numerical figures presented as totals may not always be the arithmetic aggregations of their components, as presented.

Market and Industry Information

Market data and certain industry data used in this offering circular were obtained from internal reports and studies, where appropriate, as well as estimates, market research, publicly available information (including information available from the SBS, the *Banco Central de Reserva del Perú* (Central Reserve Bank of Peru or the "Central Bank") and the Peruvian Ministry of Economy and Finance and industry publications. Market share, ranking, dollarization and loans and deposit data obtained from the SBS is limited to the banking operations of Peruvian banks, including any foreign branches and representative offices of Peruvian banks. However, such SBS information excludes all Peruvian and foreign subsidiaries of Peruvian banks. Therefore, it excludes the operations of the Bank's subsidiaries, including Continental Bolsa Sociedad Agente de Bolsa S.A. ("Continental Bolsa"), BBVA Asset Management Continental S.A. Sociedad Administradora de Fondos ("Continental Fondos"), Continental Sociedad Titulizadora S.A. ("Continental Titulizadora") and Inmuebles y Recuperaciones Continental S.A. ("IRCSA"). The Bank believes that the information from these sources is reliable, but cannot assure you as to the accuracy and completeness of such information. Similarly, internal reports and studies, estimates and market research, while believed to be reliable and accurately extracted by the Bank for the purposes of this offering circular, have not been independently verified. The Bank takes responsibility for the correct reproduction and extraction of this information.

OFFERING CIRCULAR SUMMARY

The following summary is qualified in its entirety by the detailed information appearing elsewhere in this offering circular. For a more complete understanding of the Bank and the offering made herein, you should read the entire offering circular, including the risk factors and the Financial Statements appearing elsewhere in this offering circular.

The Bank is the second largest bank in Peru in terms of assets, loans, deposits and branches and the third in terms of shareholders' equity. As of June 30, 2012, the Bank had total assets of S/. 47,314 million (US$17,714 million), total net direct loans of S/. 30, 459 million (US$11,403 million), total deposits of S/. 31,923 million (US$11,952 million) and total shareholders' equity of S/. 3,589 million (US$1,344 million). As compared to its peers, the Bank ranked first in terms of efficiency and profitability (as measured by return on average shareholders' equity, or "ROE") with a higher quality loan portfolio than the Peruvian banking industry's average, according to the SBS. The Bank had a consolidated efficiency ratio of 35.02%, a ROE of 33.10%, a default rate (calculated as the ratio of non-performing loans to total gross loans) of 1.20% and a coverage ratio (calculated as the provision for loan losses divided by non-performing loans) of 352.13%, as of June 30, 2012. Through the Bank's 312 branches, the Bank reaches more than 2.7 million customers and operates in almost every region of Peru. As of June 30, 2012, the Bank's performing loans and deposits represented 23.6% and 22.9%, respectively, of the Peruvian banking industry, as calculated by the SBS. The banking industry in Peru remains heavily concentrated among four dominant banks that have a collective market share of approximately 84% of performing loans and 82% of deposits.

The Bank is a full service financial institution providing a wide variety of banking and financial products and services to individual and commercial customers in Peru. In addition to operating through the Bank's nationwide network of 312 branches (the second largest branch network in the country), the Bank serves its customers through 1,174 wholly-owned automated teller machines ("ATMs") and access to over 1,700 ATMs owned by a third-party provider. As of December 31, 2011, the Bank had double-digit annual growth in terms of its distribution network, including branches, ATMs and express agents, according to the SBS.

The Bank places significant focus on distributing its banking services efficiently, including through the use of telephone and online banking services. Through the Bank's wholly-owned subsidiaries, it offers specialized financial services to complement its commercial banking activities, including brokerage services offered through Continental Bolsa, asset management services offered through Continental Fondos and securitization services offered through Continental Titulizadora.

For the six months ended June 30, 2012, the Bank's net income was S/. 604 million, compared to S/. 530 million for the six months ended June 30, 2011. The 13.9% increase from period-over-period is in line with the Bank's strategic objectives planned for 2012 and reflects an increase in financial income (mainly in interest on loans) and in income from financial services due to the Bank's client-focused strategy along with efficient management of risks and expenses.

For the year ended December 31, 2011, the Bank's net income was S/. 1,129 million, compared to S/. 1,006 million for the year ended December 31, 2010 and S/. 928 million for the year ended December 31, 2009. The year-over-year increases of 12.2% and 8.5%, respectively, reflect high levels of growth in the Bank's retail, middle-market and corporate banking loan portfolio as a result of the solid underlying performance of Peru's economy.

The Bank's main funding source is deposits from the public, which is a cost effective source of funding. As of June 30, 2012, total deposits represented 73.0% of the Bank's total liabilities. The Bank has been able to complement funding from deposits with diversified funding from multilateral institutions and other foreign financing sources as well as through the issuance of debt instruments in the domestic and international capital markets. The Bank's capital adequacy ratio as of June 30, 2012 was 13.9%, above the Peruvian regulatory limit of 10.0%.

The Bank's financial performance for the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012 was reported on a consolidated basis and not in accordance with SBS reporting because, pursuant to SBS reglations, the SBS information is not consolidated. Certain measurements of the Bank's consolidated financial performance for such periods are set forth in the table below. Since 2009, the Bank has achieved consistent growth and profitability while maintaining healthy asset quality ratios.

Consolidated Financial Indicators

	As of and for the Six Months Ended June 30,	As of and for the Years Ended December 31,		
	2012	2011	2010	2009
Return on average assets (1)	2.70%	2.82%	2.97%	2.92%
Return on average shareholders' equity (2)	33.10%	31.85%	32.08%	36.22%
Net interest margin (3)	7.57%	7.79%	8.24%	8.46%
Efficiency ratio (4)	35.02%	36.09%	32.88%	31.85%
Total non-performing loans over total gross loans	1.20%	0.92%	1.04%	1.04%
Provisions for loan losses as a percentage of total gross loans (5)	4.24%	4.10%	4.14%	4.15%
Provisions for loan losses as a percentage of non-performing loans (5)	352.13%	446.87%	396.53%	401.19%

(1) Return on average assets was calculated as net income over average total assets. Net income for the six months ended June 30, 2012 was annualized and return on average assets was calculated over average total assets for such six month period.

(2) Return on average shareholders' equity was calculated as net income over average shareholders' equity. Net income for the six months ended June 30, 2012 was annualized and return on average shareholders' equity for such six month period.

(3) Net interest margin was calculated as gross financial margin over average interest earnings assets (interbank funds, Investments in securities, net, loans, net). Net interest margin was calculated over total interest earning assets for such six month period.

(4) The efficiency ratio was calculated as administrative expenses, which includes personnel, administrative, depreciation and amortization expenses, over operating revenue, which is the aggregate of gross financial margin and income from financial services.

(5) Provisions for loan losses only includes reserves established for direct loans.

The Bank's Corporate Structure

The Bank's subsidiaries include:

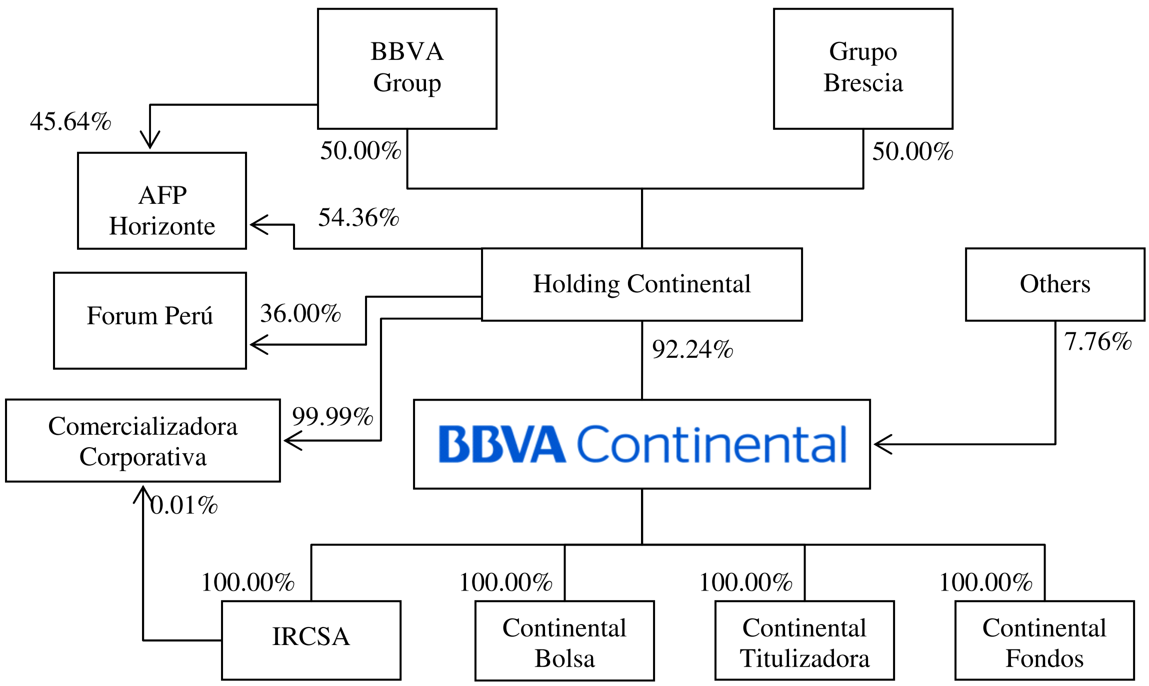
- **Continental Bolsa**, a wholly-owned subsidiary engaged in portfolio advisory and brokerage services on the *Bolsa de Valores de Lima* (the Lima Stock Exchange, or the "BVL");

- **Continental Fondos**, a wholly-owned subsidiary dedicated to the administration of mutual funds;

- **Continental Titulizadora**, a wholly-owned subsidiary which provides trustee services for asset securitizations structured by BBVA Banco Continental; and

- **IRCSA**, a wholly-owned subsidiary which manages troubled assets and foreclosed property and equipment.

The following chart presents the Bank's corporate structure, including the Bank's parent company and the respective ownership interests in such entity, indicating subsidiaries and respective ownership interests as of the date of this offering circular:



The Bank's History

The Bank was founded on August 20, 1951 by a group of private individuals to provide financial services in Peru. In 1970, the Bank was nationalized by the Peruvian government, and remained as a state-owned entity until it was privatized in 1992. In May 1995, a consortium named Holding Continental S.A. ("Holding Continental") formed by the Spanish group Banco Bilbao Vizcaya ("BBV") and certain entities forming a part of a Peruvian group associated with the Brescia family of Peru ("Grupo Brescia") purchased 60.00% of the Bank's shares. In July 1998, the Peruvian government sold its remaining shares in the Bank, or the equivalent of 19.12% of the Bank's total shares, in an initial public offering. Since 1995, Holding Continental has increased its ownership stake in BBVA Banco Continental, and currently holds approximately 92.24% of the Bank's outstanding capital stock. The remaining 7.76% of the Bank's shares are sold on the Lima stock exchange, and principal shareholders include the four Peruvian administrative pension funds (AFP Integra S.A., AFP Horizonte S.A., Prima AFP S.A. and Profuturo AFP S.A.). Holding Continental is owned 50.00% by BBVA, a leading Spanish bank (together with its subsidiaries, the "BBVA Group"), and 50.00% by certain entities forming a part of Grupo Brescia. The Bank's financial results and financial position are consolidated into the financial statements of BBVA Group.

Competitive Strengths

The Bank's main competitive strengths are:

Leading Position in the Peruvian Banking Sector

The Bank believes its strong brand recognition and solid reputation have contributed to its leading position in Peru. The Bank has been one of the leading financial institutions in the Peruvian financial system for almost

60 years and has grown considerably in recent years, reflecting the success of its franchise and continuing improvements in the Peruvian economy. As of June 30, 2012, the Bank had a 23.58% market share in terms of performing loans, ranking second among Peruvian banks, according to the SBS. The Bank had approximately 2,745,000 total customers, comprised of approximately 2,470,000 retail customers and 275,000 middle-market and corporate customers as of June 30, 2012. The following table depicts the Bank's position in various categories and business lines:

	As of June 30, 2012		**As of December 31, 2011**	
	Market Share (%)	**Rank**	**Market Share (%)**	**Rank**
Commercial loans[1]	24.8	2	25.2	2
Consumer loans[1]	12.7	3	12.7	3
Residential mortgage loans[1]	30.8	2	30.7	2
Total loans[1]	23.6	2	23.9	2
Deposits[2]	22.9	2	23.3	2
Demand	23.6	2	24.0	2
Savings	24.3	2	23.2	2
Time	22.8	2	24.4	1
Mutual funds (assets managed)	21.9	2	22.2	2
Credit card accounts	10.4	4	9.7	4
Shareholders' equity	17.8	3	19.0	3
Net income	26.6	2	26.1	2
Branches	17.2	2	16.7	2
ATM locations	17.7	3	19.0	3

(1) This information is based on performing loans.
(2) This information includes demand deposits, savings deposits, time deposits and other deposits.

Source: SBS and Asociación de Bancos del Perú ("ASBANC")

Through the high quality of the Bank's services, the availability of a variety of products that are tailored to the specific needs of its customers, the Bank's effective loan approval processes and its marketing programs, the Bank believes that it has created a positive image among its customers which allows the Bank to continue to expand its business.

Operating in a Stable Economic Environment within Latin America

The Bank conducts substantially all of its business in Peru. The Peruvian economy has been recognized as one of the most stable in Latin America, as evidenced by its investment grade ratings from Standard & Poor's Financial Services LLC ("Standard & Poor's"), Fitch, Inc. ("Fitch") and Moody's Investors Service, Inc. ("Moody's"). On August 30, 2011, Standard & Poor's upgraded Peru's long term foreign currency sovereign credit rating to BBB from BBB- based on the expectation of continuity with respect to both fiscal and monetary policies under the new government, which are expected to support stronger economic policy flexibility and growth. Also, on November 10, 2011, Fitch upgraded Peru's sovereign rating to BBB from BBB- based on its robust macroeconomic performance and reduced uncertainty about the continuity of economic policies. On August 16, 2012, Moody's also upgraded Peru's sovereign long-term debt to Baa2 and maintained a positive outlook. On July 9, 2012, Standard & Poor's upgraded Peruvian short-term foreign currency sovereign credit rating from A-3 to A-2.

In recent years, Peru has consistently demonstrated healthy rates of gross domestic product (GDP) growth and the expectations for the future remain positive. During the global financial crisis, Peru was one of the few countries that experienced positive economic growth and did not experience high levels of unemployment, supported by both monetary and fiscal stimuli. According to the Central Bank, in 2010, the Peruvian economy rebounded with an 8.8% year over year growth rate that was primarily driven by private spending. The Peruvian economy continued to show significant growth throughout 2011 and, to the date of this offering circular, the deterioration of global economic conditions has not significantly impacted Peru's GDP performance. The new government administration has emphasized social policies, but has also maintained the prior basic macroeconomic policies that have supported Peru's economic growth over the past ten years. It is in this context that Fitch and

Standard and Poor's have both upgraded Peru's sovereign debt from BBB- to BBB. In 2011, Peru's GDP grew at a rate of 6.9% and the Bank expects it to grow at least 5.6% this year.

Opportunity for Growth from Current and New Businesses

The Bank believes there is substantial opportunity for growth based on the relatively low penetration of retail banking services in Peru and a growing demand for financial products in the Peruvian corporate sector. The Bank also believes it is well positioned to grow in these areas, based on the Bank's extensive distribution network, expertise and reputation.

The Bank has experienced significant growth in mortgages and business loans, which it plans to sustain through its focus on high quality customer service and efficient processes. The Bank has also considerably increased its transactional deposits and intends to maintain this growth through continued product innovation, such as special offers for savings accounts and transactional services, including payroll and supplier payment services for business customers. Moreover, the Bank plans to grow in high value customer segments by emphasizing the quality of its products, its customer service focus and its favorable reputation.

Sound Risk Management Policies

The Bank has historically experienced low default rates. As of June 30, 2012, the Bank's default rate was 1.20%, which was lower than the Peruvian banking industry's average default rate of 1.73%, as reported by the SBS. The Bank attributes its low default rate to its efficient and standardized credit origination and monitoring process and experienced risk management team focused on monitoring and managing risks across all business areas, including operational, market, liquidity and credit risks. The Bank also maintains the highest coverage ratio of the Peruvian banking industry, according to SBS data. As of June 30, 2012, the Bank's coverage ratio was 352.13%, compared to the Peruvian banking industry's average coverage ratio of 225.58%.

Product Innovation

The Bank employs sophisticated procedures to identify the needs of its customers and develop products and services, including technological solutions, to address such needs. The Bank develops new business ideas, seeks out new business opportunities and helps expand its complementary activities. An example is the creation of "*Continental Net Cash*", an internet portal designed for businesses to facilitate their transactions and operations, with benefits such as online account access and the ability to complete transactions in real time, double security mechanisms (including both a password and a token) and the availability of all Bank operations, such as account balances, payments and funding, in electronic format. The Bank has initiated such programs to improve local and international cash collection from business clients by increasing the transaction options available to such clients. In addition, the Bank has created "*E-mpresario*", an internet portal created to facilitate interaction between the Bank's clients, whether buyers or sellers, to make their transactions easier. This initiative has helped the Bank increase the flow of payments to suppliers by 19.3% during the 12 months ended June 30, 2012, primarily as a result of the joint effort of the corporate middle market and retail banking departments, as well as attractive offers for both businesses and their suppliers.

An initiative that focuses on high value customer segments is the Bank's "*Mundo Sueldo*" program, which offers customers the ability to receive their salary through an account that provides special benefits that are not offered by the Bank's competitors, such as the ability to withdraw money from any ATM (including ATMs from other banks) without an additional fee and discounts from retail establishments and restaurants, among others. The Bank's *Mundo Sueldo* customer base has increased by 72,570 clients between June 30, 2011 and June 30, 2012, representing a 13.4% increase.

Another initiative, which reflects growth of the residential mortgage loan market, is the launch of a new mortgage product called "*Crédito Hipotecario Flexible*." The main attributes of this product include the ability to change payment dates, a flexible fee and property insurance. The Bank also launched an innovative insurance product called "*Seguro Multiriesgo Negocio*," which essentially provides business interruption insurance to ensure business continuity.

Strong Brand

The Bank believes the BBVA Banco Continental brand is widely recognized and positively perceived by Peruvian consumers. Recently, the Bank has engaged in studies to enhance its image and brand positioning strategy with positive results. For example, the Bank has entered into arrangements with Gastón Acurio, a prominent Peruvian chef and media personality, and the organizers of a well-known gastronomic fair named "*Mistura*", as well as other figures in Peruvian gastronomy to promote the Bank's brand through various media, including television and radio. In 2012, the Bank also organized a marketing event that included Gastón Acurio and Gianmarco Zignago, an internationally-known Peruvian singer, as spokespersons to promote one of its main products.

The Bank believes that the association of its brand with these figures and events has benefitted the Bank's business by increasing the Bank's brand recognition and consumer loyalty through its association with Peruvian culture, respected Peruvian personalities and Peruvian gastronomy.

Another initiative to increase customer loyalty was the participation of BBVA Banco Continental in the Annual Conference of Executives, which is attended by Peru's prominent business leaders. The Bank was the only bank with a branch in the event. In addition, BBVA Banco Continental was the first Peruvian bank to become an ambassador of the brand "Perú" as part of a strategy led by "*PromPerú,*" the Commission for the Promotion of Peru for Export and Tourism, to promote the country abroad. Through "*Fundación BBVA Continental*," the Bank also participates in activities related to education, art and social welfare. With respect to education, the Bank's foundation has continued its reading program, "*Leer es estar adelante*," which, by December 31, 2011, had helped 69,398 children from 935 schools in eight regions of the country improve their literacy. Also, as an initiative to support this program, BBVA Asset Management Continental launched "*Fondo BBVA Leer es estar adelante*", the first mutual fund created in Peru to support a social cause through the donation of funds to "*Leer es estar adelante*".

In 2011, the Bank launched a re-branding campaign to renew its image, during which it changed its marketing name to "BBVA Continental". The change was accompanied by a new logo that was reflected throughout 2011 in all branches, advertising material, reports, press releases, website and external design of its electronic channels.

These initiatives positively contributed to the Bank's performance in 2011, allowing it to achieve a high level of customer satisfaction (74% as of the end of 2012, according to IPSOS Apoyo) and an improvement in its performance in the "top of mind" survey.

Cross-selling Capabilities

In addition to selling banking products, the Bank is able to offer its customers additional products and financial services through its subsidiaries or companies controlled by the Bank's shareholders, increasing the Bank's attractiveness as a convenient lender of choice. For example, the Bank offers its customers investment advisory services through Continental Bolsa, provides a broad set of investment products in association with Continental Fondos and establishes and manages trusts to support the issue of securities through Continental Titulizadora. The Bank's customer-oriented strategy also focuses on meeting the insurance needs of the Bank's customers provided through its insurance company affiliate, Rimac Internacional Compañía de Seguros y Reaseguros ("Rimac"), a Grupo Brescia owned company. In addition to a basic level of insurance coverage that the Bank requires as part of its loans, the Bank offers its customers a variety of life, medical and general protection policies in relation to their personal and business activities. The Bank has a competitive advantage because its subsidiaries are market leaders in their respective areas and they are well-positioned to provide the Bank with cross-selling opportunities.

For the Bank's middle market and corporate customers, the Bank focuses not only on its sales activities but also on building the relationships that those customers have with the Bank, by offering tailored services and solutions based on the Bank's identification of their finance requirements and their asset and cash management needs. The Bank also offers its middle market and corporate customer advisory services for brokerage activities, leveraging the Bank's global expertise in this field.

Leader in Technology in the Peruvian Banking Sector

The Bank believes that its investments in information technology give it a competitive edge because of the efficiency that such systems have brought to the analysis and decision-making processes of the Bank's senior management. The Bank has adopted several models and software built specifically for banks. The Bank believes that its internal control structure and level of technological development will reliably support the continued growth of the Bank's business at relatively low cost.

In 2012, the Bank began the construction of its new Data Processing Center, or DPC (*Centro de Procesamiento de Datos*), which aims to provide high quality technological services on a 24-hour basis throughout the year to all the Bank's critical systems. The DPC is expected to have Tier III certification, which means it will have a high level of security and availability. The Bank believes that the new DPC will be among the best in Peru and throughout Latin America.

Experienced Shareholders

The Bank believes it benefits significantly from being part of Holding Continental and its shareholders BBVA Group and Grupo Brescia. BBVA Group includes one of the main financial groups in Spain and has a significant presence throughout Latin America, with interests in banks, insurance companies and pension funds in Argentina, Chile, Colombia, Mexico, Panama, Paraguay, Peru, Uruguay and Venezuela. The Bank believes it benefits from being a part of BBVA Group due to BBVA Group's focus on the Latin American region, strong management, emphasis on risk management, technological know-how and strong credit ratings. In addition, Grupo Brescia is one of the largest corporate conglomerates in Peru, with investments across most economic sectors, including mining, banking, insurance, pension funds, real estate, tourism, and fishing. Grupo Brescia also has investments in Brazil (mining), Chile (cement) and Colombia (welding). Grupo Brescia is a family-owned enterprise, with several companies publicly listed on the BVL.

The Bank's relationships with BBVA Group and Grupo Brescia allow the Bank to:

- access a larger multinational customer base;
- leverage BBVA Group's global presence to offer international solutions for the Bank's customers' financial needs;
- selectively replicate from BBVA Group's product offerings in other countries;
- manage credit and market risks by adopting policies and applying the expertise developed by BBVA Group;
- access BBVA Group's operational expertise;
- access Grupo Brescia's strong local knowledge of the Peruvian economy; and
- benefit from being part of Grupo Brescia due to its position as one of the most important economic groups in Peru, with experienced and highly-skilled management.

Experienced Management Team

The Bank's management team has significant experience in the banking industry and the expertise to identify and offer products and services that meet its customers' needs, while maintaining effective risk management and profitability.

The Bank's managers have extensive experience, and regularly attend training and development programs in order to enhance their qualifications. The Bank maintains a competitive compensation policy that is aligned with the interests of its shareholders. The Bank invests in the training of these professionals through internal training programs and the granting of scholarships for continuing study, as well as through various incentive programs. The most important of these programs is the "*Liga BBVA Continental*" which is a contest that involves almost 3,000 of the Bank's employees where 240 teams compete to win different competitions throughout the year involving sales levels or the promotion of a specific product of the Bank. Through this contest and other incentive programs, the Bank combines the pursuit of its business objectives with strategies to motivate its employees to help the Bank reach its goals.

The Bank attempts to attract professionals to its senior management who are highly competent and experienced, as well as committed to the Bank's interests and objectives. The Bank's current senior officers have broad experience in the financial markets and have broad knowledge of the banking sector, with an average of 13 years of experience working in financial institutions.

The Bank's Strategy

General

The Bank's strategy is to manage sustainable profitability by leveraging its leading position in the Peruvian financial system and the cross-selling potential among its broad customer base.

During 2009, in a crisis environment, the Bank prioritized the growth of its business and increased profitability, focusing on portfolio quality. During 2010, the Bank's goal was to promote its overall growth and profitability by increasing its customer base, expanding its loan portfolio and generating more fee income from transactional services. The Bank achieved these goals through holistic management practices, focusing its growth strategy on the marketing and promotion of its standard banking products and services.

In 2011, the Bank's goal was to take advantage of the accelerated growth of its customer base over the previous few years by achieving higher levels of cross-selling and expanding the Bank's loan portfolio through sustainable growth based on exceptional credit quality.

In the corporate and middle-market segments, the Bank's goal was to increase revenues by expanding its range of products, cross-selling and focusing on sophisticated services and fee-based products. The Bank seeks to promote fee-generating products in areas such as asset management, insurance brokerage, cash management, payroll, supplier payments, cash collection, treasury and other services tailored to the needs of its customers.

In 2012, the Bank intends to focus on: (i) continuing to improve customer service (ii) increasing its transactional deposits, which are considered stable and cost effective, through its "cash in" (local and international cash collection) and "cash out" (payment to suppliers and payroll) programs, (iii) focusing on high value customers both in the retail and corporate sectors, and (iv) effectively managing a more demanding regulatory environment in terms of commissions for retail customers.

Increasing the Bank's Interest Income through its Retail Banking Business

The Bank believes retail banking in Peru has significant growth potential. There is a relatively low penetration rate of financial services that, in combination with the expected growth of the Peruvian economy and continued growth in the higher socioeconomic levels of the population, will result in significant demand for the Bank's retail banking products. The Bank has significantly increased its exposure to the retail segment in recent years and intends to continue increasing its offering of retail products and services. The Bank believes that expanding into the retail segment while maintaining its strong credit risk standards will increase its profitability.

Increasing the Bank's Net Interest Margin through Lower Funding Costs

The Bank intends to continue to accomplish these goals by seeking to reduce its funding costs through a larger deposit base and through selective market and bank offerings. Through the joint effort of retail, middle-market and corporate banking, the Bank focused attention on the issue of collection and payment from business customers, achieving, at the same time, the entailment of retail customers related to these businesses. Through the Bank's extensive distribution network, from December 31, 2009 to June 30, 2012, it has managed to increase its demand deposit base by 35.7%. At the same time, the Bank has managed to access the Peruvian financial markets through a variety of debt offerings.

Increasing the Bank's Non-Interest Income

The Bank's non-interest income is comprised primarily of fees on Standby Letters of Credit ("SBLC"), credit card fees, commissions for insurance distribution, and several transactional services such as account administration, money transfers, third-party collections, cash management facilities among others. Increasing fee income is a central component of the Bank's business strategy. The Bank seeks to increase its fee income by: (i) continuously reviewing its fee structure in order to adjust to market conditions and practices; (ii) increasing its cross-selling efforts; (iii) promoting the use of alternative channels such as technological and electronic payment methods, telephone and online banking; (iv) establishing new points of service and new relationships with businesses where the Bank anticipates high volumes and (v) promoting the Bank's debit card and ATM services.

In recent years, the Bank's margins from traditional lending activities have decreased due to a general decline in interest rates and an increase in the Bank's competition, and, as a result, the Bank has increasingly shifted its focus to developing other sources of revenue, such as fee-based products and services. The Bank seeks to continue to grow its fee-based revenues by developing new services and by strategically cross-selling these services to its base of existing retail, middle-market and corporate banking customers.

For the Bank's retail banking customers, it intends to increase revenues from new and existing fee-based services such as credit cards, insurance brokerage, electronic banking, ATMs, general checking services, mutual funds and securities brokerage services. For the Bank's middle-market and corporate customers, it intends to actively market new and existing fee-based services such as electronic banking, cash collection, payroll, supplier payment, investment advisory and cash management services. In addition, the Bank focuses on offering foreign exchange operations through its network.

Improving Operating Efficiencies

The Bank has implemented various cost reduction measures in its programs and operating processes, generating synergies and improving operating efficiency. For example, the Bank recently improved the process of opening savings accounts, which has helped the Bank to reduce average customer visits from three to one and has also reduced the waiting time to deliver debit cards from four days to seven minutes. Overall, to date, the Bank has achieved: (i) technological efficiencies; (ii) revenue synergies from cross-selling products; (iii) the ability to offer a greater variety of services to its customers and (iv) implementation of improved global practices. The Bank believes that its efforts have resulted in a competitive advantage.

A principal part of the Bank's strategy going forward will be to continue to seek ways to improve its operating efficiency. The Bank intends to continue to accomplish these goals by creating new economies of scale, and reducing costs in administrative expenses, without disregarding top-quality customer service. Moreover, the Bank intends to continue to improve efficiencies through specialized training of its personnel, increased use of automated data and related systems.

Continue Developing the Bank's Products and Services and Enhancing Customer Product Use and Customer Service

The Bank believes that the increasing penetration of banking services to the private sector offers significant opportunities to further expand the Bank's business. As the Peruvian economy has grown, the Bank has offered new products designed to meet the needs of a growing economy, such as: (i) "Mastercard Black," "Visa Signature" and "Platinum" credit cards, directed to the Bank's customers from higher socioeconomic levels, (ii) "*Mundo Sueldo*," a service through which the Bank's customers can receive their salaries through a special account with the Bank, (iii) "*Risk Empresa*," which provides hedging and risk management solutions for the market risks faced by the Bank's small and medium-sized business customers, (iv) "*Empresario.com*," a product that utilizes electronic banking to assist with the cash management needs of the Bank's business customers and (v) "*China Comex*," becoming the first Peruvian bank to offer trade finance solutions oriented to the Chinese market. The Bank believes it is well-positioned to capitalize on this growth, given the Bank's sophisticated credit analysis procedures and extensive distribution network, while maintaining the Bank's risk profile, which provides the Bank with the means to increase its customer base and cross-sell additional services. Moreover, the Bank believes the growth in the Peruvian economy will be stronger in the Bank's target market of retail and middle-market banking, where it has a leading presence.

According to the Net Promoter Score methodology, recent studies have shown an increase from 72% in 2009 to 83% in 2011 in "promoter customers," or customers that are satisfied with the Bank's service, which the Bank believes is a result of its initiative to improve customer service.

The Bank is focused on remaining at the forefront of Peruvian product innovation and continues to develop new ways to reach and retain customers. The Bank also seeks to continue to improve the variety of consumer and corporate products to differentiate it from its competitors. The Bank continues its effort to identify the needs of its customers and tailor its products and services to those needs, develop new business ideas, seek out new business opportunities and expand its business activities. For example, an important development strategy designed to retain retail clients was the recent deployment of the Bank's branches as a part of its centralized retention model focused on "value for clients." The Bank has opened 46 new branches since December 31, 2010.

To enhance customer product use the Bank intends to continue to:

- Utilize its extensive branch network, which the Bank considers its key distribution channel, to market its products and services to its entire customer base. The Bank utilizes a personalized approach to attract new customers by providing convenient and personalized banking services close to their homes and workplaces.

- Offer medium- and long-term credit, capitalizing on the increased demand for long-term credit that the Bank believes will accompany the expected continued economic growth in Peru. The Bank intends to use its strong liquidity and its capital base to offer a more readily available range of medium- and long-term credit products than its competitors.

- Offer personalized service through a menu of products and personalized face-to-face advice to help them select the banking services that best respond to their needs.

Promoting Synergies Among the Bank's Businesses

The Bank intends to increase its market share and profitability by cross-selling services and products to its customers and customers of its subsidiaries. The Bank has introduced processes that facilitate its ability to offer additional financial services to its customers, with an emphasis on service and innovation. These processes involve not only more points of sale throughout Peru but also the introduction of self-service transactional operations that allow the Bank's customers to access new products without using the traditional branch channel. The Bank cross-sells consumer loan products, credit cards and mortgages to its checking and savings account customers, through its branch personnel as well as through its sales force. In addition, the Bank continues to seek opportunities to promote and expand different channels of access to its customers in order to give them a broad set of options for all of their banking and finance needs. For example, the Bank launched "*BBVA Contigo*," an application for smartphones and the iPad, which allows customers to identify the nearest locations in the Bank's distribution network, including branches, ATMs and express agents, using GSP technology. This application also allows the Bank to inform its customers about promotions for the Bank's various products, such as discounts at restaurants, hotels and other establishments.

Enhancing Customer Loyalty

The Bank views customer service as a top priority, as the Bank considers it to be one element that differentiates the Bank from its peers and provides the Bank with a market advantage in a highly competitive financial services industry. As part of the Bank's commitment to customer loyalty, it expects to continue to introduce new services and products and to achieve greater efficiency in the Bank's processes at the branch level so as to increase the time available for sales and service activities. The Bank is also working to increase its traditional and non-traditional points of contact with its customers and to continue to improve their level of satisfaction and recommendation of the Bank's services.

The Bank pursues a customer-driven business model, based on distribution networks that focus on the banking needs of the customers and as a result, serve to build and enhance customer loyalty. The Bank strives to enhance customer loyalty by offering the specialized services and expert knowledge of the Bank's account officers and managers. By utilizing detailed credit and other information concerning the Bank's customers and their activities, as well as information concerning the Bank's products and services, the Bank's personnel are able to identify customers' needs and offer them more suitable products and services.

Main Offices

The Bank's main and registered offices are located at Avenida República de Panamá 3055, San Isidro, Lima 27, Peru. The Bank's telephone number at that address is (51) (1)211-1000.

THE OFFERING

The following is a brief summary of certain terms of the offering. Some of the terms and conditions described below are subject to important limitations and exceptions. *For a more complete description of the terms of the Notes, see "Description of the Notes" in this offering circular.*

Issuer	BBVA Banco Continental.
Notes	US$500,000,000 aggregate principal amount of 5.000% Senior Notes due 2022.
Issue Price	100% of the principal amount, plus accrued interest, if any, from August 29, 2012.
Issue Date	August 29, 2012.
Interest Commencement Date	August 29, 2012
Maturity Date	August 26, 2022.
Interest	The Notes will bear interest at the rate of 5.000% per annum, payable semi-annually on each February 26 and August 26, commencing February 26, 2013.
Optional Redemption	The Bank may, at its option, at any time prior to maturity, redeem the Notes in whole, or in part from time to time, at a redemption price equal to the greater of (1) 100% of the principal amount of the Notes on such redemption date and (2) the Make-Whole Amount plus, in each case, any accrued and unpaid interest, if any, up to, but not including, the date of redemption. The term "Make-Whole Amount" is defined under "Description of the Notes—Optional Redemption."
Early Redemption for Tax Reasons	For a description of the provisions relating to early redemption of the Notes for taxation reasons, see "Description of the Notes—Redemption Prior to Maturity for Taxation Reasons."
Ranking	The Notes are the Bank's direct, unconditional and unsecured general obligations and, other than as set forth below, at all times rank pari passu in right of payment with all of the Bank's other unsecured obligations other than obligations that are, by their terms, expressly subordinated in right of payment to the Notes. The Notes are effectively subordinated to (i) all of the Bank's secured indebtedness with respect to the value of the Bank's assets securing that indebtedness, (ii) certain direct, unconditional and unsecured general obligations that in case of the Bank's insolvency are granted preferential treatment pursuant to Peruvian law (iii) claims of the Bank's existing and future depositors pursuant to applicable Peruvian law and (iv) all of the existing and future liabilities of the Bank's subsidiaries, including trade payables.

	As of June 30, 2012, the Bank had: • S/.1,603 million (US$600 million) of senior secured indebtedness which would rank senior to the Notes; • S/.31,923 million (US$11,952 million) of deposits which would rank senior to the Notes; and • S/.7,660 million (US$2,868 million) of senior unsecured indebtedness. Substantially all of such indebtedness would rank senior to the Notes based on the date such obligations were assumed or incurred as set forth in the Peruvian Banking Law (see "Banking Supervision and Regulation—Intervention by the SBS and Liquidation").
Principal Covenants	The indenture governing the Notes contains covenants that, among other things: • limit the Bank's ability to consolidate with or merge into any other corporation or convey or transfer the Bank's properties and assets substantially as an entirety to any person; and • require the Bank to furnish to the trustee certain supplementary and periodic information, documents and reports. These covenants are subject to a number of important limitations and exceptions. See "Description of the Notes."
Use of Proceeds	The net proceeds from the offering are available for general corporate purposes.
Listing	Application has been made to list the Notes on the Luxembourg Stock Exchange (and to trade on the Euro MTF Market). The approval for such listing was not a condition to the consummation of this offering.
Peruvian SBS Registration	Application has been made with the Foreign Investment Instruments Registry (*Registro de Instrumentos de Inversión Extranjeros*) of the SBS, in order to make the Notes eligible for investment by Peruvian private pension funds.
No Established Trading Market	The Notes are a new issue of securities with no established trading market. The Bank cannot assure you that an active or liquid trading market for the Notes will develop. If an active or liquid trading market for the Notes does not develop, the market price and liquidity of the Notes may be adversely affected.
Governing Law; Submission to Jurisdiction	The Notes are being issued by the Bank as Senior Notes under Article 234 of the Peruvian Banking Law and will be governed by the law of the State of New York. The Bank will submit to the non-exclusive jurisdiction of the United States federal and state courts located in the Borough of Manhattan in The City of New York in respect of any action arising out of or based on the

	Notes.
Peruvian Tax Treatment	See “Taxation— Certain Peruvian Tax Considerations.”
United States Tax Treatment	See “Taxation—Certain Material U.S. Federal Income Tax Considerations.” You should consult your own tax advisor to determine the U.S. federal, state, local and other tax consequences of an investment in the Notes.
Risk Factors	Investing in the Notes involves substantial risks and uncertainties. See “Risk Factors” and other information included in this offering circular for a discussion of factors you should carefully consider before deciding to purchase any Notes.

SUMMARY FINANCIAL INFORMATION

The following tables present the Bank's selected historical financial data as of and for the years ended December 31, 2011, 2010 and 2009, which were derived from the Audited Financial Statements, and as of June 30, 2012 and for the six-month interim periods ended June 30, 2012 and June 30, 2011, which were derived from the Interim Unaudited Financial Statements, prepared in accordance with Peruvian GAAP. None of the balances have been adjusted for inflation in accordance with Peruvian GAAP.

In the opinion of management, the interim financial information presented below includes all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the Bank's financial condition and results of operation as of the dates and for the periods specified. Results for the first six months are not, however, necessarily indicative of results to be expected for the full year.

This information should be read in conjunction with the Financial Statements and the Notes thereto as well as the sections entitled "Capitalization" and "Management's Discussion and Analysis of Financial Condition and Results of Operations." As indicated above, the Financial Statements have been prepared in accordance with Peruvian GAAP, which differs in certain significant respects from IFRS and U.S. GAAP. For a description of highlights of certain differences among Peruvian GAAP, U.S. GAAP and IFRS, see "Annex A—Principal Differences among Peruvian GAAP, U.S. GAAP and IFRS (as adopted by the IASB)."

Consolidated Statements of Income

	For the Year Ended December 31,				For the Six Months Ended June 30,		
	2011 [(1)]	**2011**	**2010**	**2009**	**2012**[(2)]	**2012**	**2011**
Statement of Income Data:	*(U.S. Dollars in thousands)*	*(Nuevos soles in thousands)*			*(U.S. Dollars in thousands)*	*(Nuevos soles in thousands)*	
Financial income	1,148,987	3,097,670	2,535,968	2,753,297	669,692	1,788,747	1,425,653
Financial expenses	(309,802)	(835,225)	(471,981)	(697,584)	(191,966)	(512,740)	(355,977)
Gross financial margin..........	**839,186**	**2,262,445**	**2,063,987**	**2,055,713**	**477,726**	**1,276,007**	**1,069,676**
Provision for loan losses, net of recoveries [(3)]	(102,620)	(276,664)	(281,689)	(324,636)	(65,629)	(175,294)	(132,604)
Net financial margin.............	**736,566**	**1,985,781**	**1,782,298**	**1,731,077**	**412,098**	**1,100,713**	**937,072**
Income from financial services	234,421	631,999	552,514	480,934	122,481	327,148	306,380
Administrative expenses [(4)]	(387,485)	(1,044,660)	(860,415)	(807,831)	(210,175)	(561,378)	(487,220)
Other income and expenses, net	(23,725)	(63,962)	(60,557)	(54,970)	(18,985)	(50,710)	(43,882)
Income before workers' profit sharing and income tax	**559,777**	**1,509,158**	**1,413,840**	**1,349,210**	**305,419**	**815,773**	**712,350**
Workers' profit sharing [(5)]........	-	-	(49,891)	(52,384)	-	-	-
Income taxes	(141,013)	(380,170)	(357,640)	(369,057)	(79,436)	(212,173)	(182,361)
Net income	**418,764**	**1,128,988**	**1,006,309**	**927,769**	**225,983**	**603,600**	**529,989**

(1) Data expressed in U.S. Dollars for the year ended December 31, 2011 has been translated at the rate of S/. 2.696 per US$1.00, based on the exchange rate reported by the SBS on December 31, 2011.

(2) Data expressed in U.S. Dollars for the period ended June 30, 2012 has been translated at the rate of S/. 2.671 per US$1.00, based on the exchange rate reported by the SBS on June 30, 2012.

(3) Provisions for loan losses include provisions with respect to total direct loans. Direct loans represent outstanding loans while indirect loans include guarantees and standby letters of credit, import and export letters of credit and bank acceptances.

(4) Administrative expenses includes personnel, general and depreciation and amortization expenses.

(5) On January 1, 2011, the SBS modified the presentation of workers' profit sharing as a part of administrative expenses.

Consolidated Balance Sheets

	As of December 31,				As of June 30,	
	2011 [1]	**2011**	**2010**	**2009**	**2012**[2]	**2012**
Balance Sheet Data	*(U.S. Dollars in thousands)*	*(Nuevos Soles in thousands)*			*(U.S. Dollars in thousands)*	*(Nuevos Soles in thousands)*
Cash and due from banks	3,165,747	8,534,853	10,055,772	4,867,209	3,575,321	9,549,682
Interbank funds	89,562	241,459	40,009	49,003	90,004	240,400
Investment at fair value through profit and loss, available for sale and held to maturity, net	959,627	2,587,154	2,260,555	3,923,508	1,872,535	5,001,540
Total loans, net [3]	10,727,754	28,922,025	24,004,149	19,797,656	11,403,471	30,458,670
Investments in associates	828	2,231	1,995	1,908	730	1,950
Property, furniture and equipment, net	223,887	603,600	447,086	388,674	236,880	632,706
Other assets	501,144	1,351,085	980,755	1,028,992	534,919	1,428,768
Total assets	**15,668,549**	**42,242,407**	**37,790,321**	**30,056,950**	**17,713,859**	**47,313,716**
Obligations to the public	11,196,379	30,185,437	25,558,208	20,903,240	11,747,741	31,378,217
Demand deposits	3,297,092	8,888,960	7,963,184	6,573,767	3,339,628	8,920,146
Saving deposits	2,639,185	7,115,244	5,940,556	5,197,986	2,886,168	7,708,954
Time deposits	5,192,536	13,999,076	11,553,694	8,930,136	5,440,997	14,532,903
Other obligations	67,566	182,157	100,774	201,351	80,949	216,214
Deposits received from financial institutions	113,885	307,034	359,232	610,450	204,097	545,144
Interbank funds	46,556	125,515	479,805	635,201	134,719	359,835
Due to banks and correspondents	1,769,363	4,770,203	5,013,198	2,126,994	2,768,358	7,394,285
Securities, bonds and other outstanding obligations	736,595	1,985,859	1,870,329	1,772,926	1,017,691	2,718,252
Other liabilities	431,490	1,163,296	1,125,435	1,119,327	497,732	1,329,443
Total liabilities	**14,294,267**	**38,537,344**	**34,406,207**	**27,168,138**	**16,370,339**	**43,725,176**
Total shareholders' equity	1,374,282	3,705,063	3,384,114	2,888,812	1,343,519	3,588,540
Total liabilities and shareholders' equity	**15,668,549**	**42,242,407**	**37,790,321**	**30,056,950**	**17,713,858**	**47,313,716**

(1) Data expressed in U.S. Dollars for the year ended December 31, 2011 has been translated at the rate of S/. 2.696 per US$1.00, based on the exchange rate reported by the SBS on December 31, 2011.

(2) Data expressed in U.S. Dollars for the period ended June 30, 2012 has been translated at the rate of S/. 2.671 per US$1.00, based on the exchange rate reported by the SBS on June 30, 2012.

(3) Net of deferred interest on discounted notes and leasing receivables plus accrued interest from performing loans, and after deducting provisions for loan losses.

(4) In 2010, certain deposits and other obligations and deposits received from financial institutions were reclassified. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations" and Note 2 to the Bank's Financial Statements.

Other Financial Data and Ratios

The selected financial data and ratios presented below have been derived from and should be read in conjunction with the Bank's Financial Statements and the other financial information contained in this offering circular.

Consolidated financial indicators	As of and for the Year Ended December 31,			For the Six Months Ended June 30,
	2011	2010	2009	2012
	(Nuevos Soles in thousands, except for ratios and percentages)			
Profitability and efficiency				
Return on average assets [(1)]	2.82%	2.97%	2.92%	2.70%
Return on average shareholders' equity [(2)]	31.85%	32.08%	36.22%	33.10%
Net interest margin [(3)]	7.79%	8.24%	8.46%	7.57%
Efficiency ratio [(4)]	36.09%	32.88%	31.85%	35.02%
Capitalization				
Shareholders' equity as a percentage of total assets	8.77%	8.95%	9.61%	7.58%
Tangible common equity	S/.1,944,232	S/.1,843,427	S/.1,471,243	S/.2,226,473
Tier 1 capital as a percentage of risk-weighted assets[(6)]	9.12%	10.50%	8.99%	11.03%
Total regulatory capital as percentage of risk weighted assets	12.46%	14.65%	13.31%	13.95%
Credit quality data				
Non performing loans	S/.279,710	S/.264,635	S/.217,387	S/.386,402
Total non-performing loans over total gross loans	0.92%	1.04%	1.04%	1.20%
Provisions for loan losses as a percentage of total gross loans[(5)]	4.10%	4.14%	4.15%	4.24%
Provisions for loan losses as a percentage of non-performing loans	446.87%	396.53%	401.19%	352.13%

(1) Return on average assets was calculated as net income over average total assets. Net income for the six months ended June 30, 2012 was annualized and return on average assets was calculated over average total assets for such six month period.

(2) Return on average shareholders' equity was calculated as net income over average shareholders' equity. Net income for the six months ended June 30, 2012 was annualized and return on average shareholders' equity for such six month period.

(3) Net interest margin was calculated as gross financial margin over average interest earnings assets (interbank funds, Investments in securities, net, loans, net). Net interest margin was calculated over average interest earning assets for such six month period.

(4) The efficiency ratio was calculated as administrative expenses, which includes personnel, administrative, depreciation and amortization expenses, over operating revenue, which is the aggregate of gross financial margin and income from financial services.

(5) Provisions for loan losses only include reserves with respect to direct loans.

(6) On June 28, 2012, the Board of Directors of the Bank resolved to capitalize S/.400 million of retained earnings for 2012 which are included in the computation of Tier 1 capital. Such increase will be effective at the next shareholders' meeting of the Bank.

RISK FACTORS

Prospective purchasers of the Notes should carefully read this entire offering circular, and should consider, among other things, risk factors with respect to Peruvian banks and other corporations not normally associated with investments in other countries and other issuers, including those set forth below. In general, investing in securities of issuers in emerging market countries, such as Peru, involves risks not typically associated with investing in the securities of U.S. companies.

Risks Relating to the Bank's Business

The retail banking market is exposed to macroeconomic changes that may negatively impact household income and a downturn in the economy could result in increased loan losses.

One of the key elements of the Bank's strategy is to focus on the retail banking sector and to grow its retail loan portfolio rapidly. As a result, its loan portfolio will become increasingly vulnerable to macroeconomic changes, including changes related to the fiscal solvency problems in Europe, that could negatively impact the household income of its retail customers and result in increased loan losses. For example, the 2009 slowdown in Peru resulted in an increase in past due loans of the Bank's customers. Furthermore, because the penetration of bank lending products in the Peruvian retail sector, especially outside of the capital Lima, has historically been low, there is little basis on which to evaluate how the retail sector will perform in the event of an economic crisis, such as a recession or a significant devaluation. Consequently, historical loan loss experience may not be indicative of the performance of the Bank's loan portfolio in the future.

The corporate banking sector is exposed to macroeconomic changes that may be negatively affected by current global economic conditions, particularly by conditions in Europe and Spain.

The Bank's strategy is also to increase its focus in the corporate banking sector. This sector may also be negatively impacted by macroeconomic changes. The 2009 global economic recession resulted in lower commodity prices, which caused decreased export earnings and a slight deterioration in external and fiscal accounts in Peru, which resulted in slower economic growth in 2009. Given its client base, the Bank's business is particularly sensitive to economic and market conditions which affect products of various export industries, including textile, fishing and agriculture. In addition, the Bank is active in the real estate sector, which can also be highly sensitive to macroeconomic developments. Any increase in the number of delinquencies or defaults would result in higher levels of non-performing assets and provisions for loan losses, which would adversely affect the Bank's results of operations and financial condition.

As a provider of corporate financial services, the Bank's business and earnings are affected by general business and economic conditions, particularly by conditions in Europe and Spain. Accordingly, the Bank's business earnings could be harmed in the event of a slowdown in global economic activity. The Bank's parent company, the BBVA Group, is a Spanish bank. The BBVA Group has a 50% ownership stake in Holding Continental, the controlling shareholder of the Bank. Recent downgrades of the sovereign debt of Greece, Portugal and Spain, as well as downgrades of certain banking institutions in these regions, have caused volatility in the capital markets. Adverse changes affecting the European economy and the Spanish economy more specifically could adversely affect the BBVA Group. Such events could affect the perception of the Bank's brand among clients, which could, in turn, have an impact on its results of operations.

Intensifying competition may put pressure on margins and adversely affect the Bank's business, financial condition and results of operations.

The Bank faces significant competition from other banks in providing financial services to the Peruvian retail and corporate banking sectors, which could put pressure on its margins. The Bank's main competitors are Banco de Crédito del Perú S.A. ("BCP"), Scotiabank Perú S.A.A., a subsidiary of Scotiabank ("Scotiabank"), Banco Internacional del Perú S.A.A. ("Interbank"), and Citibank del Perú S.A., a subsidiary of Citigroup ("Citibank"). The Bank has also experienced an increase in competition from finance companies and microfinance entities. In addition, larger Peruvian companies have gained access to new sources of capital, through local and international capital markets, and the Bank's traditional and new competitors have increasingly made inroads into the higher-margin middle-market and retail banking sectors.

This increased competition affects the Bank's loan growth and reduces the average interest rates that the Bank charges its customers. The Bank may not be able to maintain its market share if it is not able to match its competitors' loan pricing or keep pace with their development of new products and services.

In addition, competition is also likely to increase as a result of the entrance of new participants into the banking sector, including foreign banks and non-bank financial institutions. The entry of new competitors into the market over the past five years, such as HSBC Bank Perú S.A., Banco Falabella Perú S.A., Banco Ripley Perú S.A., Banco Azteca del Perú S.A., Deutsche Bank Perú S.A. and Banco Santander Perú S.A. could adversely affect the Bank's market share.

Liquidity risks may adversely affect the Bank's business.

Historically, one of the Bank's principal sources of funds has been customer deposits. Since the Bank relies heavily on deposits and other short-term liabilities for its funding, there can be no assurance that in the event of a sudden or unexpected shortage of funds in the banking system or otherwise the Bank will be able to maintain its levels of funding without adversely affecting its liquidity or increasing its cost of funding.

The global economy is currently experiencing high levels of risk aversion and increased sensitivity to negative developments. Certain economists believe that the global economy could be heading toward a new recession or in the case of the U.S., a double dip recession. The markets may be considered unstable, with many investors buying U.S. Treasuries and German Bunds despite their yields, which are at historic lows. This could lead to a deteriorating market for higher risk bonds. Therefore, funds that the Bank anticipates raising through such channels may have to be raised in the short-term money market, reducing the Bank's ability to diversify funding sources and adversely affecting the lengthening of its funding profile. The increased reliance on shorter-term funds may adversely impact the Bank's liquidity profile, financial condition and results of operations. There can be no assurance that the Bank will be successful in obtaining additional sources of funds on acceptable terms or at all.

The Bank may need additional capital in the future and given recent market volatility generated by distortions in the international financial markets, which may impact the Peruvian capital markets and the Peruvian banking system, the Bank may not be able to obtain such capital on acceptable terms, or at all.

In order for the Bank to grow, remain competitive, enter into new businesses and meet regulatory capital adequacy requirements, it may require new capital in the future. Moreover, the Bank may need to raise additional capital in the event of large losses in connection with any of its activities that result in a reduction of its shareholders' equity. The Bank's ability to obtain additional capital in the future is subject to a variety of uncertainties, including:

- general market conditions for capital-raising activities by commercial banks and other financial institutions;
- the decrease in liquidity in the international markets, which could influence the behavior of local investors, who react rapidly to international market trends;
- the Bank's future financial condition, results of operations and cash flows;
- any necessary government regulatory approvals; and
- economic, political and other conditions in Peru and elsewhere.

The Bank cannot assure you that future market volatility will not affect the Peruvian banking system, including the Bank. The Bank may not be able to obtain additional capital in a timely manner or on acceptable terms or at all. If the Bank is unable to obtain additional capital, its business operations, financial condition and results of operations could be materially and adversely affected.

A significant deterioration of the Bank's loan quality may have an adverse impact on its business, financial condition and results of operations.

A significant deterioration of loan quality may have an adverse impact on the Bank's business, financial condition and results of operations as it primarily engages in banking and lending activities. While loan portfolio risk associated with lending to certain economic sectors or customers in certain market segments can be mitigated through adequate diversification policies, the Bank's pursuit of opportunities in which it can charge higher interest rates may reduce diversification of the loan portfolio and expose it to greater credit risk.

The Bank believes that significant opportunities exist in middle-market and consumer lending in Peru and that it can, on average, charge higher interest rates on such loans; therefore, the Bank's strategy includes a greater emphasis on retail loans. Although the Bank intends to combine this strategy with conservative credit assessments, an increase in its exposure to the retail sector could heighten credit risk due to the shift of lending to riskier middle-market and consumer sectors which may adversely affect the credit quality of the Bank's loan portfolio.

The amount of the Bank's reported non-performing loans may increase in the future as a result of growth in the Bank's loan portfolio or factors beyond its control, such as the impact of macroeconomic trends, including the current global financial crisis, and political events affecting Peru. In addition, while the Bank believes its current loan loss provisions are adequate to cover all loan losses in its loan portfolio, its current loan loss provisions may not be adequate to cover an increase in the amount of non-performing loans or any future deterioration in the overall credit quality of its loan portfolio. As a result, if the credit quality of the Bank's loan portfolio deteriorates, it may be required to increase its loan loss provisions, which may adversely affect it. Moreover, there is no precise method for predicting loan and credit losses, and the Bank cannot assure you that its loan loss provisions are or will be sufficient to cover actual losses. If the Bank is unable to control or reduce the level of its non-performing or poor credit quality loans, its financial condition and results of operations could be materially and adversely affected.

In addition, certain concentrations of lending to borrowers in certain commercial sectors are unavoidable in Peru. Specifically, the natural resources and fishing sectors represent a substantial part of the Peruvian economy. Deteriorations of any such sector could have an adverse effect on the Bank's loan portfolio, deposits, loan performance and other business.

Failure of the Bank's credit risk management system to accurately assess credit risks could materially and adversely affect its business operations and prospects.

As a commercial bank, one of the principal types of risks inherent in the Bank's business is credit risk. An important part of the Bank's credit risk management system is to employ an internal credit rating system to assess the particular risk profile of a client. As this process involves detailed analyses of the client or credit risk, taking into account both quantitative and qualitative factors, it is subject to human error. In exercising their judgment, the Bank's employees may not always be able to assign an accurate credit rating to a client or credit risk, which may result in the Bank's exposure to higher credit risks than indicated by its risk rating system. As a result, failure to effectively implement, consistently follow or continuously refine the Bank's credit risk management system may result in a higher risk exposure for the Bank, which could materially and adversely affect it.

The Bank's operations are supervised and regulated by the SBS and the Central Bank, which may take actions that could adversely affect its business, financial condition and results of operations.

The Bank's operations are supervised and regulated by the SBS and the Central Bank. The Peruvian Constitution and the *Ley General del Sistema Financiero y del Sistema de Seguros y Orgánica de la Superintendencia de Banca y Seguros* (the "Peruvian Banking Law") grant the SBS the authority to oversee and control banks and other financial institutions. The SBS and the Central Bank have general administrative responsibilities over the Bank, including authority to set loan loss provisions, capitalization, capital for credit, market and operational risk, and deposit reserve requirements. Therefore, changes in bank supervision and regulation may adversely affect the Bank's business, financial condition and results of operations.

In addition, a breach of regulatory guidelines could expose the Bank to potential liabilities or sanctions, including the loss of necessary licenses. Changes in these regulations may have a material effect on the Bank's business and operations. As some of the new banking laws and regulations issued from regulatory institutions have only recently been adopted as discussed below, the manner in which those laws and regulations are applied to the operations of financial institutions is still evolving. Laws or regulations might be adopted, enforced or interpreted in a manner that could have an adverse effect on the Bank's business, financial condition, cash flows and/or results of operations. Moreover, any failure to adopt adequate responses to such changes in the regulatory framework may have an adverse effect on the Bank's business, financial condition, cash flows and/or results of operations.

Under certain circumstances, the SBS may intervene in the Bank's operations in order to prevent, control and reduce the effect of a failure, which may limit remedies otherwise available to the Bank's creditors and extend the duration of proceedings.

Under Peruvian banking laws and regulations, the SBS may intervene in the Bank's operations upon the occurrence of any of the following events:

- if the Bank suspends payment of its obligations or is unable to pay its obligations as they come due;
- if the Bank breaches any of its commitments to the SBS under a surveillance regime imposed by the SBS;
- if the Bank's regulatory capital is less than 50% of the minimum regulatory capital required under the Peruvian Banking Law; and
- if the Bank experiences a deficit or reduction of more than 50% of its regulatory capital during the preceding 12-month period.

Accordingly, the SBS may intervene in the Bank's business by adopting either a temporary surveillance regime or a definitive intervention regime ("Intervention") depending on how critical the situation is deemed to be by the SBS. An Intervention may halt the Bank's operations up to 45 days, which may be extended for a second period of up to 45 additional days, during which time the SBS may institute measures such as (a) canceling losses by reducing reserves, capital and subordinated debt and (b) segregating certain assets and liabilities for transfer to another financial institution. After an Intervention, the SBS will proceed to dissolve and liquidate the Bank unless the Bank merges with another acquiring institution or another recovery measure is adopted.

Pursuant to an Intervention, the SBS has the power to institute measures, such as limiting the decisions that could be taken at a shareholders meeting, suspending the Bank's normal activities and segregating certain of its assets and liabilities for transfer to third parties among others. Furthermore, the SBS has the power under the Peruvian Banking Law to declare the wind-up or liquidation of any bank if an Intervention extends longer than 45 days, which may be extended for another 45 days at the sole discretion of the SBS, and/or upon the occurrence of a wind-up or liquidation pursuant to the Peruvian Banking Law.

A reduction in the Bank's credit rating could increase its cost of borrowing funds and make its ability to raise new funds, attract deposits and renew maturing debt more difficult.

The Bank's credit ratings are an important component of its liquidity profile. Among other factors, the Bank's credit ratings are based on the financial strength, credit quality and concentrations in its loan portfolio, the level and volatility of its earnings, its capital adequacy, the quality of management, the liquidity of its balance sheet, the availability of a significant base of core retail and commercial deposits and its ability to access a broad array of funding sources. The Bank's lenders may be sensitive to the risk of a ratings downgrade. A downgrade in the Bank's credit ratings could increase the cost of refinancing its existing obligations, raising funds in the capital markets and borrowing funds from private lenders.

The Bank engages in transactions with certain related parties that could result in conflicts of interest.

In accordance with the Peruvian Banking Law, related parties include directors, certain principal executive officers and holders that own, directly or indirectly, more than 4% of the Bank's shares, and companies controlled (for purposes of the Peruvian Banking Law) by any of them. Under the Peruvian Banking Law, all loans to related parties must be made on terms no more favorable than those offered to third parties. The SBS regulates and closely monitors related party transactions and establishes a limit on them equivalent to 30.0% of a bank's regulatory capital. As of June 30, 2012, the Bank's related party exposure due to total financing to related parties equaled 3.38% of its regulatory capital. As of June 30, 2012, the Bank's loans and other contingent credits to related parties amounted to S/. 165 million, which consisted entirely of outstanding loans classified as Class A (Normal).

The Bank believes it is in compliance with all related party transaction requirements imposed by the Peruvian Banking Law and the SBS. Although the Bank intends to continue entering into transactions with related parties on terms similar to those that would be offered by or to an unaffiliated third party, such financial transactions create the potential for, or could result in, conflicts of interest.

No assurance can be given that transactions between the Bank and any of its subsidiaries or affiliates have been or will be conducted on terms as favorable to the Bank as could be obtained from unaffiliated parties. The Bank has entered into services agreements with its affiliates, and is likely to continue to engage in transactions with BBVA and its subsidiaries or affiliates and those subsidiaries of Grupo Brescia that are considered to be the Bank's affiliates under Peruvian law, and no assurance can be given that these transactions will be on an arm's length basis. In addition, future conflicts of interest between the Bank and BBVA or any of BBVA's subsidiaries or affiliates may arise; these conflicts are not required to be and may not be resolved in the Bank's favor. See "Related Party Transactions."

Peru has corporate disclosure and accounting standards different from those with which you may be familiar.

Securities disclosure requirements in Peru differ from those in the United States and elsewhere. Accordingly, the information about the Bank available to you may not be the same as the information available to security holders of a U.S. company. The SBS requires financial entities operating in Peru to report financial results according to Peruvian GAAP, which is outlined in the SBS's "Accounting Manual for Financial Entities." Peruvian GAAP differs in certain material respects from IFRS and U.S. GAAP. Substantial differences among Peruvian GAAP, IFRS and U.S. GAAP include but are not limited to, among others, content and format of the financial statements.

The Financial Statements contained herein have been prepared in accordance with Peruvian GAAP and may differ significantly from financial statements prepared in accordance with IFRS or U.S. GAAP. The Bank has made no attempt to identify or quantify the impact of the specific differences among Peruvian GAAP, IFRS and U.S. GAAP and, accordingly, cannot offer any assurances that all existing differences have been identified and that the differences described in Annex A among Peruvian GAAP, U.S. GAAP and IFRS are in fact the most significant differences. In addition, the Bank cannot estimate the net effect that applying IFRS or U.S. GAAP would have on its consolidated results of operations or consolidated financial position or any component thereof. The effect of such differences may be, individually or in the aggregate, material, and in particular, as a result of such differences, total shareholders' equity might be materially different if reported under IFRS or U.S. GAAP. Differences in the presentation of the Financial Statements, as well as differences in the information provided in the footnotes to the Financial Statements, have not been quantified in this offering circular.

A devaluation of the Nuevo Sol may adversely affect the Bank's business, financial condition and results of operations.

As of June 30, 2012 and December 31, 2011, 51.2% and 50.4%, respectively, of the Bank's loans to customers were denominated in U.S. Dollars. If there were to be a devaluation of the Nuevo Sol, it would be more difficult for the Bank's customers with income denominated in Nuevos Soles to repay their Dollar-denominated loans. Increased credit default on the part of the Bank's customers would have a negative effect on its revenues. Devaluation risk is a systemic risk in the Peruvian banking system. As of June 30, 2012 and December 31, 2011, 51.5% and 51.4%, respectively, of the total loans in the Peruvian banking system were denominated in U.S. Dollars, according to the SBS.

Although the level of dollarization in the Peruvian economy has shown a declining trend, the practice still remains common. As of June 30, 2012 and December 31, 2011, 44.5% and 50.2% respectively, of the Bank's deposits were denominated in U.S. Dollars and, according to the SBS, 45.0% and 47.5% respectively, of the deposits in the Peruvian banking system were denominated in U.S. Dollars. The risk to the Bank and to the

Peruvian banking system generally of this "dollarization" of deposits derives from the banking system's potential need for U.S. Dollars to honor deposits and the possibility of higher costs and unavailability of U.S. Dollars.

As of June 30, 2012, the difference between the Bank's Dollar-denominated assets and Dollar-denominated liabilities was positive, with a direct exposure to a devaluation of the Nuevo Sol. However, there can be no assurance that this asset-liability position will be maintained or that a devaluation of the Nuevo Sol will have a direct or indirect negative effect on the Bank, on its equity and/or on the quality of its assets.

The Central Bank maintains reserves to decrease the impact of these exchange rate fluctuations, which as of June 30, 2012 amounted to US$57,225 million. The Central Bank has intervened in the currency market in an attempt to smooth out its volatility. However, given the continued volatility in the global financial markets, the Bank cannot provide any assurances that the exchange rate will not be subject to fluctuations that could adversely affect its revenues.

The adoption of new international banking guidelines may have an adverse effect on the Bank's business, financial condition and results of operations.

In June 2004, the Basel Committee on Banking Supervision (the "Basel Committee"), consisting of the central bank Governors of the Group of Ten Nations, published a report entitled International Convergence of Capital Measurement and Capital Standards: A Revised Framework, which sets out a new capital adequacy framework (the "Basel II Framework"). The Bank is in compliance with current Peruvian Banking Law capital adequacy requirements which reflect the Basel II Framework and require a capital ratio of 10%.

After the 2008 financial crisis, the Basel Committee adopted new reforms to improve the strength of financial institutions (the "Basel III Framework"). Under this new framework, the capital requirements under the Basel II Framework were insufficient. The Basel III Framework has a greater focus on common equity and raises concerns regarding both the quality and level of capital. These new guidelines also include additional capital buffers such as a capital conservation buffer and a counter-cyclical buffer.

In July 2011, the SBS published a new resolution (SBS Resolution No. 8425-2011) that set out additional capital requirements. The new requirements are focused on covering the economic cycle, concentration risk, market concentration risk, interest rate risk and other risks. These requirements will be applied incrementally, starting in July 2012 with an initial 40% new capital requirement, and will increase by 15% each year until reaching an additional capital requirement of 100% in July 2016.

The Bank does not expect that the adoption of the Basel III Framework will have a material impact on its operations. Specifically, the Bank does not expect these recent amendments to result in significant additional capital requirements to allow the Bank to maintain its asset base or to increase its cost of funds. However, there can be no assurance that implementation of current or additional regulations will not have an adverse effect on the Bank's financial condition and/or results of operations.

The Bank's operations require the maintenance of its banking and other licenses and any noncompliance with its license and reporting obligations could have an adverse effect on its business, financial condition and results of operations.

All banking operations in Peru require licensing by the SBS. The Bank currently has the necessary licenses to conduct all of its banking and other operations in Peru. Although the Bank believes it is currently in compliance with its existing material license and reporting obligations to the SBS and other Peruvian governmental authorities, there can be no assurance that the Bank will be able to maintain the necessary licenses in the future. The loss of a license, a breach of the terms of the Bank's licenses, or a failure to obtain any further required licenses in the future could have an adverse effect on its business, financial condition and results of operations.

The Bank relies heavily on its information technology systems to conduct its business and a failure, interruption in or breach of its information technology systems could have an adverse effect on its business, financial condition and results of operations.

The Bank relies heavily on its information technology systems to conduct its business. Any failure, interruption or breach in the security of these systems could result in failures or interruptions in its risk management, general ledger, deposit servicing, loan organization and/or other important systems. If the Bank's information technology systems fail, even for a short period of time, it may be unable to serve some or all of its customers' needs on a timely basis and may lose business as a result. Likewise, a temporary shutdown of the Bank's information technology systems could result in additional costs required for information retrieval and verification. In addition, failure to update and develop the Bank's existing information technology systems may result in, among other things, higher costs or a loss of competitive position and may have an adverse effect on its business, financial condition and results of operation. There can be no assurance that such failures or interruptions will not occur or that the Bank will adequately address them if they do occur. Accordingly, the occurrence of any failures or interruptions could have an adverse effect on the Bank's business, financial condition and results of operations.

The Bank's interest-earning assets and the interest rates it pays on its interest-bearing liabilities could be adversely affected by volatility in interest rates, which could have an adverse effect on its business, financial condition and results of operations.

The interest rates the Bank earns on its interest-earning assets and the interest rates it pays on its interest-bearing liabilities could be affected by changes in domestic and international market interest rates. An increase in the general level of interest rates could result in an increase in interest expense relative to interest income, which would reduce the Bank's net interest income. Furthermore, an increase in interest rates may reduce the demand for the Bank's loans and its ability to originate loans. A decrease in the general level of interest rates may affect the Bank through, among other things, increased pre-payments on its loan portfolio and increased competition for deposits. Interest rates are highly sensitive to many factors beyond the Bank's control, including monetary policies and domestic and international economic and political conditions.

If the Bank is unable for any reason to re-price its assets and liabilities in an expedited or effective manner or if interest rates rise as a result of economic or other reasons and its assets are not appropriately match-funded, its interest income margins may be affected. While the Bank has implemented several policies to manage interest rate risk exposure, there can be no assurance that such measures would be adequate to address any volatility in market interest rates, which could have an adverse effect on its business, financial condition and results of operations.

The Bank's trading activities expose it to volatility in market prices, declines in market liquidity or fluctuations in foreign currency exchange rates, which may result in losses that could have an adverse effect on its business, financial condition and results of operations.

As part of the Bank's treasury operations, it trades various financial instruments and other assets, including debt, equity, fixed income, currency and related derivatives as both agent and principal, and it derives a proportion of its non-interest income from trading revenues. The Bank's risk management unit and Asset and Liability Management committee set position limits for Nuevo Sol- and foreign currency-denominated securities in accordance with its overall risk management policy as well as the requirements of the SBS. In addition, a significant portion of the Bank's trading activity is related to customer transactions and it may be exposed to a number of risks related to the movement of market prices in the underlying instruments, including the risk of unfavorable market price movements relative to the Bank's long or short positions, a decline in the market liquidity of the related instruments, volatility in market prices, interest rates or foreign currency exchange rates relating to these positions and the risk that the instruments with which the Bank hedges certain positions do not track the market value of those positions. If the Bank incurs any losses from these exposures, a reduction in its trading activity revenues may result, or the Bank may suffer losses from trading activities, either of which could have an adverse effect on its business, financial condition and results of operations.

The Bank is susceptible to fraud by employees or outsiders, unauthorized transactions by employees and other operational errors, and the failure of its system of internal controls to discover and rectify such matters could have an adverse effect on its business, financial condition and results of operations.

As with other financial institutions, the Bank is susceptible to, among other things, fraud by employees or outsiders, unauthorized transactions by employees and other operational errors (including clerical or record keeping errors and errors resulting from faulty computer or telecommunications systems). Given a high volume of transactions that may occur at a financial institution, errors could be repeated or compounded before they are discovered and rectified. In addition, a number of the Bank's banking transactions are not fully automated, which may further increase the risk that human error or employee tampering will result in losses that may be difficult to detect quickly or at all. While the Bank believes that it maintains a system of internal controls designed to monitor and control operational risk, there can be no assurance that its system of internal controls will be effective. Losses from the failure of the Bank's system of internal controls to discover and rectify such matters could have an adverse effect on its business, financial condition and results of operations.

A failure of the Bank's anti-money laundering and anti-terrorist financing measures to prevent third parties from using the Bank as a conduit for such activities could damage its reputation or expose it to fines, sanctions or legal enforcement, which could have an adverse effect on its business, financial condition and results of operations.

The Bank believes that it is in compliance with applicable anti-money laundering and anti-terrorist financing laws and regulations and has adopted various policies and procedures, including internal controls and "know-your-customer" procedures, aimed at preventing money laundering and terrorist financing. The Bank believes that its anti-money laundering policies and procedures are based upon, and are in compliance in all material respects with, the applicable provisions of Peruvian law. In addition, as the Bank also relies on its correspondent banks having their own appropriate anti-money laundering and anti-terrorist financing procedures, it employs what it believes are commercially reasonable procedures for monitoring its correspondent banks. However, such measures, procedures and compliance may not be completely effective in preventing third parties from using the Bank (and its correspondent banks) as a conduit for money laundering (including illegal cash operations) or terrorist financing without its (and its correspondent banks') knowledge. If the Bank were to be associated with money laundering (including illegal cash operations) or terrorist financing, its reputation could suffer and/or it could become subject to fines, sanctions or legal enforcement (including being added to any "blacklists" that would prohibit certain parties from engaging in transactions with it), which could have an adverse effect on its business, financial condition and results of operations.

Risks Relating to Peru

Factors affecting the global economy could have negative effects on the Peruvian economy that would adversely affect the Bank's business, financial condition and results of operations.

- *Further deterioration of the global economy and growth prospects.* A sharp deterioration of the growth rates for the global economy could result in a decrease in commodity prices, decreased capital flows to emerging economics, higher costs of funding and lower demand. The effect of such events on the Bank's customers and on the Bank cannot be predicted. The current economic situation could also lead to reduced economic activity among the Bank's customers, which could have a negative effect on its revenues. Factors such as unemployment, inflation levels and the availability of credit could also have a material adverse effect on economic activity of the Bank's customers and therefore on its financial condition and operating results. The Bank's ability to access the capital markets may be restricted at a time when it would need financing, which could have an impact on its flexibility to react to changing economic and business conditions.

- *Higher global risk aversion.* As both the global economic crisis and global risk aversion eased during 2010, risks relating to the Peruvian economy decreased. Recently, however, uncertainty relating to the solvency of some European economies, economic recovery in the United States and the pace of growth of emerging markets has triggered a rebound in global risk aversion. If global risk aversion shows a more protracted rise, this will have a negative effect on the exchange rate (depreciation of the Peruvian

Nuevo Sol), on financing conditions, on prices of some of Peru's most important commodities exports, and, on us.

- *Effects of global economic distress on the political situation in Peru*. The extent to which the Peruvian economy is affected by the global financial crisis could affect the political situation in Peru. In particular, the financial crisis could lead to lower revenues for decentralized political entities (regional and local governments) in the following years, in contrast with the significant revenues during the period of the "mining boom" that occurred between 2006 and early 2008, and in turn, less spending by these entities on social programs that benefit local populations. This may result in decreased support to the central government, which could take the form of political unrest. During 2008, there were several protests inside the provinces, most of them driven by decreases in financial transfers by the central government to regional and local governments, with local governments especially affected by decreased transfers. Since August 2011, the combined effect of the European debt crises, economic recovery and budget issues in the U.S., the downgrade of the U.S. debt, and deceleration of economic activity in certain emerging markets have resulted in volatility in global equity and debt markets. The Bank cannot assure you that such events will not have an adverse effect on Peru or on the Bank's business, financial condition or results of operations.

Further fiscal solvency problems in Europe, such as any moratoriums on the payment of sovereign debt or the collapse of a major financial institution in Europe, would have negative effects on the Peruvian economy that could adversely affect the Bank's business, financial condition and results of operations.

Currently, the primary external risk factor for the Peruvian economy is the sovereign debt and banking crises in Europe. Any moratoriums on sovereign debt payments in Europe, the abandonment of the eurozone monetary union by any of its members, failure to address increasing yields on sovereign debt of certain members of the eurozone, or the collapse of a major financial institution would have significant repercussions in the rest of the world, including Peru. In this scenario, financial and liquidity tensions would rise significantly, likely leading to a severe credit squeeze and significantly affecting the real economy of the eurozone.

At the local level, the Peruvian economy would be affected through three channels. First, the substantial increase in global risk aversion would be reflected in an increase of the local risk premium, leading to greater funding costs, reduction of capital inflows and a depreciation of the Nuevo Sol. Second, commodity prices and foreign demand would drop. Finally, business and consumer confidence would decrease. Private investment would be the component of expenditure most affected in this situation, as in 2008-2009.

The Bank cannot assure you that such events will not have an adverse effect on the Bank's business, financial condition or results of operations.

A slowdown in Peruvian economic activity could affect the Bank's business, financial condition and results of operations.

The large majority of the Bank's operations is conducted in Peru and is dependent upon the performance of the Peruvian economy. As a result, the Bank's business, financial position and results of operations may be affected by the general conditions of the Peruvian economy, general price instability and inflation, interest rates, regulation, taxation, social instability, political unrest and other developments in or affecting Peru, over which it has no control.

The Bank's banking and other businesses are significantly dependent upon its customers' ability to make payments on their loans and meet their obligations with it. Declining economic activity in the Peruvian economy, the devaluation of the Nuevo Sol and increases in inflation or domestic interest rates may reduce the Bank's customers' ability to repay loans when due or to meet their other debt service requirements, which would increase its past-due loan portfolio and could materially reduce its net earnings and capital levels. In the past, Peru has experienced periods of weak economic activity and deterioration in economic conditions. The Bank cannot assure you that such conditions will not return or that such conditions will not have an adverse effect on its business, financial condition or results of operations.

The Bank believes that the main risks facing the Peruvian economy in the upcoming months are the possibility of a disorderly exit from the European sovereign debt crisis and a sharp deterioration of global growth prospects. If any of those events were to occur, external demand could fall steeply, as could the prices for exports from Peru, and financing facilities could be increasingly difficult to access. Moreover, investment and employment levels could drop, as could private consumption and incomes.

A fall in key commodities prices could affect the Bank's business, financial condition and results of operation.

As of December 2011, metals represented more than 59% of Peru's exports. Therefore, there is a vulnerability to a strong fall in key commodities prices, especially considering evidence showing that business cycles have been largely correlated with terms of trade. If this happens, private investment and consumption, the fiscal balance, the current account, and the banking system (lower credit demand, increasing non-performing loans because of domestic currency depreciation in a context of still high financial dollarization) would be adversely affected despite some factors that may mitigate this risk. Gold represents more than one third of Peru's metal exports and its price fluctuation is often the inverse of basic metals prices, which should cushion this negative impact. In addition, the government's recent support of free trade agreements has been driving and may continue driving non-traditional exports, reducing reliance on commodities. Finally, sound fiscal accounts give room for a countercyclical response.

Domestic currency depreciation could affect the Bank's business, financial condition and results of operation.

Peru has financial dollarization. As of June 30, 2012, 51.5% of the total loans and 44.5% of the total deposits in the Peruvian Banking System were denominated in U.S. Dollars, according to the SBS. Although the level of dollarization has decreased during the past six years, it remains high. This generates a vulnerability to a sharp depreciation of the domestic currency because it would worsen the balance sheet of households and firms whose earnings are denominated in domestic currency but whose debts are denominated in foreign currency. Despite mitigating factors, such as the Central Bank's international reserves of U.S.$58 billion, or 32.8% of 2011 GDP, as of July 31, 2012, banking regulation that penalizes credit risk due to foreign exchange mismatches and public debt de-dollarizing, domestic currency depreciation may adversely affect the Peruvian economy and the Bank's business, results of operation and financial condition.

Adverse changes in the credit rating of either the Bank or Peru could negatively affect the trading price of the Notes and/or the Bank's access to funding.

The long-term foreign currency debt of Peru is rated BBB by S&P, Baa3 by Moody's and BBB by Fitch. The Bank's current long-term foreign currency debt rating is BBB by S&P and BBB+ by Fitch. A rating may be subject to revision or withdrawal at any time by the assigning rating organization.

Rating agencies have occasionally included in their rating analyses of certain banks a view that such banks may be supported by the banks' home government in times of illiquidity and/or insolvency. To the extent that such has been included in the ratings analyses of the Bank, then its ratings (and thus the ratings on the Notes) may be higher than would be the case if such view had not been considered. As a result, should the government not provide such support in times of illiquidity and/or insolvency, then, the rating may have overstated the credit worthiness of the bank. Such elevated rating may contribute to a bank's ability to increase its debt beyond the amount it might otherwise have obtained in the absence of such rating, including beyond the level that such bank can support (particularly in times of financial disruption). Any adverse change in the credit rating of either the Bank or Peru could negatively affect the trading price of the Notes and/or the Bank's access to funding.

A default by the Peruvian government in making payments on its debt would likely have a significant negative impact on the Peruvian banking system generally and thus may significantly affect the Bank's financial condition and/or results of operations.

As of June 30, 2012, the Bank held an aggregate principal amount of S/. 4,841.03 million of securities issued by the Peruvian government and S/. 3,674.96 million was invested in negotiable and non-negotiable Central Bank certificates of deposit and certificated notes. In addition to any direct losses that the Bank might incur, a default by the Peruvian government in making payments on its debt would likely have a significant negative impact on the Peruvian banking system generally and thus may significantly affect the Bank's financial condition and/or results of operations.

The stability of the Peruvian financial system depends on public confidence in Peruvian banking and financial institutions.

Financial institutions, including us, depend on public confidence in the Peruvian financial system. In the event of adverse developments affecting Peru's economic, political or social conditions or if a bank faces liquidity problems, the general public may withdraw deposits and savings from the troubled bank or from banks generally, thereby precipitating a liquidity crisis, as occurred in Peru in the late 1990s. If depositors withdraw significant holdings from banks generally, including us, there will be a substantial adverse impact on the manner in which financial institutions, including us, conduct their business, on their ability to operate as financial intermediaries and on their financial condition, which would adversely affect the Bank's results of operations and financial condition.

An economic recession in Peru could adversely affect the Bank's financial condition and results of operations and the value of the Notes.

If Peru's economy undergoes a recession, some segments of the Bank's retail portfolio, particularly small and medium businesses which are more vulnerable to economic cycles, could show higher default rates and may adversely affect the Bank's ability to fulfill its obligations under the Notes. In a scenario of economic recession and higher default rates the Bank would expect less demand for loans from its clients, and it would restrict some of its credit policies, particularly regarding small and medium businesses, hindering growth of its loan portfolio and affecting its operating results. The Bank cannot assure you that a future recession will not have a negative effect on its results of operations.

Inflation (and related Central Bank reserve requirements and policies with respect to dollarization) could adversely affect the Bank's business, financial condition and results of operations and the value of its securities.

In Peru, the inflation rate is measured by the Peruvian Consumer Price Index, which is calculated by the *Instituto Nacional de Estadística e Informática* (the National Institute of Statistics and Information Technology). This index includes prices of a selected group of goods and services typically consumed by Peruvian families. Between 2000 and 2007, average inflation in Peru was 2.2%. However, in the past, Peru has experienced high levels of inflation, and in 2008 it reached 6.7%. The rise in inflation at that time can be attributed to the effect on domestic prices of the increase in international prices of raw materials such as cereals and oil. Current inflation levels show a declining trend from 6.7% as of December 31, 2008 to 3.3% as of July 31, 2012. The Central Bank's primary goal is to maintain a stable monetary environment. To conduct monetary policy, the Central Bank establishes a target inflation rate for each fiscal year and announces this target rate in order to shape market expectations. For the period 2002-2006, the Central Bank's target annual inflation rate was 2.5%, plus or minus 1.0%. Since 2007, the target annual inflation rate changed to 2.0%, plus or minus 1.0%. By the end of 2012, the Bank expects but cannot assure you that inflation will be within this range.

There can be no assurance that inflation will remain in line with the expectations of the Bank's management or will not increase significantly over time. An increase of inflation levels in the future could increase the Bank's costs, and, if this is not accompanied by an increase in interest rates, its operating and net margins may decrease, which may adversely affect its ability to fulfill its obligations under the Notes. Inflationary pressures may also curtail the Bank's ability to access foreign financial markets and may lead to further government intervention in the economy, including the introduction of government policies that may adversely affect the overall performance of the Peruvian economy. The Bank's operating results and the value of its securities, including the Notes, may be adversely affected by higher inflation.

The re-implementation of protectionist and interventionist laws by the Peruvian government, most notably restrictive exchange rate policies, could have an adverse effect on the Bank's business, financial condition and results of operations.

Over the past 20 years, the Peruvian economy has undergone a major transformation from a highly protected and regulated system to a free-market economy. Since 1991, protectionist and interventionist laws and policies have been gradually dismantled to create a liberal economy dominated by private sector and market forces. Exchange controls and restrictions on remittances of profits, dividends and royalties have disappeared. Prior to 1991, Peru exercised control over the foreign exchange markets by imposing multiple exchange rates and placing restrictions on the possession and use of foreign currencies. In 1991, then president Alberto Fujimori eliminated all foreign exchange controls and unified exchange rates. Currently, foreign exchange rates are determined by market conditions, with regular operations by the Central Bank in the foreign exchange market in order to reduce volatility in the value of Peru's currency against the U.S. Dollar.

Political and social developments in Peru, including those relating to the Humala administration, the mining industry and/or terrorist activity, could have a material adverse effect on the Bank's results of operations and financial condition.

The election in 2011 of Ollanta Humala, a member of the Gana Perú party which does not have a majority in Congress, presents political and economic uncertainties. Elections were held in Peru on April 10, 2011, with no presidential candidate receiving the required 50 percent or more of the votes. As a result, a second round election between the top two presidential candidates, Ollanta Humala from Gana Perú, and Keiko Fujimori from Fuerza 2011, was held on June 5, 2011. Ollanta Humala was elected, but he has no majority in Congress. As of July 28, 2011, Ollanta Humala officially became the new head of the Peruvian government. Prior to his election, there were uncertainties concerning the continuity of market friendly policies and concerns about increased state participation in the economy. However, the appointment of cabinet ministers with government experience and initial public announcements from the newly elected government that do not call for major changes in Peru's economic policy framework have partially dissipated such concerns. However, it is uncertain whether the Peruvian government will continue to pursue business-friendly and open-market economic policies that stimulate economic growth and social stability. Any changes in the Peruvian economy or the economic policies followed by the Peruvian government may adversely affect the Bank's business, financial condition and results of operations.

The emergence of social conflicts related to environmental issues could affect important investment projects, particularly projects related to mining. In January 2012, a major mining project, Minas Conga, with projected investments of approximately US$4.8 billion, was halted due to protests from local authorities, politicians and residents who opposed the project over environmental concerns. In response to these concerns, the Peruvian government commissioned a review of Minas Conga's environmental impact study by international consultants. This study provided a series of recommendations in addition to those included in the original environmental impact study which Newmont, the company carrying out the project, agreed to implement. However, the project has not been initiated due to continuing protests. There is a risk that this type of social and environmental conflict could expand into other areas of Peru and could affect investment, employment and consumption.

Ollanta Humala was elected, in part, based on his promises to halt mining projects where they present a risk to water supplies, agriculture or the environment in general. Even though the government has now taken a more pro-investment tone, its past promises could make it difficult to implement large-scale investment projects such as mining projects, which could lead to a perception of instability. Changes in the policies followed by the Peruvian government, decreased public confidence in this sector of the economy, and/or increased social unrest could affect the Bank's business, financial condition or results of operations.

In the past, Peru experienced significant levels of terrorist activity that reached its peak of violence against the government and private sector in the late 1980s and early 1990s. These activities were attributed mainly to two local terrorist groups, the *Sendero Luminoso* (the "Shining Path"), and *Movimiento Revolucionario Túpac Amaru* (the "MRTA"). Although the Shining Path and the MRTA are still operating, they are no longer as powerful as they were during the 1980s and early 1990s. Their members still operate, but only in certain targeted areas such as remote mountainous and jungle areas in central and southern Peru, where military patrols have decreased due to military spending cutbacks. The Bank cannot assure you that a resurgence of terrorism in Peru will not occur or that, if there is a resurgence, it will not have an adverse effect upon the economy and prospects of Peru.

The perception of higher risk in other countries, especially in emerging economies, may adversely affect the Peruvian economy, the Bank's business and the market price of Peruvian securities, including the Notes.

Emerging markets such as Peru are subject to greater risks than more-developed markets and financial turmoil in any emerging market (or global markets generally) could disrupt business as well as cause the price of the Notes to suffer. Moreover, financial turmoil in any emerging market country tends to adversely affect prices in stock markets and prices for debt securities of all emerging market countries as investors move their money to more stable, developed markets. An increase in the perceived risks associated with investing in emerging economies could dampen capital flows to Peru and adversely affect the Peruvian economy, and the price of the Notes may be subject to fluctuations that may not necessarily be related to economic conditions in Peru or the Bank's financial performance. There can be no assurance that investors with an interest in Peru will not be negatively affected by events in other emerging markets or the global economy in general. Negative investor reaction to developments in other countries or other emerging markets could adversely affect the market for securities issued by Latin American companies, cause foreign investors to withhold or withdraw capital from the region and cause uncertainty about plans for further integration of the region's economies. Any of these events could materially adversely affect Peru and securities issued by Peruvian companies such as us.

Border conflicts could have a negative impact on Peru.

On January 16, 2008, Peru instituted proceedings before the International Court of Justice in the Hague (the "ICJ") to obtain the definitive delimitation of the maritime border between Peru and Chile. Peru argued that, in the absence of a treaty, the ICJ should determine such boundary in accordance with international law. Chile has in turn argued that the maritime boundary was established by agreements signed by Peru, Chile and Ecuador in 1952 and 1954. Peru filed a memorial at the ICJ on March 19, 2009. Although Chile timely filed its counter memorial before the established deadline of March 9, 2010, Peru requested that the parties be allowed to file a reply and rejoinder because of the number of issues still in dispute after the first round of written pleadings. Peru timely filed its reply on November 9, 2010, while Chile timely filed its rejoinder on July 11, 2011. The ICJ will hold public hearings for the case (Peru v. Chile) from December 3 to December 14, 2012. The continuation and possible escalation of this dispute between Peru and Chile could have a negative impact on trade between the two countries and adversely affect Peru's economy.

Risks Related to the Notes

The rating of the Notes may be lowered or withdrawn depending on various factors, including the rating agencies' assessments of the Bank's financial strength and Peruvian sovereign risk.

The rating of the Notes addresses the likelihood of payment of principal at their maturity. The rating also addresses the timely payment of interest on each scheduled payment date. The rating of the Notes is not a recommendation to purchase, hold or sell the Notes, and the rating does not comment on market price or suitability for a particular investor. The Bank cannot assure you that the rating of the Notes will remain for any given period of time or that the rating will not be lowered or withdrawn. A downgrade in or withdrawal of the rating of the Notes will be an event of default under the indenture. An assigned rating may be raised or lowered depending, among other things, on the respective rating agency's assessment of the Bank's financial strength, as well as its assessment of Peruvian sovereign risk generally.

There is no existing market for the Notes and one may not develop in the future; thus it may be difficult to resell your Notes.

The Bank has applied to list the Notes for listing on the Official List of the Luxembourg Stock Exchange and trading on the Euro MTF market, although no assurance can be given that such listing will be accomplished. The Notes constitute a new issue of securities with no established trading market. In addition, in the event there are changes in the listing requirements, the Bank may conclude that continued listing on the Luxembourg Stock

Exchange is unduly burdensome. See "General Information." No assurance can be given as to (i) the liquidity of any markets that may develop for the Notes, (ii) whether an active public market for the Notes will develop, (iii) your ability to sell your Notes (or beneficial interests therein) or (iv) the price at which you will be able to sell your Notes. In addition, the Notes have not been registered under the Securities Act and will be subject to transfer restrictions. See "Notice to Investors."

The Bank does not intend to provide registration rights to holders of Notes and does not intend to file any registration statement with the SEC in respect of the Notes. Future trading prices of the Notes will depend on many factors including, among other things, prevailing interest rates, the Bank's operating results, and the market for similar securities. The initial purchasers have informed the Bank that they may make a market in the Notes. However, the initial purchasers are not obligated to do so and any such market-making activity may be terminated at any time without notice to you. In addition, such market-making activity will be subject to the limits of the Securities Act. If an active public trading market for the Notes does not develop, the market price and liquidity of the Notes may be adversely affected. See "Plan of Distribution." In addition, trading or resale of the Notes (or beneficial interests therein) may be negatively affected by other factors described in this offering circular arising from this transaction or the market for securities of Peruvian issuers generally.

Enforcing your rights as a noteholder in Peru may prove difficult.

Your rights under the Notes will be subject to the insolvency and administrative laws of Peru, and the Bank cannot assure that you will be able to effectively enforce your rights in such bankruptcy, insolvency or similar proceedings. In addition, the bankruptcy, insolvency, administrative and other laws of Peru are materially different from, or in conflict with, each other, including in the areas of rights of creditors, priority of government entities and other third-party and related-party creditors, ability to obtain post bankruptcy filing loans or to pay interest and the duration of proceedings. The laws of Peru may not be as favorable to your interests as the laws of jurisdictions with which you are familiar. The application of these laws, or any conflict among them, could call into question what and how Peruvian laws should apply. Such issues may adversely affect your ability to enforce your rights under the Notes in Peru or limit any amounts that you may receive.

Under Peruvian Banking Law, your claims as a noteholder rank lower in priority of payment to senior obligations incurred or assumed at an earlier date.

Under Peruvian Banking Law, claims of senior unsecured creditors who extended credit prior to the issue date of the Notes rank senior in priority of payment to obligations incurred or assumed at a later date. As of June 30, 2012, the Bank had S/.7,660 million (US$2,868 million) of senior unsecured indebtedness. Substantially all of such indebtedness may rank prior to the Notes in priority of payment under Peruvian Banking Law. See "Banking Supervision and Regulation—Intervention by the SBS and Liquidation." These laws and their application may adversely affect your ability to enforce your rights under the Notes in Peru or limit any amounts that you may receive.

The Notes are subject to restrictions on transfer.

The Notes have not been and will not be registered under the Securities Act, any U.S. state securities laws or the laws of any other jurisdiction (other than Peru). You may not offer the Notes in the United States except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws, or pursuant to an effective registration statement. It is your obligation to ensure that your offers and sales of the Notes within the United States and other countries comply with applicable securities laws. The Notes sold in Peru are subject to transfer and resale restrictions set forth in CONASEV Resolution No. 079-2008-EF-94.01.1, as amended. See "Notice to Investors."

Legal investment considerations may restrict certain investments.

The investment activities of certain investors are subject to law and may be subject to review or regulation by certain authorities. Each potential investor should determine for itself, on the basis of professional advice where appropriate, whether and to what extent (i) Notes are lawful investments for it, (ii) Notes can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

USE OF PROCEEDS

The Bank intends to use the net proceeds of the offering (estimated at US$500,000,000) for general corporate purposes.

EXCHANGE RATES AND CURRENCY

Exchange rates for the Nuevo Sol have been relatively unstable in recent years. The following table sets forth the SBS's period-average and period-end mid rates for U.S. Dollars for the years ended December 31, 2007 through December 31, 2011 and through the dates indicated in the table below.

Period	**Low**	**High**	**Average**(1)	**Period End**
	(Nominal Nuevos Soles per U.S. Dollar)			
2007	2.968	3.201	3.124	2.996
2008	2.693	3.157	2.941	3.14
2009	2.852	3.259	3.006	2.890
2010	2.787	2.883	2.826	2.809
2011	2.694	2.833	2.752	2.696
2012				
January	2.689	2.698	2.693	2.689
February	2.677	2.691	2.684	2.677
March	2.667	2.676	2.671	2.667
April	2.640	2.667	2.657	2.640
May	2.636	2.709	2.670	2.709
June	2.641	2.708	2.671	2.671
July	2.620	2.654	2.635	2.629
August (through August 15th)	2.615	2.629	2.620	2.615

(1) Calculated as the average of the month-end exchange rates for each year listed or the average of the daily exchange rates for each month listed, as applicable.

Source: SBS

DIVIDENDS

The Bank has one class of common shares outstanding. The relevant Peruvian regulations regarding the distribution of dividends are as follows:

- Pursuant to Article 71 of the Peruvian Banking Law, all earnings must be applied, in order of preference, to the replenishment of the minimum capital stock referred to in Article 16 of the Peruvian Banking Law (as updated quarterly by the SBS).
- Pursuant to Article 72 of the Peruvian Banking Law, until the final balance and corresponding dividend distribution is approved at a shareholders' meeting, the Bank is not permitted to distribute dividends from its year-end net incomes or to grant any profit-sharing to its directors.
- Pursuant to Article 355 of the Peruvian Banking Law, the Bank must file before the SBS a report explaining the shareholder's meeting agreement regarding the distribution of dividends. The SBS can suspend the payment of the dividends if the report does not comply with the requirements established by the SBS.
- Pursuant to Article 230 of the Peruvian General Corporations Law, dividends may be paid only from recorded earnings or unrestricted reserves, as long as the net worth is not less than the paid-in capital.

In 2012, the Bank paid cash dividends in an aggregate amount of S/. 733.8 million (S/. 0.37743755 per share), with respect to distributable income of the prior year. These dividends were paid to shareholders on April 20, 2012.

In 2011, the Bank paid cash dividends in an aggregate amount of S/. 805.8 million (S/. 0.43711908 per share), with respect to distributable income of the prior year. These dividends were paid to shareholders on April 20, 2011. On September 16, 2011, the Bank distributed a 5.46% stock dividend on its common shares.

In 2010, the Bank paid cash dividends in an aggregate amount of S/. 463.8 million (S/. 0.31521348 per share), with respect to distributable income of the prior year. These dividends were paid to shareholders on April 20, 2010. On November 18, 2010, the Bank distributed a 25% stock dividend on its common shares.

In 2009, the Bank paid cash dividends in an aggregate amount of S/. 362.1 million (S/. 0.32638127 per share), with respect to distributable income of the prior year. These dividends were paid to shareholders on April 20, 2009. On December 24, 2009, the Bank distributed a 33% stock dividend on its common shares.

Each payment or distribution of dividends was approved at the annual shareholders' meeting at the recommendation of the Bank's board of directors.

CAPITALIZATION

The following table sets forth the Bank's capitalization as of June 30, 2012 and as adjusted to give effect to the issuance of the US$500 million of Notes offered hereby, which information is unaudited.

	As of June 30, 2012		
	Actual	**As Adjusted for the Offering**	**As Adjusted for the Offering**
	(Nuevos Soles in thousands)		*U.S. Dollars in thousands)*[1]
Borrowings:			
Obligations to the public	31,378,217	31,378,217	11,747,741
Demand deposits	8,920,146	8,920,146	3,339,628
Saving deposits	7,708,954	7,708,954	2,886,168
Time deposits	14,532,903	14,532,903	5,440,997
Other obligations	216,214	216,214	80,949
Deposits received from financial institutions	545,144	545,144	204,097
Interbank funds	359,835	359,835	134,719
Due to banks and correspondents	7,394,285	7,394,285	2,768,358
Securities, bonds and outstanding obligations	2,718,252	4,053,752	1,517,691
Other liabilities	1,329,443	1,329,443	497,732
Total liabilities	**43,725,176**	**45,060,676**	**16,870,339**
Total shareholders' equity	**3,588,540**	**3,588,540**	**1,343,519**
Total liabilities and shareholders' equity	**47,313,716**	**48,649,216**	**18,213,858**

(1) Data expressed in U.S. Dollars as of June 30, 2012 has been translated at the rate of S/. 2.671 per US$1.00, based on the exchange rate reported by the SBS on June 30, 2012.

SELECTED FINANCIAL INFORMATION

The following tables present the Bank's selected historical financial data as of and for the years ended December 31, 2011, 2010 and 2009, which were derived from the Audited Financial Statements, and as of June 30, 2012 and for the six-month interim periods ended June 30, 2012 and June 30, 2011, which were derived from the Interim Unaudited Financial Statements, prepared in accordance with Peruvian GAAP. None of the balances have been adjusted for inflation in accordance with Peruvian GAAP.

In the opinion of management, the interim financial information presented below includes all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the Bank's financial condition and results of operation as of the dates and for the periods specified. Results for the first six months are not, however, necessarily indicative of results to be expected for the full year.

This information should be read in conjunction with the Financial Statements and the Notes thereto as well as the sections entitled "Capitalization" and "Management's Discussion and Analysis of Financial Condition and Results of Operations." As indicated above, the Financial Statements have been prepared in accordance with Peruvian GAAP, which differs in certain significant respects from IFRS and U.S. GAAP. For a description of highlights of certain differences among Peruvian GAAP, U.S. GAAP and IFRS, see "Annex A—Principal Differences among Peruvian GAAP, U.S. GAAP and IFRS (as adopted by the IASB)."

Consolidated Statements of Income

	For the Year Ended December 31,				For the Six Months Ended June 30,		
	2011 [(1)]	**2011**	**2010**	**2009**	**2012**[(2)]	**2012**	**2011**
Statement of Income Data:	*(U.S. Dollars in thousands)*	*(Nuevos soles in thousands)*			*(U.S. Dollars in thousands)*	*(Nuevos soles in thousands)*	
Financial income	1,148,987	3,097,670	2,535,968	2,753,297	669,692	1,788,747	1,425,653
Financial expenses	(309,802)	(835,225)	(471,981)	(697,584)	(191,966)	(512,740)	(355,977)
Gross financial margin..........	**839,186**	**2,262,445**	**2,063,987**	**2,055,713**	**477,726**	**1,276,007**	**1,069,676**
Provision for loan losses, net of recoveries [(3)]	(102,620)	(276,664)	(281,689)	(324,636)	(65,629)	(175,294)	(132,604)
Net financial margin..............	**736,566**	**1,985,781**	**1,782,298**	**1,731,077**	**412,098**	**1,100,713**	**937,072**
Income from financial services	234,421	631,999	552,514	480,934	122,481	327,148	306,380
Administrative expenses [(4)]	(387,485)	(1,044,660)	(860,415)	(807,831)	(210,175)	(561,378)	(487,220)
Other income and expenses, net	(23,725)	(63,962)	(60,557)	(54,970)	(18,985)	(50,710)	(43,882)
Income before workers' profit sharing and income tax	**559,777**	**1,509,158**	**1,413,840**	**1,349,210**	**305,419**	**815,773**	**712,350**
Workers' profit sharing [(5)]........	-	-	(49,891)	(52,384)	-	-	-
Income taxes	(141,013)	(380,170)	(357,640)	(369,057)	(79,436)	(212,173)	(182,361)
Net income	**418,764**	**1,128,988**	**1,006,309**	**927,769**	**225,983**	**603,600**	**529,989**

(1) Data expressed in U.S. Dollars for the year ended December 31, 2011 has been translated at the rate of S/. 2.696 per US$1.00, based on the exchange rate reported by the SBS on December 31, 2011.

(2) Data expressed in U.S. Dollars for the period ended June 30, 2012 has been translated at the rate of S/. 2.671 per US$1.00, based on the exchange rate reported by the SBS on June 30, 2012.

(3) Provisions for loan losses include provisions with respect to total direct loans. Direct loans represent outstanding loans while indirect loans include guarantees and standby letters of credit, import and export letters of credit and bank acceptances.

(4) Administrative expenses includes personnel, general and depreciation and amortization expenses.

(5) On January 1, 2011, the SBS modified the presentation of workers' profit sharing as a part of administrative expenses.

Consolidated Balance Sheets

	As of December 31,				As of June 30,	
	2011 [(1)]	**2011**	**2010**	**2009**	**2012**[(2)]	**2012**
Balance Sheet Data	*(U.S. Dollars in thousands)*	*(Nuevos Soles in thousands)*			*(U.S. Dollars in thousands)*	*(Nuevos Soles in thousands)*
Cash and due from banks	3,165,747	8,534,853	10,055,772	4,867,209	3,575,321	9,549,682
Interbank funds	89,562	241,459	40,009	49,003	90,004	240,400
Investment at fair value through profit and loss, available for sale and held to maturity, net	959,627	2,587,154	2,260,555	3,923,508	1,872,535	5,001,540
Total loans, net [(3)]	10,727,754	28,922,025	24,004,149	19,797,656	11,403,471	30,458,670
Investments in associates	828	2,231	1,995	1,908	730	1,950
Property, furniture and equipment, net	223,887	603,600	447,086	388,674	236,880	632,706
Other assets	501,144	1,351,085	980,755	1,028,992	534,919	1,428,768
Total assets	**15,668,549**	**42,242,407**	**37,790,321**	**30,056,950**	**17,713,859**	**47,313,716**
Obligations to the public	11,196,379	30,185,437	25,558,208	20,903,240	11,747,741	31,378,217
Demand deposits	3,297,092	8,888,960	7,963,184	6,573,767	3,339,628	8,920,146
Saving deposits	2,639,185	7,115,244	5,940,556	5,197,986	2,886,168	7,708,954
Time deposits	5,192,536	13,999,076	11,553,694	8,930,136	5,440,997	14,532,903
Other obligations	67,566	182,157	100,774	201,351	80,949	216,214
Deposits received from financial institutions	113,885	307,034	359,232	610,450	204,097	545,144
Interbank funds	46,556	125,515	479,805	635,201	134,719	359,835
Due to banks and correspondents	1,769,363	4,770,203	5,013,198	2,126,994	2,768,358	7,394,285
Securities, bonds and other outstanding obligations	736,595	1,985,859	1,870,329	1,772,926	1,017,691	2,718,252
Other liabilities	431,490	1,163,296	1,125,435	1,119,327	497,732	1,329,443
Total liabilities	**14,294,267**	**38,537,344**	**34,406,207**	**27,168,138**	**16,370,339**	**43,725,176**
Total shareholders' equity	1,374,282	3,705,063	3,384,114	2,888,812	1,343,519	3,588,540
Total liabilities and shareholders' equity	**15,668,549**	**42,242,407**	**37,790,321**	**30,056,950**	**17,713,858**	**47,313,716**

(1) Data expressed in U.S. Dollars for the year ended December 31, 2011 has been translated at the rate of S/. 2.696 per US$1.00, based on the exchange rate reported by the SBS on December 31, 2011.

(2) Data expressed in U.S. Dollars for the period ended June 30, 2012 has been translated at the rate of S/. 2.671 per US$1.00, based on the exchange rate reported by the SBS on June 30, 2012.

(3) Net of deferred interest on discounted notes and leasing receivables plus accrued interest from performing loans, and after deducting provisions for loan losses.

(4) In 2010, certain deposits and other obligations and deposits received from financial institutions were reclassified. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations" and Note 2 to the Bank's Financial Statements.

Other Financial Data and Ratios

The selected financial data and ratios presented below have been derived from and should be read in conjunction with the Bank's Financial Statements and the other financial information contained in this offering circular.

Consolidated financial indicators	As of and for the Year Ended December 31,			As of and for the Six Months Ended June 30,
	2011	2010	2009	2012
	(Nuevos Soles in thousands, except for ratios and percentages)			
Profitability and efficiency				
Return on average assets (1)	2.82%	2.97%	2.92%	2.70%
Return on average shareholders' equity (2)	31.85%	32.08%	36.22%	33.10%
Net interest margin (3)	7.79%	8.24%	8.46%	7.57%
Efficiency ratio (4)	36.09%	32.88%	31.85%	35.02%
Capitalization				
Shareholders' equity as a percentage of total assets	8.77%	8.95%	9.61%	7.58%
Tangible common equity	S/.1,944,232	S/.1,843,427	S/.1,471,243	S/.2,226,473
Tier 1 capital as a percentage of risk-weighted assets(6)	9.12%	10.50%	8.99%	11.03%
Total regulatory capital as percentage of risk weighted assets	12.46%	14.65%	13.31%	13.95%
Credit quality data				
Non performing loans	S/.279,710	S/.264,635	S/.217,387	S/.386,402
Total non-performing loans over total gross loans	0.92%	1.04%	1.04%	1.20%
Provisions for loan losses as a percentage of total gross loans(5)	4.10%	4.14%	4.15%	4.24%
Provisions for loan losses as a percentage of non-performing loans	446.87%	396.53%	401.19%	352.13%

(1) Return on average assets was calculated as net income over average total assets. Net income for the six months ended June 30, 2012 was annualized and return on average assets was calculated over average total assets for such six month period.

(2) Return on average shareholders' equity was calculated as net income over average shareholders' equity. Net income for the six months ended June 30, 2012 was annualized and return on average shareholders' equity for such six month period.

(3) Net interest margin was calculated as gross financial margin over average interest earnings assets (interbank funds, Investments in securities, net, loans, net). Net interest margin was calculated over average interest earning assets for such six month period.

(4) The efficiency ratio was calculated as administrative expenses, which includes personnel, administrative, depreciation and amortization expenses, over operating revenue, which is the aggregate of gross financial margin and income from financial services.

(5) Provisions for loan losses only include reserves with respect to direct loans.

(6) On June 28, 2012, the Board of Directors of the Bank resolved to capitalize S/.400 million of retained earnings for 2012 which are included in the computation of Tier 1 capital. Such increase will be effective at the next shareholders' meeting of the Bank.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The financial information presented in this section as of June 30, 2012 and for the six-month periods ended June 30, 2012 and 2011 and as of and for the years ended December 31, 2011, 2010 and 2009 should be read in conjunction with the Bank's Financial Statements included elsewhere in this offering circular. The Bank's Financial Statements have been prepared in accordance with Peruvian GAAP, which differs from U.S. GAAP and from IFRS. No reconciliation of any of the Bank's Financial Statements to U.S. GAAP or IFRS has been prepared for this offering circular. Any such reconciliation would result in material differences. See "Presentation of Certain Financial and Other Information" and "Annex A—Principal Differences among Peruvian GAAP, U.S. GAAP and IFRS (as adopted by the IASB)" for a description of the principal differences among Peruvian GAAP, U.S. GAAP and IFRS.

Overview

The Bank is the second largest bank in Peru in terms of assets, loans, deposits and branches and the third in terms of shareholders' equity. As of June 30, 2012, the Bank had total assets of S/. 47,314 million (US$17,714 million), total net direct loans of S/. 30, 459 million (US$11,403 million), total deposits of S/. 31,923 million (US$11,952 million) and total shareholders' equity of S/. 3,589 million (US$1,344 million). As compared to its peers, the Bank ranked first in terms of efficiency and profitability (as measured by return on average shareholders' equity, or "ROE") with a higher quality loan portfolio than the Peruvian banking industry's average, according to the SBS. The Bank had a consolidated efficiency ratio of 35.02%, a ROE of 33.10%, a default rate (calculated as the ratio of non-performing loans to total gross loans) of 1.20% and a coverage ratio (calculated as the provision for loan losses divided by non-performing loans) of 352.13%, as of June 30, 2012. Through the Bank's 312 branches, the Bank reaches more than 2.7 million customers and operates in almost every region of Peru. As of June 30, 2012, the Bank's performing loans and deposits represented 23.6% and 22.9%, respectively, of the Peruvian banking industry, as calculated by the SBS. The banking industry in Peru remains heavily concentrated among four dominant banks that have a collective market share of approximately 84% of performing loans and 82% of deposits.

Economic Environment

BBVA Banco Continental is a Peruvian bank and relies heavily on the performance of the Peruvian economy, which over the past ten years has grown significantly. Substantially all of the Bank's operations and funding, and therefore a large part of its income, are tied to the Peruvian economy.

Between 2002 and 2008, Peruvian GDP grew at an average rate of 6.7%, mainly driven by private and public investment. In 2009, expansion of economic activity decelerated to 0.9%, reflecting external conditions that had worsened markedly. Considering the magnitude of the external shock arising from the global financial and economic crisis, it is noteworthy that Peruvian GDP still grew, which was not the case for most of the largest countries in Latin America. This was mainly due to the strengthening of fiscal accounts, business competitiveness and management, and bank regulation in previous years, which has improved the market's capability to absorb negative impacts. As a result, fiscal and monetary authorities were able to implement economic stimulus measures, which maintained high levels of employment and household spending.

In 2010, Peru experienced a recovery reflected in a GDP growth rate of 8.8%. Private sector demand evolved favorably, and higher business confidence and low interest rates drove up private investment, which increased 22.1%. During 2010, major projects that were deferred during the global financial crisis of 2008-2009 were resumed, which in turn supported job creation and increased household spending.

In 2011, strong economic growth continued, reflected by a GDP growth rate of 6.9%. This growth occurred despite a challenging global economic environment and increased uncertainty regarding political elections in Peru. The strong dynamism of domestic demand was a key driver of GDP growth. Household consumption continued to expand, supported by rising employment and wages, and improved consumer expectations. Moreover, in spite of the uncertainty related to the Peruvian electoral process, private investment registered a significant growth of 11.7% in 2011, growing more than initially expected.

On the fiscal side, public investment contracted due to the establishment of new authorities in local governments and limits on expenditures imposed by the Peruvian government in the context of the elections. As a result, the fiscal balance recorded a surplus of 1.9% of GDP in 2011 (as compared to a deficit of 0.3% in 2010). On the external side, the current account deficit was 1.9% of GDP, reflecting the strong growth of imports as a result of strong domestic demand, consumption and private investment, while exports showed a more moderate growth. This external deficit was principally financed by long-term private capital inflows (5.4% of GDP), particularly foreign direct investment.

During the first quarter of 2012, Peru's GDP grew 6.0% on a year-over-year basis, boosted by both private and public spending. Business confidence recovered, reflecting the new government administration's commitment to maintaining sound macroeconomic policies and its support of private investment. In this context, private spending continued expanding, while higher public investment was supported by the execution of new projects and recent economic stimulus measures. On the external side, the current account deficit widened moderately to 2.1% of GDP. Finally, the fiscal balance registered a surplus of 7.0% of GDP, compared to 6.0% of GDP in the first quarter of 2011.

During the second quarter of 2012, economic activity expanded at an average rate of 6.1%. Overall, growth was boosted by those sectors most linked to internal demand, such as construction and commerce. The strength of domestic spending has compensated for, in the aggregate, the contraction in export volumes, primarily as a consequence of the deteriorating external environment.

As of December 31, 2011, annual inflation was 4.7%, which was above the upper limit of the target range set by the Central Bank. This primarily reflected temporary factors that had increased fuel and food prices. The partial reversal of these factors has prompted a trend of decreasing inflation, and annual inflation reached 3.3% as of July 31, 2012. Furthermore, the convergence of inflation towards its target and a rate of economic activity around its potential level induced the Central Bank to keep its monetary policy rate unchanged at 4.25 since May of last year. In the current context of uncertainty stemming from the international financial crisis, the Central Bank has also expressed its attention to the evolution of global growth prospects.

As of July 31, 2012, the Central Bank held US$58.0 billion of international reserves, equivalent to 32.8% of Peru's 2011 GDP and representing 8.1 times the short-term external liabilities as of March 30, 2012. Also, the Peruvian government administers a stabilization fund which amounted to US$7.2 billion (4.1% of 2011 GDP) as of July 31, 2012. This fund can be used for emergency spending purposes as declared by the Peruvian parliament.

Foreign credit risk agencies acknowledged Peru's robust macroeconomic performance as well as its capability to confront the external shock of 2008-2009 and elevated Peruvian sovereign debt classification to investment grade in 2008 (Fitch and Standard & Poor's) and 2009 (Moody's). This, together with the strength of Peru's external and fiscal accounts and its growth prospects led Fitch and Standard & Poor's to upgrade Peru's classification again, to BBB (for long-term foreign currency debt), in 2011. On August 16, 2012, Moody's also upgraded Peru's sovereign long-term debt to Baa2 and maintained a positive outlook. On July 9, 2012, Standard & Poor's upgraded Peruvian short-term foreign currency sovereign credit rating from A-3 to A-2.

In summary, the Peruvian economy has showed strong growth in recent years and an important resilience to external shocks.

Critical Accounting Policies

In the preparation and presentation of the Financial Statements, the Bank's management has complied with the regulations established by the SBS in force in Peru as of December 31, 2009, 2010 and 2011 and June 30, 2011 and 2012, respectively. In the absence of rules promulgated by the SBS, IFRS, as approved by the CNC, and the applicable pronouncements of the Standing Interpretations Committee in force as of December 31, 2009, 2010 and 2011 and June 30, 2011 and 2012, respectively, apply.

Certain of the accounting practices the Bank employs, which conform to Peruvian GAAP for financial entities, may differ in certain significant respects from generally accepted accounting principles in other countries.

See "Risk Factors—Risks Relating to the Bank's Business – Peru has corporate disclosure and accounting standards different from those with which you may be familiar."

Significant accounting principles and practices used in the preparation of the Financial Statements are described below. For further details on these accounting principles, see Note 2 to the Financial Statements.

Basis of Presentation and Use of Estimates

The Financial Statements have been derived from the Bank's accounting records, which are maintained in Nuevos Soles as of the date of the transactions, in accordance with Peruvian GAAP.

The preparation of the Financial Statements requires the Bank's management to make estimates and assumptions to determine the balances of assets and liabilities, income and expenses and disclosure of material contingencies in the notes of the Financial Statements. Actual results could differ from those estimates and the effect of the change should be included in the determination of the net gain or loss in the year of the change, and future periods if applicable. The most significant estimates related to the financial statements correspond to the determination of the investments at fair value through profit and loss, available-for-sale investments and investments in associates, provisions for loan losses and contingent loan portfolio, provisions for other accounts receivable, provisions for seized assets, useful lives assigned to property, furniture and equipment, contingent liabilities, deferred income taxes, and derivative financial instruments.

Recognition of Income and Expenses

Financial income, financial expenses and commissions for banking services are recognized on a monthly basis in the corresponding fiscal year in accordance with the accrual method of accounting. When management considers that there are reasonable doubts about the collectability of the principal of a loan, the Bank suspends the recognition of interest in the income statement. The suspended interest is recorded in memoranda accounts and recognized as earned when collected. When management considers that the financial situation of the debtor has improved and that the doubt about the collectability of the principal has dissipated, it reestablishes the accounting of the interest on an accrual basis.

Financial income includes the return on fixed-income investments and trading securities, as well as the recognition of discounts and premiums on financial instruments. Dividends are registered as income when declared. The Bank's other income and expenses are recorded in the fiscal period in which they are accrued.

Allowance for Loan Losses

The Bank's management determines the provision for loan losses in accordance with the guidelines established by the SBS. In accordance with such criteria, the Bank's management periodically conducts a formal review and analysis of the loan portfolio. All the loans are classified under the following categories: normal, potential problem, substandard, doubtful, or loss based upon the economic and financial situation of the debtor and other relevant information.

For commercial loans, the rating classification takes into consideration several factors, including the payment history of the particular loans, the history of the Bank's dealings with the debtor, management, operating history, repayment capability and availability of funds of the debtor, status of any collateral or guarantee, the debtor's financial position, the debtor's historical and projected financial condition, general risk of the sector in which the debtor operates, the debtor's risk classification made by other financial institutions, and other relevant factors. For micro and small-business, consumer and mortgage loans, the rating classification takes into account the delay in loan payments and the debtor's risk classification made by other financial institutions. The Bank establishes provisions for doubtful loans in accordance with regulations established by the SBS. The SBS establishes two types of doubtful loan provisions for loan portfolios: generic and specific provisions. These provisions provide specific percentages which vary depending on the risk classification of the loan, the risk classification of the debtor and the type of collateral or guarantees used in connection with the transaction. The generic provision for loan losses is recorded in a preventative manner for direct loans and indirect loans which are rated as "normal" loans. The generic provision has two components: a fixed component and a procyclical component. The fixed component of the generic provision is recorded at all times. The procyclical component of the generic provision is recorded during certain periods established by the SBS, and is linked to Peru's GDP growth fluctuations. The procyclical component of the generic provision was temporarily suspended from September 2009 to September 2010. The specific provision for loan losses is recorded for direct loans and indirect loans with a risk category higher than standard.

The calculation of the provision for a loan is determined primarily on the basis of such loan's risk classification using the doubtful loan provisions and the type of collateral securing such loans, including the liquidity, accessibility and net realizable value of such collateral, as determined by an independent appraisal. According to regulations established by the SBS, collateral is classified as: "preferred readily realizable collateral" (*i.e.*, cash deposits and rights in letters of credit); "preferred easily realizable collateral" (*i.e.*, treasury bonds issued by the central government, bearer securities listed on the Lima Stock Exchange and certain others); and "preferred collateral" (*i.e.*, primary liens/pledges on financial instruments, securities and personal property, first agricultural and mining pledges, export credit insurance and certain other financial instruments and interests). The Bank only accepts collateral that is relatively liquid, has legally documented ownership, has no liens outstanding and has updated independent appraisals. In addition, in the case of loans guaranteed by financial institutions or insurance companies, the guarantor's credit classification is also a factor in calculating the provision requirement in respect of such loans.

The following table sets forth the loan provisions applicable as of June 30, 2010 to commercial, small-business and mortgage loans and consumer loans for "normal" loans as well as other risk categories, which amounts depend on the level of risk assigned to such loans and the existence and type of collateral securing such loans:

Type of Normal Loan	**Fixed Component**	**Procyclical Component**
Commercial	**0.70%**	**0.45%**
Micro and small business	**1.00%**	**0.50%**
Consumer	**1.00%**	**1.00%**
Mortgage	**0.70%**	**0.40%**

Level of Risk Classification	**Without collateral**	**With preferred collateral**	**Readily liquid preferred collateral**	**With preferred readily realizable collateral**
Potential Problem	**5.00%**	**2.50%**	**1.25%**	**1.00%**
Substandard	**25.00%**	**12.50%**	**6.25%**	**1.00%**
Doubtful[(1)]	**60.00%**	**30.00%**	**15.00%**	**1.00%**
Loss[(2)]**.**	**100.00%**	**60.00%**	**30.00%**	**1.00%**

(1) Doubtful loans are outstanding loans that the Bank's management has determined a loss probability greater than 60%.
(2) Loss relates to outstanding loans that the Bank's management has determined a loss probability of 100%.

The provision for a direct loan is recorded by reducing its balance in asset accounts, while provisions for indirect loans are recorded as liabilities. In the case of borrowers in countries where there is an increased risk related to servicing external debt, an assessment of the political and economic situation is made, and an additional provision for country risk may be added (for a more detailed description of the doubtful loan reserves regulation, see "Supervision and Regulation — Banking Supervision and Regulation — Loan Loss Reserves").

The Bank believes its provisions for loan losses are adequate, considering the current economic environment.

Provision for Loan Losses Recent Regulatory Changes

SBS Resolution N° 11356-2008 entered into effect on July 1, 2010 and modified the treatment of loan portfolios in terms of calculation of provisions for loan losses are calculated and their classification of loans by credit type. Among the main changes are:

– The loan portfolio will be classified into eight types of credit, including: (i) corporate, which will include multi lateral development banks, sovereigns, public sector entities, securities brokers and intermediaries and companies and institutions in the financial system, (ii) large business, (iii) medium business, (iv) small business, (v) microbusiness, (vi) revolving consumer, (vii) non-revolving consumer and (viii) mortgage loans. The characteristics required for placement in each category are described below:

<table>
<tr><th>Type</th><th colspan="2">Type of Credit</th><th>Loan Purpose</th><th>Sales / Issues</th><th>Debt Obligations in the Financial System (not including Mortgage Loans)</th></tr>
<tr><td rowspan="8">Non Retail</td><td>1</td><td>Multilateral development banks</td><td>—</td><td>—</td><td>—</td></tr>
<tr><td>2</td><td>Sovereign</td><td>—</td><td>—</td><td>—</td></tr>
<tr><td>3</td><td>Public sector entities</td><td>—</td><td>—</td><td>—</td></tr>
<tr><td>4</td><td>Securities brokers and intermediaries</td><td>—</td><td>—</td><td>—</td></tr>
<tr><td>5</td><td>Financial institutions</td><td>—</td><td>—</td><td>—</td></tr>
<tr><td>6</td><td>Corporate</td><td>—</td><td>Annual sales levels greater than S/. 200 million in the last 2 years</td><td>—</td></tr>
<tr><td>7</td><td>Large business</td><td>—</td><td>Annual sales levels greater than S/. 20 million but less than or equal to S/. 200 million in the last 2 years or the borrower has kept its debt related issuances current</td><td>—</td></tr>
<tr><td>8</td><td>Medium business</td><td>—</td><td>—</td><td>Total indebtedness in the financial system is greater than S/. 300 thousand in the last 6 months</td></tr>
<tr><td rowspan="5">Retail</td><td>9</td><td>Small business</td><td rowspan="2">Finance activities related to production, sales or distribution and/or the supplying of services</td><td>—</td><td>Total indebtedness in the financial system is greater than S/. 20 thousand but no greater than S/. 300 thousand in the last 6 months</td></tr>
<tr><td>10</td><td>Microbusiness</td><td>—</td><td>Total indebtedness in the financial system is no greater than S/. 20 thousand in the last 6 months</td></tr>
<tr><td>11</td><td>Revolving consumer</td><td rowspan="2">Payments for goods, services or costs unrelated to its business activity</td><td>—</td><td rowspan="2">Individual with a total indebtedness of less than S/. 300 thousand during 6 consecutive months</td></tr>
<tr><td>12</td><td>Non-revolving consumer</td><td>—</td></tr>
<tr><td>13</td><td>Mortgage</td><td>Acquisition, construction, renovation, remodeling, expansion, improvement and sub division of owner’s home backed by a mortgage.</td><td>—</td><td>—</td></tr>
</table>

– Indirect credit operations will be calculated using the credit conversion factors provided below:

Indirect Credit	Conversion Factor
a) Confirmations of irrevocable letters of credit with a term of up to one year, when the issuing bank is a prime foreign financial institution	20%
b) Issuances of standby letters supporting affirmative and negative covenants	50%
c) Issuances of guarantees, import letters of credit and standby letters not included in paragraph "b)" and confirmations of letters of credit not included in paragraph "a)"and bank acceptances..	100%
d) Undisbursed loans and unused lines of credit	0%
e) Other indirect loans not covered in previous subparagraphs......................................	100%

– The loan portfolio will be classified into five risk categories: normal, potential problem, substandard, doubtful and loss. For a detailed description of the characteristics required to be defined within each category see "Supervision and Regulation—Banking Supervision and Regulation—Loan Loss Reserves."

– The percentages assigned to the loan loss provision (direct and indirect loans) under each risk category are shown below:

Normal Category

Types of Credit	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%
Microbusiness 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%

Other categories and by security type

Risk Category	No guarantee	Preferred Guarantee	Readily liquid preferred guarantees
Potential Problem	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%

Investments

The recording and valuation of investments are made according to SBS Resolution No. 10639-2008 "Regulations for the Classification and Valuation of Investments by Financial Institutions." Through this resolution, the SBS establishes the investment classification and valuation criteria under four categories: (i) investments at fair value through profit and loss, (ii) available-for-sale investments, (iii) held-to maturity investments and (iv) investments in subsidiaries and associates, eliminating the category of permanent investments. The criteria for initial recognition and valuation for each of the above-mentioned categories are detailed below.

(i) *Investments at Fair Value Through Profit and Loss.* Investments classified as at fair value through profit and loss are debt or equity securities that (a) were acquired principally for the purpose of selling in the near future or (b) form part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent pattern of short-term profit-taking. These financial assets are recognized on the trade date, when the Bank or its subsidiaries, as applicable, enter into contractual arrangements with counterparties to purchase securities, and are normally derecognized when sold. These investments are initially valued at fair value, with transaction costs recorded to the income statement. These investments are subsequently remeasured at fair value, and all gains and losses from changes therein are recognized in the consolidated statements of income. Financial income from these investments is recognized using the effective interest rate method, calculated over the expected life of the investment. Dividends are recognized in the income statement when the right to receive payment has been established.

(ii) *Available-for-Sale Investments.* Investments classified as available-for-sale investments are all investment instruments that are not classified as investments at fair value through profit and loss, held-to-maturity investments or investments in subsidiaries and associates. Likewise, investment instruments will be included in this category when explicitly required by the SBS. Available-for-sale investments are initially valued at fair value. These investments are subsequently remeasured at fair value, and changes therein are recognized in equity in the "unrealized earnings" account until the securities are either sold or impaired. When available-for-sale securities are sold, cumulative gains or losses previously recognized in equity are recognized in the income statement.

(iii) *Held-to-Maturity Investments*. Investments classified as held-to-maturity investments are debt securities that the Bank intends and has the capability to hold until maturity. Held-to-maturity investments are initially valued at fair value, and are subsequently remeasured at amortized cost using the effective interest rate method, less any impairment losses. Likewise, these instruments shall have risk classifications in accordance with the requirements set forth in Article 7 of SBS Resolution 10639-2008. In cases of impairment, the carrying amount of the instrument shall be reduced and the loss amount shall be recognized in the income statement. The cumulative loss is measured as the difference between the asset's acquisition cost (net of any principal repayments and amortization) and its current fair value, less any impairment loss on that asset previously recognized in the income statement.

(iv) *Investments in Subsidiaries and Associates*. Investments classified as investments in subsidiaries and associates are equity shares acquired in order to participate with and/or have significant influence over such companies and institutions. This category includes the goodwill determined in the purchase of such investment. Investments in subsidiaries and associates are initially valued at fair value, and are subsequently remeasured applying the equity participation method, meaning that the carrying amount of the investment will be increased or decreased by proportional recognition of the results of the invested company obtained post-acquisition date for the relevant period.

Derivative Financial Instruments

In accordance with SBS Resolution No. 1737-2006 and its amendments, derivative financial instruments are initially recognized on their trade date.

The measurement and initial recognition of derivative financial instruments are made at fair value. On a monthly basis, the trading of derivative financial instruments are measured at fair value. The gain or loss in valuation or settlement of trading derivative financial instruments is recorded in the statements of income. The nominal value of derivative financial instruments is recorded in their respective committed or agreed currency in off-balance sheet accounts.

A derivative financial instrument that seeks to ensure a financial hedge of a given risk is accounted for as "for hedging purposes" if, in its negotiation, it is expected that changes in 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 negotiation 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 derivative financial instrument are within a range of 80% to 125%.

If the SBS deems the documentation unsatisfactory or finds weaknesses in the methodologies used, it may require the dissolution of the hedge and the recording of the derivative financial instrument as "for trading purposes."

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

If the hedging instrument expires, is sold, terminated or exercised, or at a time when the hedge no longer meets the criteria for hedge accounting, the hedging relationship is ended prospectively and the balances recorded on the balance sheet are transferred to the income statement within the term of the hedged item.

Assets Seized and Recovered Through Legal Actions

Assets seized and recovered through legal actions mainly consist of property, furniture and equipment received as payment for doubtful loans. These assets are initially recorded at the lowest value assigned to them, which may be the value determined by the court, arbitrator, recovery value, estimated market value or the value of the unpaid amount of debt. Simultaneously with the determination of value, a provision equivalent to 20% of the cost of such asset is recorded. If the asset is impaired by a percentage greater than 20%, then the required initial provision may be recorded at an amount equivalent to the amount effectively impaired. For additional details regarding the Bank's accounting for assets seized and recovered through legal actions, see Note 2(k) of the Financial Statements.

Provisions

Provisions are recognized only when the Bank has a present obligation (either 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 are adjusted to reflect the best estimate as of the consolidated 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.

Deferred income taxes and workers' profit sharing

A liability for deferred income taxes is 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. An asset for deferred income taxes is 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 at the income tax rate 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.

The income tax is recognized as expense or income for the year or recorded in equity when the related transaction affects an equity account.

Until December 31, 2009, deferred workers' profit sharing was recognized as an asset or liability, applying to taxable and deductible temporary differences the percentage of existing workers´ profit sharing in effect at the related balance sheet date. Effective in 2010, the Bank stopped recognizing workers' profit sharing as an asset or liability based on SBS Multiple Official Letter No. 4049-2011.

Results of Operations

Results of Operations for the Six Months Ended June 30, 2012 Compared to the Six Months Ended June 30, 2011

The following table shows the principal components of the Bank's net income for the six months ended June 30, 2012 and 2011.

	For the Six Months Ended June 30,		**Percentage Change**
	2012	**2011**	*(%)*
	(Nuevos Soles in thousands)		
Financial income	1,788,747	1,425,653	25.5
Financial expenses	(512,740)	(355,977)	44.0
Gross financial margin	1,276,007	1,069,676	19.3
Provisions for impairment of loan losses	(175,294)	(132,604)	32.2
Net financial margin	1,100,713	937,072	17.5
Income from financial services	327,148	306,380	6.8
Operating profit margin	1,427,861	1,243,452	14.8
Administrative expenses	(561,378)	(487,220)	15.2
Other expense and income	(50,710)	(43,882)	15.6
Income before income taxes	815,773	712,350	14.5
Income taxes	(212,173)	(182,361)	16.3
Net income	**603,600**	**529,989**	**13.9**

Net Income

Net income for the six months ended June 30, 2012 increased to S/. 603,600 thousand from S/. 529,989 thousand for the six months ended June 30, 2011, an increase of S/. 73,611 thousand, or 13.9%, mainly driven by an increase in financial income and income from financial services, as well as other factors detailed below.

Gross Financial Margin

The gross financial margin increased 19.3% to S/. 1,276,007 thousand for the six months ended June 30, 2012 compared to S/. 1,069,676 thousand for the six months ended June 30, 2011. This increase was mainly due to an increase of 12.9% in interest margin, calculated as interest income minus interest expenses and an increase of 54.8% in non-interest margin calculated as non-interest income minus non-interest expenses.

The following table sets forth the principal components of gross financial margin for the six months ended June 30, 2012 and June 30, 2011.

	For the Six Months Ended June 30,		Percentage Change
	2012	2011	(%)
	(Nuevos Soles in thousands)		
Financial income	**1,788,747**	**1,425,653**	**25.5**
Interest from loans	1,461,512	1,186,569	23.2
Income from changes in fair value, revenue, interests and gain on sales of investment in securities	100,225	42,229	137.3
Interest from deposits in financial institutions	29,729	45,951	(35.3)
Exchange difference from various transactions	161,818	89,937	79.9
Gain from derivative instruments, net	0	11,255	(100.0)
Gain from hedging transactions	23,180	19,584	18.4
Dividends and share profit from associates investments	398	325	22.5
Interest and commissions from interbank funds	609	1,078	(43.5)
Adjustment for indexation	8,466	10,303	(17.8)
Other	2,810	18,422	(84.7)
Financial expenses	**(512,740)**	**(355,977)**	**44.0**
Interest on deposits	(263,039)	(187,834)	40.0
Interest on obligations with financial institutions and international financial organizations	(131,632)	(97,449)	35.1
Premium paid to the "*Fondo de Seguro de Depósito*" (Deposit Insurance Fund)	(18,690)	(15,783)	18.4
Interest on securities and outstanding obligations	(51,332)	(41,822)	22.7
Loss from derivative instruments, net	(32,850)	0	
Adjustment for indexation	(7,442)	(6,460)	15.2
Other	(7,755)	(6,629)	17.0
Gross financial margin	**1,276,007**	**1,069,676**	**19.3**

Financial Income

Financial income increased 25.5% to S/. 1,788,747 thousand for the six months ended June 30, 2012 compared to S/. 1,425,653 thousand for the six months ended June 30, 2011.

The increase in financial income was due to an increase of 19.1% in interest income (interest from loans, interest from deposits in financial institutions, dividends and share profit from associates' investments, interest and commissions from interbank funds, adjustment for indexation and others) primarily resulting from the increase in interest from loans, which resulted from an increase of 13.1% in the value of the loan portfolio and an increase in the average interest rate (calculated as the quotient of interest from loans for the six months ended June 30, 2012 divided by loans, net as of June 30, 2012, on an annualized basis) from 8.8% for the six months ended June 30, 2011 to 9.6% for the six months ended June 30, 2012, representing a positive net effect of S/. 199,738 thousand. The average interest rate for loans increased as a result of a greater concentration of products for business customers, such as commercial loans.

Non-interest income (changes in fair value, revenue, interest and gain on sales of investments in securities, exchange difference from various transactions, gain from derivative instruments, net and gain from hedging transactions) also had an increase of 75.0% primarily resulting from an increase of 137.3% in income from changes in fair value, revenue, interests and gain on sales of investment in securities due to an increase of S/. 1,894,253 thousand, or 106.4%, in the amount of BCRP certificates of deposits. In addition, the exchange difference from various transactions increased by S/. 71,881 thousand, or 79.9%, due to an increase in the Bank's position maintained in certain currencies, including USD, BRL and EUR, as a result of the variation and volatility of the exchange rate in those currencies against the Nuevo Sol. In addition, hedging transactions increased by S/. 3,596 thousand, or 18.4%, due to an average decrease in LIBOR of 27 basis points from December 31, 2011 to June 30, 2012, which benefitted hedging transactions.

Financial Expenses

Financial expenses increased 44.0% to S/. 512,740 thousand for the six months ended June 30, 2012 from S/. 355,977 thousand for six months ended June 30, 2011. This increase in financial expense (interest on deposits, interest on obligations with financial institutions and international financial organizations, premium paid to the "*Fondo de Seguro de Depósito*," interest on securities and obligations outstanding, adjustment for indexation and other) resulted primarily from an increase in interest on deposits of 40.0%, or S/. 75,205 thousand, mainly due to an increase of 17.5% in deposits and an increase in the average interest rate on deposits (calculated as the quotient of interest on deposits for the six months ended June 30, 2012 divided by total deposits as of June 30, 2012, on an annualized basis) from 1.4% for the six months ended June 30, 2011 to 1.7% for the six months ended June 30, 2012, particularly in term deposits from commercial and corporate clients. The interest rate for deposits reflected a general increase in the financial system due to market conditions and an increase in the requirements for legal reserves. In addition, interest on obligations with financial institutions and international financial organizations increased by S/. 34,183 thousand, or 35.1% due to an increase of 9.4% in obligations due to banks and correspondents as a response to the Bank's need for funding, accompanied by an increase in the average interest rate, from 2.9% for the six months ended June 30, 2011 to 3.6% for the six months ended June 30, 2012.

Provisions for impairment of loan losses

Provisions increased 32.3%, to S/. 175,294 thousand as of June 30, 2012, as compared to S/. 132,604 thousand as of June 30, 2011, due to an increase in specific provisions as a result of an increase in our non-perfoming loans portfolio for the six months ended June 30, 2012, as compared to our non-performing loans portfolio for the six months ended June 30, 2011. This increase was partially offset by a decrease in generic provisions due to a lower increase in the Bank's performing loans for the six months ended June 30, 2012, as compared to the increase in loans for the same period of 2011.

Net Financial Margin

Net financial margin increased 17.5% to S/. 1,100,713 thousand for the six months ended June 30, 2012 from S/. 937,072 thousand for the six months ended June 30, 2011, as a result of the factors explained above.

Income from Financial Services

Income from financial services increased 6.8% to S/. 327,148 thousand for the six months ended June 30, 2012 from S/. 306,380 thousand for the six months ended June 30, 2011.

The following table sets forth the components of income from financial services for the six months ended June 30, 2012 and June 30, 2011:

	For the Six Months Ended June 30,		**Percentage Change**
	2012	**2011**	*(%)*
	(Nuevos Soles in thousands)		
Income from financial services	**327,148**	**306,380**	**6.8**
Commissions from contingent operations	82,269	74,184	10.9
Other income from various financial services	244,879	232,196	5.5

The most significant factors which contributed to the increase in income from financial services, net, are described below:

- Commissions from contingent operations increased 10.9% to S/. 82,269 thousand for the six months ended June 30, 2012, from S/. 74,184 thousand for the six months ended June 30, 2011. This increase was mainly due to the continued growth of standby letters of credit associated with growth in the construction sector and external trade activities.

- Other income from various financial services increased 5.5% to S/. 244,879 thousand for the six months ended June 30, 2012, from S/. 232,196 thousand for the six months ended June 30, 2011, mainly as a result of the increase in commissions from credit cards, maintenance of accounts and insurance premiums.

Administrative Expenses

Administrative expenses increased 15.2% to S/. 561,378 thousand for the six months ended June 30, 2012 from S/. 487,220 thousand for the six months ended June 30, 2011.

The following table sets forth the components of administrative expenses for the six months ended June 30, 2012 and June 30, 2011:

	For the Six Months Ended June 30,		**Percentage Change**
	2012	**2011**	*(%)*
	(Nuevos Soles in thousands)		
Administrative expenses	**(561,378)**	**(487,220)**	**15.2**
Employees and Board of Directors' expenses	(270,924)	(241,282)	12.3
Administrative expenses........................	(256,550)	(217,090)	18.2
Depreciation and amortization	(33,904)	(28,848)	17.5

Employees and Board of Directors' expenses increased 12.3% to S/. 270,924 thousand for the six months ended June 30, 2012 from S/. 241,282 thousand for the six months ended June 30, 2011, mainly due to an increase in salaries and personnel benefits as a consequence of an increase of 4.0% in the number of Bank employees as a result of the opening of new branches.

Administrative expenses increased 18.2% to S/. 256,550 thousand for the six months ended June 30, 2012, from S/. 217,090 thousand for the six months ended June 30, 2011. This increase was due to six main factors: (i) renewed investment in branches and ATMs, which generated expenses related to rent and general services, (ii) expenses related to business expansion, including office supplies, transport of money, surveillance and communication and (iii) advertising, including the implementation of new projects focused on quality and service to specific segments of customers.

Depreciation and amortization increased 17.5%, to S/. 33,904 thousand for the six months ended June 30, 2012, from S/. 28,848 thousand for the six months ended June 30, 2011, mainly due to the increase in investments in software and ATMs and the ordinary course depreciation relating to such assets.

Other Expense and Income

Other expense and income, increased 15.6% to an expense of S/. 50,710 thousand for the six months ended June 30, 2012 from an expense of S/. 43,882 thousand for the six months ended June 30, 2011. This increase was mainly due to the following factors:

	For the Six Months Ended June 30,		Percentage Change
	2012	**2011**	*(%)*
	(Nuevos Soles in thousands)		
Other expense and income ..	**(50,710)**	**(43,882)**	**15.6**
Provisions for accounts receivable	(17,499)	(22,431)	(22.0)
Recovery for assets seized and recovered through legal actions	4,250	(1,259)	(437.6)
Provisions for contingent operations	(36,715)	(26,679)	37.6
Other provisions	(3,908)	(1,956)	99.8
Income from recovery of loan portfolio previously written-off	6,074	6,490	(6.4)
Other income and expense, net	(2,912)	1,953	(249.1)

Provisions for contingent operations increased 37.6%, to S/. 36,715 thousand for the six months ended June 30, 2012 from S/. 26,679 thousand for the six months ended June 30, 2011, mainly due to an increase in contingent operations of 7.5% during the first six months of 2012 as compared to an increase in contingent operations of 0.1% during the first six months of 2011.

Income before Income Taxes

Income before income taxes increased 14.5% to S/. 815,773 thousand for the six months ended June 30, 2012, from S/. 712,350 thousand for the six months ended June 30, 2011.

Income Taxes

Income taxes increased 16.3% to S/. 212,173 thousand for the six months ended primarily as a result of increase income June 30, 2012, from S/. 182,361 thousand for the six months ended June 30, 2011.

Results of Operations for the Year Ended December 31, 2011 Compared to the Year Ended December 31, 2010

The following table shows the principal components of the Bank's net income for the years ended December 31, 2011 and 2010.

	For the year ended December 31,		Percentage Change
	2011	2010	(%)
	(Nuevos Soles in thousands)		
Financial income	3,097,670	2,535,968	22.1
Financial expenses	(835,225)	(471,981)	77.0
Gross financial margin	2,262,445	2,063,987	9.6
Provisions for impairment of loan losses	(276,664)	(281,689)	(1.8)
Net financial margin	1,985,781	1,782,298	11.4
Income from financial services	631,999	552,514	14.4
Operating profit margin	2,617,780	2,334,812	12.1
Administrative expenses	(1,044,660)	(910,306)	14.8
Other expense and income	(63,962)	(60,557)	5.6
Income before income taxes	1,509,158	1,363,949	10.6
Income taxes	(380,170)	(357,640)	6.3
Net income	**1,128,988**	**1,006,309**	**12.2**

Net Income

Net income for the year ended December 31, 2011 increased to S/. 1,128,988 thousand from S/. 1,006,309 thousand for the year ended December 31, 2010, an increase of S/. 122,679 thousand, or 12.2%, mainly driven by an increase in financial income and income from financial services, as well as other factors detailed above.

Gross Financial Margin

The gross financial margin increased 9.6% to S/. 2,262,445 thousand for the year ended December 31, 2011 compared to S/. 2,063,987 thousand for the year ended December 31, 2010. This increase was mainly due to an increase of 14.5% in interest margin (calculated as interest in come minus interest expenses).

The following table sets forth the principal components of gross financial margin for the years ended December 31, 2011 and December 31, 2010.

	For the Year Ended December 31,		Percentage Change
	2011	2010	(%)
	(Nuevos Soles in thousands)		
Financial income	**3,097,670**	**2,535,968**	**22.1**
Interest from loans	2,549,276	2,081,645	22.5
Income from changes in fair value, revenue, interests and gain on sales of investment in securities	130,530	198,347	(34.2)
Interest from deposits in financial institutions	64,610	34,794	85.7
Exchange difference from various transactions	296,298	175,882	68.5
Gain from derivative instruments, net	0	12,120	(100.0)
Gain from hedging transactions	9,527	12,156	(21.6)
Dividends and share profit from associates investments ...	744	554	34.3

	For the Year Ended December 31,		Percentage Change
	2011	**2010**	*(%)*
	(Nuevos Soles in thousands)		
Interest and commissions from interbank funds	2,094	988	111.9
Adjustment for indexation	20,418	9,825	107.8
Other	24,173	9,657	150.3
Financial expenses	**(835,225)**	**(471,981)**	**77.0**
Interest on deposits	(432,210)	(250,402)	72.6
Interest on obligations with financial institutions and international financial organizations	(175,601)	(101,245)	73.4
Premium paid to the “Fondo de Seguro de Depósito” (Deposit Insurance Fund)	(33,068)	(27,762)	19.1
Interest on securities and outstanding obligations	(85,809)	(81,184)	5.7
Loss from derivative instruments, net	(81,323)	0	
Adjustment for indexation	(14,665)	(6,171)	137.6
Other	(12,549)	(5,217)	140.5
Gross financial margin	**2,262,445**	**2,063,987**	**9.6**

Financial Income

Financial income increased 22.1% to S/. 3,097,670 thousand for the year ended December 31, 2011 compared to S/. 2,535,968 thousand for the year ended December 31, 2010, mainly due to the general reduction in average market interest rates on deposits in the Peruvian market.

The increase in financial income is due to an increase of 24.5% in interest income primarily resulting from the increase in interest from loans mainly due to an increase of 20.5% of the loan portfolio accompanied by an increase in the average interest rate (calculated as the quotient of interest from loans for the year ended December 31, 2011 divided by loans, net as of December 31, 2011) from 8.7% as of December 31, 2010 to 8.8% as of December 31, 2011, representing a positive net effect of S/. 467,631 thousand. This average interest rate for loans expanded in response to increased demand for credit in the Peruvian market. In addition, interests from deposits in financial institutions increased by S/. 29,816 thousand, or 85.7%, mainly due to the increase in the interest reference rate from 3% as of December 31, 2010 to 4.25% as of December 31, 2011 and an increase in the overnight reference rate from 2.20% as of December 31, 2010 to 3.45% as of December 31, 2011. Commissions from interbank funds also increased by S/. 1,106 thousand, or 111.9%.

Non-interest income also increased by 9.5% primarily resulting from an increase of 68.5% in exchange difference from various transactions primarily due to the Bank’s foreign exchange transactions throughout its network of branches, taking advantage of the volatility of the exchange rate in the Peruvian financial system resulting from international market conditions.

Financial Expenses

Financial expenses increased 77.0% to S/. 835,225 thousand for the year ended December 31, 2011 from S/. 471,981 thousand for year ended December 31, 2010. This includes an increase of 59.7% in interest expense primarily resulting from an increase in interest on deposits of 72.6%, or S/. 181,808 thousand, mainly due to an increase of 17.7% in deposits and an increase in the average interest rate on deposits (calculated as the quotient of interest on deposits for the year ended December 31, 2011 divided by total deposits as of December 31, 2011), from 1.0% as of December 31, 2010 to 1.4% as of December 31, 2011, particularly with respect to term deposits from commercial and corporate clients. The interest rate for deposits increased generally across the financial system due to more competitive conditions in the market and the increase in the requirements for legal reserve. Also, interest on obligations with financial institutions and international financial organizations had an increase of S/. 74,356 thousand, or 73.4%, due to a significant increase in the average interest rate (calculated as the quotient of interest on obligations with financial institutions and international financial organizations for the years ended December 31, 2010 and 2011, respectively, divided by the total amount of such obligations as of such dates), from 2.0% as of December 31, 2010 to 3.7% as of December 31, 2011.

Non-interest expense (loss from derivative instruments, net) increased by S/. 81,323 thousand due to a loss from derivative instruments, net for the year ended December 31, 2011 compared to a gain from derivative instruments, net of S/. 12,120 thousand for the year ended December 31, 2010. The loss in derivative instruments was mainly due to a loss in exchange difference in the valuation of forwards, partially offset by income from exchange difference in the valuation of spot positions.

Provisions for impairment of loan losses

Provisions decreased 1.8% to S/. 276,664 thousand for the year ended December 31, 2011 from S/. 281,689 thousand for the year ended December 31, 2010. The decrease was mainly due to the requirement of provisions according to the clients' classification resulting from certain changes to the Bank's client base.

Net Financial Margin

Net financial margin increased 11.4% to S/. 1,985,781 thousand for the year ended December 31, 2011 from S/. 1,782,298 thousand for the year ended December 31, 2010, as a result of the factors explained above.

Income from Financial Services

Income from financial services increased 14.4% to S/. 631,999 thousand for the year ended December 31, 2011 from S/. 552,514 thousand for the year ended December 31, 2010.

The following table sets forth the components of income from financial services for the year ended December 31, 2011 and December 31, 2010:

	For the Year Ended December 31,		Percentage Change
	2011	**2010**	*(%)*
	(Nuevos Soles in thousands)		
Income from financial services	**631,999**	**552,514**	**14.4**
Commissions from contingent operations	151,160	136,626	10.6
Other income from various financial services	480,839	415,888	15.6

The largest components of the increase in income from financial services, net, are described below:

- Commissions from contingent operations increased 10.6% to S/. 151,160 thousand for the year ended December 31, 2011 from S/. 136,626 thousand for the year ended December 31, 2010. This increase was mainly due to the continued growth of standby letters of credit associated with the growth in construction sector.

- Other income from various financial services increased 15.6% to S/. 480,839 thousand for the year ended December 31, 2011 from S/. 415,888 thousand for the year ended December 31, 2010 mainly as a result of the increase in commissions from credit cards, maintenance of accounts and insurance premiums.

Administrative Expenses

Administrative expenses increased 14.8% to S/. 1,044,660 thousand for the year ended December 31, 2011 from S/. 910,306 thousand for the year ended December 31, 2010.

The following table sets forth the components of administrative expenses for the year ended December 31, 2011 and December 31, 2010:

	For the Year Ended December 31,		Percentage Change
	2011	2010	*(%)*
	(Nuevos Soles in thousands)		
Administrative expenses	**(1,044,660)**	**(910,306)**	**14.8**
Employees and Board of Directors' expenses	(507,131)	(438,742)	15.6
Administrative expenses	(471,824)	(412,077)	14.5
Depreciation and amortization	(65,705)	(59,487)	10.5

Employees and Board of Directors' expenses increased 15.6% to S/. 507,131 thousand for the year ended December 31, 2011 from S/. 438,742 thousand for the year ended December 31, 2010, mainly due to an increase in salaries and personnel benefits as a consequence of an increase of 1.2% of the Bank's employees due to the opening of new branches and as a response to a 4.7% inflation rate, as of December 31, 2011.

As a result of regulatory changes, since January 2011, workers' profit sharing has been included in administrative expenses (under employee expenses). For comparative purposes in the above, administrative expenses for the year ended December 31, 2010 include workers' profit sharing.

Administrative expenses increased 14.5% to S/. 471,824 thousand for the year ended December 31, 2011 from S/. 412,077 thousand for the year ended December 31, 2010 as a result of an increase in three main areas: (i) renewed investment in branches and ATMs, which generated expenses related to rent and general services, (ii) expenses related to business expansion, including office supplies, transport of money, surveillance and communication and (iii) advertising, including the implementation of new projects focused on quality and service to specific segments of customers.

Depreciation and amortization increased 10.5% to S/. 65,705 thousand for the year ended December 31, 2011 from S/. 59,487 thousand for the year ended December 31, 2010, mainly due to the increase in investments in software and ATMs and the ordinary course depreciation relating to such assets..

Other Expense and Income

Other expense and income, increased 5.6% to S/. 63,962 thousand for the year ended December 31, 2011 from S/. 60,557 thousand for the year ended December 31, 2010. This increase was mainly due to the following factors:

	For the Year Ended December 31,		Percentage Change
	2011	2010	*(%)*
	(Nuevos Soles in thousands)		
Other expense and income	**(63,962)**	**(60,557)**	**5.6**
Provisions for accounts receivable	(37,543)	(26,345)	42.5
Recovery for assets seized and recovered through legal actions	(10)	(1,053)	(99.1)
Provisions for contingent operations	(44,323)	(48,694)	(9.0)
Other provisions	(2,601)	(6,375)	(59.2)
Income from recovery of loan portfolio previously written-off	20,582	15,503	32.8
Other income and expense, net	(67)	6,407	(101.0)

Provisions for accounts receivable increased 42.5% to S/. 37,543 thousand for the year ended December 31, 2011 from S/. 26,345 thousand for the year ended December 31, 2010, mainly due to the regularization of provisions for insurance related to leasing operations and loan guarantees.

Provisions for contingent operations decreased 9.0% to S/. 44,323 thousand for the year ended December 31, 2011 from S/. 48,694 thousand for the year ended December 31, 2010, mainly due to changes in applicable regulations.

Income before Income Taxes

Income before income taxes increased 10.6% to S/. 1,509,158 thousand for the year ended December 31, 2011 from S/. 1,363,949 thousand for the year ended December 31, 2010.

Income Taxes

Income taxes increased 6.3% to S/. 380,170 thousand for the year ended December 31, 2011 from S/. 357,640 thousand for the year ended December 31, 2010.

Results of Operations for the Year Ended December 31, 2010 Compared to the Year Ended December 31, 2009

The following table shows the principal components of the Bank's net income for the year ended December 31, 2010 and 2009.

	For the Year Ended December 31,		Percentage Change
	2010	**2009**	*(%)*
	(Nuevos Soles in thousands)		
Financial income	2,535,968	2,753,297	(7.9)
Financial expenses	(471,981)	(697,584)	(32.3)
Gross financial margin	2,063,987	2,055,713	0.4
Provisions for impairment of loan losses	(281,689)	(324,636)	(13.2)
Net financial margin	1,782,298	1,731,077	3.0
Income from financial services	552,514	480,934	14.9
Operating profit margin	2,334,812	2,212,011	5.6
Administrative expenses	(860,415)	(807,831)	6.5
Other expense and income	(60,557)	(54,970)	10.2
Income before workers' profit sharing and income taxes	1,413,840	1,349,210	4.8
Workers' profit sharing and Income taxes	(407,531)	(421,441)	(3.3)
Net income	**1,006,309**	**927,769**	**8.5**

Net Income

Net income for the year ended December 31, 2010 increased to S/. 1,006,309 thousand from S/. 927,769 thousand for the year ended December 31, 2009, an increase of S/. 78,540 thousand, or 8.5%, mainly driven by an increase in income from financial services, as well as other factors detailed below.

Gross Financial Margin

The gross financial margin increased 0.4% to S/. 2,063,987 thousand for the year ended December 31, 2010 compared to S/. 2,055,713 thousand for the year ended December 31, 2009. This increase was mainly due to an increase of 12.0% in interest margin (calculated as interest income minus interest expenses).

The following table sets forth the principal components of gross financial margin for the year ended December 31, 2010 and December 31, 2009.

	For the Year Ended December 31,		Percentage Change
	2010	**2009**	*(%)*
	(Nuevos Soles in thousands)		
Financial income	**2,535,968**	**2,753,297**	**(7.9)**
Interest from loans	2,081,645	2,143,341	(2.9)
Income from changes in fair value, revenue, interests and gain on sales of investment in securities	198,347	347,341	(42.9)
Interest from deposits in financial institutions	34,794	7,276	378.2
Exchange difference from various transactions	175,882	247,348	(28.9)
Gain from derivative instruments, net	12,120	0	
Gain from hedging transactions	12,156	0	
Dividends and share profit from associates investments	554	370	49.7
Interest and commissions from interbank funds	988	663	49.0
Adjustment for indexation	9,825	1,191	724.9
Other	9,657	5,767	67.5
Financial expenses	**(471,981)**	**(697,584)**	**(32.3)**
Interest on deposits	(250,402)	(379,584)	(34.0)
Interest on obligations with financial institutions and international financial organizations	(101,245)	(177,906)	(43.1)
Premium paid to the “Fondo de Seguro de Depósito” (Deposit Insurance Fund)	(27,762)	(25,757)	7.8
Interest on securities and obligations outstanding	(81,184)	(79,945)	1.5
Loss from derivative instruments, net	0	25,988	(100.0)
Adjustment for indexation	(6,171)	(691)	793.1
Other	(5,217)	(7,713)	(32.4)
Gross financial margin	**2,063,987**	**2,055,713**	**0.4**

Financial Income

Financial income decreased 7.9% to S/. 2,535,968 thousand for the year ended December 31, 2010 compared to S/. 2,753,297 thousand for the year ended December 31, 2009, mainly due to the general reduction in average market interest rates in the Peruvian Market.

This includes a decrease of 33.0% in non-interest income primarily resulted from a 42.9% decrease in income from changes in fair value, revenue, interest and gain on sales of investment in securities, due to the absence in 2010 of a gain the Bank recognized in 2009 from its position in the sovereign bonds.

The decrease in financial income is also due to a decrease of 1.0% in interest income, primarily resulting from a 2.9% decrease in interest from loans.

The loan portfolio monthly average balance was S/. 22,575,483 thousand in 2010, an increase of 8.8% compared to S/. 20,755,724 thousand in 2009. This increase is mainly due to an increase in loans in Nuevos Soles of S/. 1,491,331 thousand in 2010 compared to 2009, driven by an increase in mortgage loans resulting from the growth in the construction and real estate sectors.

The monthly average nominal interest rate earned on loans in 2010 was 9.2% compared to 10.3% in 2009. The monthly average nominal interest rate earned on Nuevo Sol-denominated loans in 2010 was 10.5% compared to 11.5% in 2009. The monthly average nominal interest rate earned on foreign currency-denominated loans in 2010 was 7.8% compared to 9.1% in 2009.

Financial Expenses

Financial expenses decreased 32.3% to S/. 471,981 thousand for the year ended December 31, 2010 from S/. 697,584 thousand for the year ended December 31, 2009.

This result includes a decrease of 29.7% in interest expense primarily resulting from a decrease in interest on deposits and interest on obligations with financial institutions and international financial organizations. Interest expense decreased at a higher rate than interest income, reflecting the Bank's ability to re-price its liabilities at a faster rate than its loans and other assets.

The decrease in financial expenses also reflects a decrease in non-interest expense. This reduction was primarily due to a gain from derivative instruments, net of S/. 12,120 thousand for the year ended December 31, 2010 compared to a loss from derivative instruments, net of S/. 25,988 thousand for the year ended December 31, 2009. The gain was mainly due to the decrease in the exchange rate (from S/. 2.890 per dollar as of December 31, 2009 to S/. 2.809 per dollar as of December 31, 2010) favoring short forward operations which the bank maintained in average in 2010. On the other hand, despite the decrease in LIBOR and SWAP rates the risks of interest rates derivatives were mitigated with new operations reducing the impact of fluctuation in these rates.

The average interest rate paid on total interest-bearing liabilities was 1.4% in 2010 compared to 2.3% in 2009. The monthly average balance of total interest-bearing liabilities totaled S/. 29,860,684 thousand in 2010, an increase of 8.1% from S/. 27,628,044 thousand in 2009. This increase is mainly due to the increase in time deposits, savings and demand deposits from clients.

Financial expenses decreased more than financial income given the greater flexibility of interest rates for deposits.

Provisions for impairment of loan losses

As a consequence of the financial crisis in 2009, the Bank added voluntary provisions to control credit risk. In 2010, as a result of economic improvements provisions decreased 13.2% to S/. 281,689 thousand as of December 31, 2010 from S/. 324,636 thousand as of December 31, 2009.

Net Financial Margin

Net financial margin increased 3.0% to S/. 1,782,298 thousand for the year ended December 31, 2010 from S/. 1,731,077 thousand for the year ended December 31, 2009, as a result of the factors explained above.

Income from Financial Services

Income from financial services increased 14.9% to S/. 552,514 thousand for the year ended December 31, 2010 from S/. 480,934 thousand for the year ended December 31, 2009.

The following table sets forth the components of income from financial services for the year ended December 31, 2010 and December 31, 2009:

	For the Year Ended December 31,		Percentage Change
	2010	2009	(%)
	(Nuevos Soles in thousands)		
Income from financial services	**552,514**	**480,934**	**14.9**
Commissions from contingent operations	136,626	104,996	30.1
Other income from various financial services	415,888	375,938	10.6

The largest components of the increase in income from financial services, net, are described below:

- Commissions from contingent operations, increased 30.1% to S/. 136,626 thousand for the year ended December 31, 2010 from S/. 104,996 thousand for the year ended December 31, 2009. This increase was mainly due to the continued growth of guarantee issuances associated with the growth in construction sector and the recovery of external trade activities.

- Other income from various financial services increased 10.6% to S/. 415,888 thousand for the year ended December 31, 2010 from S/. 375,938 thousand for the year ended December 31, 2009 mainly as a result of the increase in collections and financial advisory.

Administrative Expenses

Administrative expenses increased 6.5% to S/. 860,415 thousand for the year ended December 31, 2010 from S/. 807,831 thousand for the year ended December 31, 2009.

The following table sets forth the components of administrative expenses for the year ended December 31, 2010 and December 31, 2009:

	For the Year Ended December 31,		Percentage Change
	2010	2009	(%)
	(Nuevos Soles in thousands)		
Administrative expenses	**(860,415)**	**(807,831)**	**6.5**
Employees and Board of Directors' expenses	(388,851)	(379,641)	2.4
Administrative expenses	(412,077)	(367,661)	12.1
Depreciation and amortization	(59,487)	(60,529)	(1.7)

Employees and Board of Directors' expenses increased 2.4% to S/. 388,851 for the year ended December 31, 2010 from S/. 379,641 thousand for the year ended December 31, 2009. This increase was mainly due to an increase in salaries, training and personnel benefits.

Administrative expenses increased 12.1% to S/. 412,077 thousand for the year ended December 31, 2010 from S/. 367,661 thousand for the year ended December 31, 2009 as a result of an increase in three main components: (i) the renewed investment in branches and ATMs, which generates expenses related to rent, maintenance and general services, (ii) advertising, the implementation of new projects focused on quality and serving specific customer segments and (iii) the natural expansion of the business (office supplies, transport of money, surveillance and communication).

Depreciation and amortization decreased 1.7% to S/. 59,487 thousand for the year ended December 31, 2010 from S/. 60,529 thousand for the year ended December 31, 2009.

Other Expense and Income

Other expense and income, increased 10.2% to S/. 60,557 thousand for the year ended December 31, 2010 from S/. 54,970 thousand for the year ended December 31, 2009. This increase was mainly due to the following factors:

	For the year ended December 31,		Percentage Change
	2010	2009	(%)
	(Nuevos Soles in thousands)		
Other expense and income	**(60,557)**	**(54,970)**	**10.2**
Provisions for accounts receivable	(26,345)	(50,880)	48.2
Recovery for assets seized and recovered through legal actions	(1,053)	(2,970)	(64.5)
Provisions for contingent operations	(48,694)	(23,885)	103.9
Other provisions	(6,375)	(6,127)	4.0%

	For the year ended December 31,		Percentage Change
	2010	**2009**	*(%)*
	(Nuevos Soles in thousands)		
Other expense and income	**(60,557)**	**(54,970)**	**10.2**
Income from recovery of loan portfolio previously written-off	15,503	11,097	39.7
Other income and expense, net	6,407	17,795	(64.0)

Income before Workers' Profit Sharing and Income Taxes

Income before workers' profit sharing and income taxes increased 4.8% to S/. 1,413,840 thousand for the year ended December 31, 2010 from S/. 1,349,210 thousand for the year ended December 31, 2009.

Workers' Profit sharing and Income Taxes

Workers' profit sharing and Income Taxes decreased 3.3% to S/. 407,531 thousand for the year ended December 31, 2010 from S/. 421,441 thousand for the year ended December 31, 2009.

The statutory rate of Peruvian corporate income tax is 30%. Generally, the Bank's effective rate is lower than its statutory tax rate because of the investment in income tax exempted bonds and notes (BCRP certificates of deposit, Peruvian treasury bonds, and Peru Global treasury bonds). The Bank's effective tax rate decreased to 25.3% in 2010, compared to 27.4% in 2009.

Net Income

Net income increased to S/. 1,006,309 thousand for the year ended December 31, 2010 from S/. 927,769 thousand for the year ended December 31, 2009 as a result of the reasons discussed above.

Reclassifications

Between 2010 and 2009, there were certain changes in accounting methodology as a result of SBS resolutions. Since these changes were not material in the Bank's 2009 consolidated financial statements, the Bank has not modified the financial information as of and for the year ended December 31, 2009 presented in this offering circular. The most important impacts of the accounting methodology changes with respect to the Bank's 2009 results of operations were:

- Financial expenses of S/. 1.3 million, previously recorded in Other income, net were reclassified to Other Financial Expenses.
- Provision for Accounts Receivable of S/. 8.7 million was reclassified to Provisions for loan losses.
- Administrative Expenses of S/.1.9 million were reclassified to "Recovery of provisions for loan losses."
- Miscellaneous income of S/.10.7 million (previously recorded in Other income, net) was reclassified to Administrative Expenses.

The most important impact of the accounting methodology changes with respect to the Bank's 2009 balance sheet was:

- Leasing contracts settled, recorded as accounts receivable for a net amount of S/. 8.9 million have been reclassified from Other Assets to Loans, net.

For further information regarding the reclassifications as of and for the years ended December 31, 2010 and 2009, please see the Financial Statements and the Notes thereto.

Financial Position

Assets

The following table sets forth the Bank's assets as well as the percentages each item represents of total assets as of June 30, 2012 and December 31, 2011, 2010 and 2009.

	As of June 30, 2012		As of December 31, 2011		As of December 31, 2010		As of December 31, 2009	
	Balance	% of total	Balance	% of total	Balance	% of total	Balance	% of total
	(S/. in thousands, except percentages)							
Cash and due from banks	9,549,682	20.18	8,534,853	20.20	10,055,772	26.61	4,867,209	16.19
Interbank funds	240,400	0.51	241,459	0.57	40,009	0.11	49,003	0.16
Investments at fair value through profit and loss, available-for- sale and held to maturity, net	5,001,540	10.57	2,587,154	6.12	2,260,555	5.98	3,923,508	13.05
Loans, net.................	30,458,670	64.38	28,922,025	68.47	24,004,149	63.52	19,797,656	65.87
Investments in associated companies............	1,950	0.00	2,231	0.01	1,995	0.01	1,908	0.01
Property, furniture and equipment, net	632,706	1.34	603,600	1.43	447,086	1.18	388,674	1.29
Other assets	1,428,768	3.02	1,351,085	3.20	980,755	2.6	1,028,992	3.42
Total assets	47,313,716	100	42,242,407	100.00	37,790,321	100	30,056,950	100

Total Assets

The Bank had total assets of S/. 47,313,716 thousand as of June 30, 2012 compared to S/. 42,242,407 thousand as of December 31, 2011, representing an increase of 12.0%, mainly due to the increase of loans, net, cash and due from banks and investments at fair value through profit and loss, available-for-sale and held to maturity.

The Bank had total assets of S/. 42,242,407 thousand as of December 31, 2011, compared to S/. 37,790,321 thousand as of December 31, 2010, representing an increase of 11.8%, mainly due to the increase of the loan portfolio, interbank funds and investments at fair value through profit and loss, available-for- sale and held to maturity, net.

The Bank had total assets of S/. 37,790,321 thousand as of December 31, 2010, compared to S/. 30,056,950 thousand as of December 31, 2009, representing an increase of 25.7%, mainly due to the increase of the cash and due from banks and the loan portfolio.

Cash and due from Banks

Cash and due from banks consists of cash, deposits in the Peruvian Central Bank (legal reserves), deposits in local and foreign banks, clearing accounts, other deposits and accrued interest. The Bank had cash and due from banks of S/. 9,549,682 thousand as of June 30, 2012, compared to S/. 8,534,853 thousand as of December 31, 2011, representing an increase of 11.9%, mainly due to an increase in deposits in the Peruvian Central Bank.

The Bank had cash and due from banks of S/. 8,534,853 thousand as of December 31, 2011, compared to S/. 10,055,772 thousand as of December 31, 2010, representing a decrease of 15.1%, mainly due to a decrease of S/. 1,907,642 thousand, or 22.5% in deposits in the Peruvian Central Bank.

The Bank had cash and due from banks of S/. 10,055,772 thousand as of December 31, 2010, compared to S/. 4,867,209 thousand as of December 31, 2009, representing an increase of 106.6%, mainly due to an increase of S/. 4,885,598 thousand in deposits in the Peruvian Central Bank.

The Central Bank's legal reserves policy changed during the first quarter of 2011. Effective in 2011, the Central Bank established a new level of reserves called "Base" applicable to deposits in any currency, which is calculated based on the proportion of the previous month's reserves to total deposits for the period plus an additional fixed percentage of 25 basis points. There was also an additional cash reserve, in effect from 2010, of up to 25% for domestic currency and 55% for foreign currency applicable to higher deposits after deducting the previous month's total. As in 2010, deposits which exceeded a minimum cash reserve of 9% and which were deposited in the Central Bank bore interest at an annual nominal rate of overnight deposits minus 100 basis points with regard to domestic currency and LIBOR minus 2/5 percent with regard to foreign currency. In addition, foreign loans with a term of less than two years were subject to a 60% average cash reserve based on annual totals of such loans.

In May 2012, the Central Bank determined that the average legal reserve rate requirement in local and foreign currency should be applied to additional liabilities. The Central Bank applied the legal reserve requirement to 60% for short-term liabilities due to banks and correspondents in local and foreign currency with a maturity of less than three years (previously, this requirement applied to maturities of less than two years only) and imposed a legal reserve requirement of 20% for long-term liabilities due to banks and correspondents in local and foreign currency that exceed the higher of 2.5 times the regulatory capital of the relevant bank or S/. 400 million (previously there was no legal reserve requirement for these accounts). As of June 30, 2012, the legal reserve requirement for short-term due to banks and correspondents in foreign currency supported by trade finance operations was 25%.

Interbank Funds

The Bank had interbank funds of S/. 240,400 thousand as of June 30, 2012, compared to S/. 241,459 thousand as of December 31, 2011, representing a decrease of 0.4%, mainly due to a decrease of funds from Banco de Crédito of S/. 1,064 thousand, or 81.4%.

The Bank had interbank funds of S/. 241,459 thousand as of December 31, 2011, compared to S/. 40,009 thousand as of December 31, 2010, representing an increase of 503.5%, mainly due to an increase of funds from Banco de Crédito of S/. 241,454 thousand and volatility in the market for Nuevo Sol denominated funds, partially offset by a decrease of funds from HSBC of S/. 32,000 thousand and funds from Banco Ripley of S/. 8,000 thousand.

The Bank had interbank funds of S/. 40,009 thousand as of December 31, 2010, compared to S/. 49,003 thousand as of December 31, 2009, representing a decrease of 18.4%, mainly due to a decrease of funds from Santander Peru of S/. 29,000 thousand and a decrease of funds from Banco Ripley of S/. 7,000 thousand partially offset by an increase of funds from HSBC of S/. 27,000 thousand. Changes in the Bank's interbank funds in each of the periods are due to the Bank's internal requirements for liquidity and market conditions.

Investments at Fair Value through Profit and Loss, Available-for-Sale and held to Maturity, Net

Investments at fair value through profit and loss, available-for-sale and held to maturity, net, consist of bonds, BCRP certificates of deposits, participation in mutual funds, commercial papers, other investments and accrued interest, less allowance for impairment of investments. The Bank had investments in securities of S/. 5,001,540 thousand as of June 30, 2012, compared to S/. 2,587,154 thousand as of December 31, 2011, representing an increase of 93.3%. This was mainly the result of an increase of S/. 2,253,598 thousand, or 158.6% in BCRP certificates of deposit.

The Bank had investments in securities of S/. 2,587,154 thousand as of December 31, 2011, compared to S/. 2,260,555 thousand as of December 31, 2010, representing an increase of 14.4%. This increase was mainly the result of an increase of S/. 814,910 thousand in BCRP certificates of deposit.

The Bank had investments in securities of S/. 2,260,555 thousand as of December 31, 2010, compared to S/. 3,923,508 thousand as of December 31, 2009, representing a decrease of 42.4%. This decrease was mainly the result of a reduction of S/. 1,415,673 thousand in BCRP certificates of deposit and S/. 288,285 thousand in bonds.

Total Gross Loans

The Bank had total gross loans of S/. 32,111,224 thousand as of June 30, 2012, compared to S/. 30,516,592 thousand as of December 31, 2011, representing an increase of 5.2%, mainly due to continued economic growth in the country.

The Bank had total gross loans of S/. 30, 516,592 thousand as of December 31, 2011, compared to S/. 25,362,667 thousand as of December 31, 2010, representing an increase of 20.3%, mainly due to successful management policies and continued economic growth in the country.

The Bank had total gross loans of S/. 25,362,667 thousand as of December 31, 2010, compared to S/. 20,999,689 thousand as of December 31, 2009, representing an increase of 20.8%, mainly due to successful management policies and economic growth in the country.

Retail Loans

As of June 30, 2012, the Bank had performing retail loans of S/. 9,524,567 thousand compared to S/. 8,609,020 thousand as of December 31, 2011, representing an increase of 10.6%. This increase of S/. 915,547 thousand was mainly the result of an increase of S/. 684,668 thousand in mortgage loans.

As of December 31, 2011, the Bank had performing retail loans of S/. 8,609,020 thousand compared to S/. 6,952,822 thousand as of December 31, 2010, representing an increase of 23.8%. This increase of S/. 1,656,198 thousand was mainly the result of an increase of S/. 1,146,886 thousand in mortgage loans.

As of December 31, 2010, the Bank had performing retail loans of S/. 6,952,822 thousand compared to S/. 5,775,547 thousand as of December 31, 2009, representing an increase of 20.4%. This increase of S/. 1,177,275 thousand was mainly the result of an increase of S/. 876,122 thousand in mortgage loans.

Retail loans have grown consistently over the past three years, particularly mortgage loans, with an increase of 53.0%, or S/. 2,023,008, from December 31, 2009 to December 31, 2011. This increase was mainly due to the growth in the construction and real estate sector. Moreover, mortgage loans are one of the Bank's key products and it's the processes to accelerate approvals and disbursements have improved significantly in the last years.

Commercial Loans

As of June 30, 2012, the Bank had performing commercial loans of S/. 21,836,785 thousand compared to S/. 21,261,190 thousand as of December 31, 2011, representing an increase of 2.7%. This increase of S/. 575,595 thousand is mainly due to an increase of S/. 515,738 thousand, or 4.7%, in loans. Another product with strong performance was leasing transactions with a growth of S/. 134,318 thousand, or 2.9%.

As of December 31, 2011, the Bank had performing commercial loans of S/. 21,261,190 thousand compared to S/. 17,833,409 thousand as of December 31, 2010, representing an increase of 19.2%. This increase of S/. 3,427,781 thousand is mainly due to an increase of S/. 1,460,818 thousand, or 15.3%, in loans. Other products with strong performance were leasing transactions with a growth of S/. 807,064 thousand, or 21.3% and external trade with a growth of S/. 114,518 thousand, or 5.1%.

As of December 31, 2010, the Bank had performing commercial loans of S/. 17,833,409 thousand compared to S/. 14,724,072 thousand as of December 31, 2009, representing an increase of 21.1%. This increase of S/. 3,109,337 thousand is mainly due to an increase of S/. 1,751,696 thousand, or 19.9%, in working capital and long-term financing, focusing on middle-market and corporate customers in the mining, infrastructure and hydrocarbon sectors. Another product with strong performance was trade finance with a growth of S/. 975,747 thousand, or 75.9%, driven by strategic developments of products adapted to the needs of the Bank's customers.

Non-Performing Loans

Despite an absolute increase in the amount of non-performing loans to S/. 386,402 thousand as of June 30, 2012, compared to S/. 279,710 thousand as of December 31, 2011, the amount of non-performing loans over total gross loans was 1.20%, lower than the average of the Peruvian banking industry, which was 1.73% according to the SBS.

The amount of non-performing loans as of December 31, 2011 increased to S/. 279,710 thousand, compared to S/. 264,635 thousand as of December 31, 2010. Despite the 5.7% increase, the amount of non-performing loans over total gross loans was 0.92%, lower than the average of the Peruvian banking industry, which was 1.47% according to the SBS.

The amount of non-performing loans as of December 31, 2010 increased to S/. 264,635 thousand, compared to S/. 217,387 thousand as of December 31, 2009. Despite the increase, the amount of non-performing loans over total gross loans was 1.04%, lower than the average of the Peruvian banking industry which was 1.49% according to the SBS.

Allowance for Loan Losses

The Bank recorded an allowance for loan losses of S/. 1,360,641 thousand as of June 30, 2012, compared to S/. 1,249,934 thousand as of December 31, 2011, representing an increase of 8.9%. This increase was mainly the result of an increase of S/. 559,609, thousand in provisions due to the increase in the loan portfolio, partially offset by recovery and reversals of S/. 351,823 thousand.

The Bank recorded an allowance for loan losses of S/. 1,249,934 thousand as of December 31, 2011, compared to S/. 1,049,352 thousand as of December 31, 2010, representing an increase of 19.1%. This increase was mainly the result of an increase of S/. 763,613 thousand in provisions due to the increase in the loan portfolio, partially offset by recovery and reversals of S/. 443,836 thousand.

The Bank recorded an allowance for loan losses of S/. 1,049,352 thousand as of December 31, 2010, compared to S/. 872,137 thousand as of December 31, 2009, representing an increase of 20.3%. This increase was mainly the result of an increase of S/. 674,348 thousand in provisions due to the increase in the loan portfolio, partially offset by recovery and reversals of S/. 327,563 thousand.

Investments in Associated Companies

The Bank had investments in associated companies of S/. 1,950 thousand as of June 30, 2012, compared to S/. 2,231 thousand as of December 31, 2011, representing a decrease of 12.6%.

The Bank had investments in associated companies of S/. 2,231 thousand as of December 31, 2011, compared to S/. 1,995 thousand as of December 31, 2010, representing an increase of 11.8%.

The Bank had investments in associated companies of S/. 1,995 thousand as of December 31, 2010, compared to S/. 1,908 thousand as of December 31, 2009, representing an increase of 4.6%.

The amount on investments in associated companies is due to the participation in Telefónica Factoring Perú SAC.

The Bank's investments in associated companies constituted less than 0.01% of its total assets as of June 30, 2012.

Property, Furniture and Equipment, Net

The Bank had property, furniture and equipment, net of S/. 632,706 thousand as of June 30, 2012, compared to S/. 603,600 thousand as of December 31, 2011, representing an increase of 4.8%. This increase was mainly the result of an increase of S/. 20,355 thousand in furniture and equipment, an increase of S/. 17,225 thousand in buildings and installations, an increase of S/. 17,016 thousand in installations and improvements in leased property, an increase of S/. 4,023 thousand in work in progress, and an increase of S/. 1,527 thousand in property.

The Bank had property, furniture and equipment, net of S/. 603,600 thousand as of December 31, 2011, compared to S/. 447,086 thousand as of December 31, 2010, representing an increase of 35.0%. This increase was mainly the result of an increase of S/. 85,796 thousand in furniture and equipment, an increase of S/. 53,028 thousand in buildings and installations, an increase of S/. 43,425 thousand in work in progress, an increase of S/. 21,516 thousand in installations and improvements in leased property, an increase of S/. 8,646 thousand in property and an increase of S/. 7,576 thousand in units to be received.

The Bank had property, furniture and equipment, net of S/. 447,086 thousand as of December 31, 2010, compared to S/. 388,674 thousand as of December 31, 2009, representing an increase of 15.0%. This increase was mainly the result of an increase of S/. 57,520 thousand in furniture and equipment, an increase of S/. 36,269 thousand in property and an increase of S/. 27,027 thousand in installations and improvements.

Other Assets

Other assets consist of accounts receivable from derivatives, tax credit from general sales tax, deferred income tax, prepaid expenses, deferred charges and intangible assets, transactions in process, assets seized and recovered through legal actions, other accounts receivable and other assets. The Bank had other assets of S/. 1,428,768 thousand as of June 30, 2012, compared to S/. 1,351,085 thousand as of December 31, 2011, representing an increase of 5.7% mainly as a result of an increase in accounts receivables from derivatives.

The Bank had other assets of S/. 1,351,085 thousand as of December 31, 2011, compared to S/. 980,755 thousand as of December 31, 2010, representing an increase of 37.8%. This increase was mainly the result of an increase of S/. 145,039 thousand in accounts receivable from derivatives, an increase of S/. 92,583 thousand in tax credit from general sales tax and an increase of S/. 78,671 thousand in prepaid expenses, deferred charges and intangible assets.

The Bank had other assets of S/. 980,755 thousand as of December 31, 2010, compared to S/. 1,028,992 thousand as of December 31, 2009, representing a decrease of 4.7%. This decrease was mainly the result of a decrease of S/. 37,021 thousand in accounts receivable from derivatives, and a decrease of S/. 18,833 thousand in tax credit from general sales tax.

Liabilities

The following table sets forth the Bank's liabilities as well as the percentages each item represents of total liabilities as of June 30, 2012 and December 31, 2011, 2010 and 2009.

	As of June 30, 2012		**As of December 31, 2011**		**As of December 31, 2010**		**As of December 31, 2009**	
	Balance	**% of total**	**Balance**	**% of total**	**Balance**	**% of total**	**Balance**	**% of total**
	(S/. in thousands, except percentages)							
Obligations to the public	31,378,217	66.32	30,185,437	71.46	25,558,208	67.63	20,903,240	69.55
Demand deposits	8,920,146	18.85	8,888,960	21.04	7,963,184	21.07	6,573,767	21.87
Saving deposits...........	7,708,954	16.29	7,115,244	16.84	5,940,556	15.72	5,197,986	17.29

	As of June 30, 2012		As of December 31, 2011		As of December 31, 2010		As of December 31, 2009	
	Balance	% of total	Balance	% of total	Balance	% of total	Balance	% of total
	(*S/. in thousands, except percentages*)							
Time deposits	14,532,903	30.72	13,999,076	33.14	11,553,694	30.57	8,930,136	29.71
Other obligations and accrued interest payable	216,214	0.46	182,157	0.43	100,774	0.27	201,351	0.67
Deposits from financial institutions	545,144	1.15	307,034	0.73	359,232	0.95	610,450	2.03
Interbank funds...........	359,835	0.76	125,515	0.30	479,805	1.27	635,201	2.11
Due to banks and correspondents............	7,394,285	15.63	4,770,203	11.29	5,013,198	13.27	2,126,994	7.08
Securities, Bonds and outstanding obligations	2,718,252	5.75	1,985,859	4.70	1,870,329	4.95	1,772,926	5.9
Other liabilities...........	1,329,443	2.81	1,163,296	2.75	1,125,435	2.98	1,119,327	3.72
Total liabilities	**43,725,176**	**92.42**	**38,537,344**	**91.23**	**34,406,207**	**91.05**	**27,168,138**	**90.39**
Total shareholders' equity...................	**3,588,540**	**7.58**	**3,705,063**	**8.77**	**3,384,114**	**8.95**	**2,888,812**	**9.61**
Total liabilities and shareholders' equity...................	**47,313,716**	**100**	**42,242,407**	**100**	**37,790,321**	**100**	**30,056,950**	**100**

On July 4, 2012, the Bank released the sixth issuance of the "Fifth BBVA Banco Continental Corporate Bonds Program" in the amount of US$54 million, for a 4-year term and at a fixed rate of 4.6875%. The principal of such bonds is expected to be fully paid off upon maturity; and interest shall be paid on a semi-annual basis.

Total Liabilities

The Bank had total liabilities of S/. 43,725,176 thousand as of June 30, 2012, compared to S/. 38,537,344 thousand as of December 31, 2011, representing an increase of 13.5%.

The Bank had total liabilities of S/. 38,537,344 thousand as of December 31, 2011, compared to S/. 34,406,207 thousand as of December 31, 2010, representing an increase of 12.0%.

The Bank had total liabilities of S/. 34,406,207 thousand as of December 31, 2010, compared to S/. 27,168,138 thousand as of December 31, 2009, representing an increase of 26.6%.

Deposits to the Public and Deposits from Financial Institutions

As of June 30, 2012, the Bank had total deposits of S/. 31,923,361 thousand compared to S/. 30,492,471 thousand as of December 31, 2011, representing an increase of 4.7% during the six months ended June 30, 2012. This increase was mainly the result of an increase in saving deposits of S/. 593,710 thousand and in time deposits of S/. 533,827 thousand.

As of December 31, 2011, the Bank had total deposits of S/. 30,492,471 thousand compared to S/. 25,917,440 thousand as of December 31, 2010, representing an increase of 20.5%. This increase was mainly the result of an increase in time deposits of S/. 2,445,382 thousand.

As of December 31, 2010, the Bank had total deposits of S/. 25,917,440 thousand compared to S/. 21,513,690 thousand as of December 31, 2009, representing an increase of 20.5%. This increase was mainly the result of an increase in time deposits of S/. 2,623,558 thousand.

Demand and Saving Deposits

As of June 30, 2012, the Bank had demand and saving deposits of S/. 16,629,100 thousand compared to S/. 16,004,204 thousand as of December 31, 2011, representing an increase of 3.9% during the six months ended June 30, 2012. This increase is mainly the result of an increase in saving deposits of S/. 593,710 thousand, or 8.3%.

As of December 31, 2011, the Bank had demand and saving deposits of S/. 16,004,204 thousand compared to S/. 13,903,740 thousand as of December 31, 2010, representing an increase of 15.1%. This increase is mainly the result of an increase in saving deposits of S/. 1,174,688 thousand and in demand deposits of S/. 925,776 thousand.

As of December 31, 2010, the Bank had demand and saving deposits of S/. 13,903,740 thousand compared to S/. 11,771,753 thousand as of December 31, 2009, representing an increase of 18.1%. This increase is mainly the result of an increase in demand deposits of S/. 1,389,417 thousand and in saving deposits of S/. 742,570 thousand.

Time Deposits

As of June 30, 2012, the Bank had time deposits of S/. 14,532,903 thousand compared to S/. 13,999,076 thousand as of December 31, 2011, representing an increase of 3.8% during the six months ended June 30, 2012.

As of December 31, 2011, the Bank had time deposits of S/. 13,999,076 thousand compared to S/. 11,553,694 thousand as of December 31, 2010, representing an increase of 21.2% as a result of the strategy of the Bank's Global Markets department to grow its middle-market and corporate customer business.

As of December 31, 2010, the Bank had time deposits of S/. 11,553,694 thousand compared to S/. 8,930,136 thousand as of December 31, 2009, representing an increase of 29.4% as a result of the strategy of the Bank's Global Markets department to grow its additional middle-market and corporate customer business.

Interbank Funds

The Bank had interbank funds of S/. 359,835 thousand as of June 30, 2012, compared to S/. 125,515 thousand as of December 31, 2011, representing an increase of 186.7%. This increase was the result of an increase in funds received from Scotiabank (S/. 54,000 thousand), Banco Interamericano de Finanzas (S/. 39,000 thousand), Santander (S/. 30,000 thousand), Citibank (S/. 25,000 thousand), Mibanco (S/. 25,000 thousand), Deutsche Bank (S/. 25,000 thousand) and Banco Financiero (S/. 15,000 thousand).

The Bank had interbank funds of S/. 125,515 thousand as of December 31, 2011, compared to S/. 479,805 thousand as of December 31, 2010, representing a decrease of 73.8%. This decrease was the result of a decrease in funds received from Banco de Crédito (S/. 165,731 thousand), Scotiabank (S/. 50,270 thousand), Banco Falabella (S/. 40,000 thousand), Citibank (S/. 32,000 thousand), Banco Interamericano de Finanzas (S/. 28,090 thousand), Banco Santander (S/. 25,000 thousand), Deutsche Bank (S/. 14,045 thousand), Banco de Comercio (S/. 11,236 thousand) and Banco Ripley (S/. 3,371 thousand).

The Bank had interbank funds of S/. 479,805 thousand as of December 31, 2010, compared to S/. 635,201 thousand as of December 31, 2009, representing a decrease of 24.5%. This decrease was the result of a decrease in funds received from Banco de la Nación (S/. 144,500 thousand), Mibanco (S/. 43,350 thousand) and Banco de Crédito (S/. 36,569 thousand), partially offset by an increase in funds received from Citibank (S/. 82,000 thousand).

Due to Banks and Correspondents

Due to banks and correspondents consist of obligations with foreign financial institutions, international financial organizations, private debt contracts, *Mi Vivienda – Mi Hogar* program and agreements with *Corporación Financiera de Desarrollo - COFIDE.* The Bank had liabilities to banks and correspondents of S/. 7,394,285 thousand as of June 30, 2012, compared to S/. 4,770,203 thousand as of December 31, 2011, representing an increase of 55.0%, mainly due to an increase of S/. 2,705,637 thousand, or 106.3%, in obligations with foreign financial institutions (S/. 1,331,680 thousand with Goldman Sachs Bank, S/. 320,520 thousand with JP Morgan Chase Bank, S/. 186,970 thousand with Citibank NA, S/. 186,970 thousand with Commerzbank AG, S/. 146,905 thousand with Sumitomo Bank, S/. 120,195 thousand with Bank of America and S/. 104,169 thousand with Toronto Dominion Bank, among others) and an increase of S/. 56,106 thousand, or 16.7% with *Mi Vivienda – Mi Hogar* program.

The Bank had liabilities to banks and correspondents of S/. 4,770,203 thousand as of December 31, 2011, compared to S/. 5,013,198 thousand as of December 31, 2010, representing a decrease of 4.8%. This decrease was mainly due to a decrease of S/. 169,723 thousand in obligations with foreign financial institutions (S/. 196,630 thousand with JP Morgan Chase Bank, S/. 196,630 thousand with Citibank NA and S/. 129,214 thousand with Bank of America, among others), a decreased of S/. 185,860 thousand in obligations with international financial organizations (S/. 160,670 thousand with International Finance Corporation, S/. 31,076 thousand with Banco Interamericano de Desarrollo and S/. 5,650 thousand with *Corporación Andina de Fomento*), partially offset by an increase of S/. 134,341 thousand in *Mi Vivienda – Mi Hogar* program.

The Bank had liabilities to banks and correspondents of S/. 5,013,198 thousand as of December 31, 2010, compared to S/. 2,126,994 thousand as of December 31, 2009, representing an increase of 135.7%. This increase was mainly due to an increase of S/. 2,217,029 thousand, or 444.6%, in long-term obligations with foreign financial institutions (S/. 915,689 thousand with Deutsche Bank, S/. 561,800 thousand with Credit Suisse and S/. 739,540 thousand with other institutions) and an increase of S/. 85,381 thousand, or 73.3%, in *Mi Vivienda – Mi Hogar* program.

Securities, Bonds and Outstanding Obligations

Securities, bonds and outstanding obligations consist of corporate bonds, subordinate bonds, leasing bonds, notes (debt instruments) and accrued expenses payable. As of June 30, 2012, the Bank had financial obligations of S/. 2,718,252 thousand compared to S/. 1,985,859 thousand of December 31, 2011, an increase of 36.9%, mainly due to an increase of S/. 555,910 thousand in debt instruments and S/. 172,568 in corporate bonds.

As of December 31, 2011, the Bank had financial obligations of S/. 1,985,859 thousand compared to S/. 1,870,329 thousand of December 31, 2010, an increase of 6.2%, mainly due to an increase of S/. 274,519 thousand in corporate bonds.

As of December 31, 2010, the Bank had financial obligations of S/. 1,870,329 thousand compared to S/. 1,772,926 thousand of December 31, 2009, an increase of 5.5%, mainly due to an increase of S/. 116,071 thousand in corporate bonds.

Other Liabilities

Other liabilities consist of accounts payable from derivatives, other provisions, suppliers, other accounts payable, allowance for contingent credits, transactions in process, deferred income, dividends and employee's profit sharing and others. As of June 30, 2012, the Bank had other liabilities of S/. 1,329,443 thousand compared to S/. 1,163,296 thousand as of December 31, 2011, representing an increase of 14.3%, mainly due to the increase in payments owed to suppliers and accounts payable from derivatives.

As of December 31, 2011, the Bank had other liabilities of S/. 1,163,296 thousand compared to S/. 1,125,435 thousand of December 31, 2010, representing an increase of 3.4%, mainly due to the increase in dividends and employees' profit sharing, accounts payable from derivatives and payments owed to suppliers.

As of December 31, 2010, the Bank had other liabilities of S/. 1,125,435 thousand compared to S/. 1,119,327 thousand of December 31, 2009, representing an increase of 0.5%.

Shareholders' Equity

Shareholders' equity consists of capital stock, special reserve, legal reserve, retained earnings and net income. As of June 30, 2012, the Bank's shareholders' equity was S/. 3,588,540 thousand compared to S/. 3,705,063 thousand as of December 31, 2011, representing a decrease of 3.1%. This decrease was mainly due to the distribution of dividends out of net income for 2011.

As of December 31, 2011, the Bank's shareholders' equity was S/. 3,705,063 thousand compared to S/. 3,384,114 thousand as of December 31, 2010, representing an increase of 9.5%. This increase was mainly the result of the increase of S/. 100,805 thousand in capital stock.

As of December 31, 2010, the Bank's shareholders' equity was S/. 3,384,114 thousand compared to S/. 2,888,812 thousand as of December 31, 2009, representing an increase of 17.1%. This increase was mainly the result of the increase of S/. 372,184 thousand in capital stock.

Off-Balance Sheet Arrangements

In the normal course of business, the Bank is a party to a number of off-balance sheet activities that have credit, market and operational risk and are not reflected in its consolidated financial statements. These activities include commitments to extend credit not otherwise accounted for as contingent loans, such as overdrafts and credit card lines of credit, and long-term contractual obligations under operating leases or service contracts. The Bank records its off-balance sheet arrangements under off-balance sheet accounts, as described in note 15 to its Financial Statements.

The Bank provides its customers with services related to the issuance of guarantees and performance bonds and letters of credit and bank acceptances. The Bank's letters of credit operations totaled S/. 813,560 thousand as of June 30, 2012, S/. 649,567 thousand as of December 31, 2011, S/. 821,776 thousand as of December 31, 2010 and S/. 576,993 thousand as of December 31, 2009. Letters of credit increased in 2010 due to a recovery on external trade, which had decreased in 2009 as a result of the global financial crisis.

The credit risk of both on- and off-balance sheet financial instruments varies based on many factors, including the value of collateral held and other security arrangements. To mitigate credit risk, the Bank generally determines the need for specific covenants, guarantees and collateral requirements on a case-by-case basis, depending on the nature of the financial instrument and the customer's creditworthiness. The Bank may also require comfort letters and oral assurances. The amount and type of collateral held to reduce credit risk varies, but may include real estate, machinery, equipment, inventory and accounts receivable, as well as cash on deposit, stocks, bonds and other marketable securities that are generally held in the Bank's possession or at another appropriate custodian or depository. This collateral is valued and inspected on a regular basis to ensure both its existence and adequacy. Additional collateral is required when appropriate.

Capital Adequacy

The Bank's unconsolidated capital adequacy ratio at June 30, 2012 was 13.95%, within regulatory limits and international standards for financial institutions with investment grade ratings.

	As of	
	June 30, 2012	**December 31, 2011**
	(Nuevos Soles in millions)	
Risk weighted assets	**34,950**	**32,455**
Total regulatory capital	**4,875**	**4,043**
Regulatory capital for credit risk	4,671	3,877
Regulatory capital for market risk	87	55
Regulatory capital for operational risk	116	111
Capital adequacy ratio	**13.95%**	**12.46%**
Effective limit	**10.0%**	**10.0%**

On June 22, 2008, amendments to the Peruvian Banking Law by the SBS were published in *El Peruano* newspaper (Legislative Decree No. 1028), as part of the process of implementing the Basel II Framework. Among the major changes was an increase in the minimum capital ratio (defined as regulatory capital over risk-weighted assets) from 9.1% to 10% on a progressive schedule. For instance, until June 2010, the minimum capital ratio was 9.5%, from July 1, 2010 until June 2011 the minimum capital ratio was 9.8%, and from July 2011 onward the requirement has been 10%.

Also, a new regulatory capital structure was introduced with limits for additional capital (Tier II) with regard to core capital (Tier I), additional requirements in 2008 for credit and market risks and the incorporation of operational risk capital requirements. For credit risks and market risks, a progressive schedule applies to the risk-weighted assets, whereby until June 2011, 96% of the risk-weighted assets counted towards the calculation of the leverage ratio, from July 1, 2011 until June 2012, 98% of the risk-weighted assets counted towards the calculation of the leverage ratio, and from July 1, 2012 onward 100% of the risk-weighted assets will count towards the calculation of the leverage ratio. A greater progressive schedule applies to the risk-weighted assets for purposes of calculating operational risk because operational risk was incorporated in 2009. In this case, until June 2011, 40% of the risk-weighted assets for operational risk counted towards the calculation of the leverage ratio, from July 1, 2011 until June 2012 50% of the risk-weighted assets for operational risk will count towards the calculation of the leverage ratio, and from July 1, 2012 onward 100% of the risk-weighted assets will count towards the calculation of the leverage ratio. With these changes, banks are able to use standard methodology for determining the adequacy of loan reserves and economic capital.

The implementation of the Basel III Framework in Peru beginning in July 2012 will give rise to additional capital requirements that will apply to the Bank. See "Supervision and Regulation—Banking Supervision and Regulation—Implementation of Basel III Framework".

Regulatory Capital Requirement for Credit Risk

SBS Resolution N° 14354 – 2009, which became effective on July 1, 2010, regulates capital requirements for credit risk. The purpose of the regulatory capital requirements is to implement the Basel II Framework.

These regulations establish the methodology to be applied as well as the requirements that must be met by financial institutions in performing the calculation of their regulatory capital requirement for credit risk using the standardized method or internal ratings-based ("IRB") methodology.

The current regulations provided for a gradual implementation of the new scheme for calculating the regulatory capital requirement, as described below:

- Risk- weighted assets

Assets and contingent assets are appraised and assessed to determine their credit risk. The market and operational risk requirements are determined by calculating the regulatory capital and later converting it into risk-weighted assets. The SBS is currently considering changes to the regulatory requirements set out in SBS Resolution N° 14354 – 2009.

	Credit risk – weighted assets	**Market risk – weighted assets**	**Operating risk – weighted assets**
July 2009 – June 2010	96%	96%	40%
July 2010 – June 2011	96%	96%	40%
July 2011 – June 2012	98%	98%	50%
July 2012 – June 2013	100%	100%	60%
July 2013 – June 2014	100%	100%	80%
July 2014 – onward	100%	100%	100%

- Global capital ratio

	Global ratio %
Until June 2009	9.09%
July 2009 – June 2010	9.50%
July 2010 – June 2011	9.80%
July 2011 – onward	10.00%

The Standard Method

Direct or indirect credit assets are divided into the following segments: (i) corporate; (ii) multilateral development banks; (iii) sovereign; (iv) public sector entities; (v) securities brokers/agents; (vi) financial institutions; (vii) large business; (viii) medium business; (ix) small business; (x) microbusiness; (xi) revolving consumers; (xii) non–revolving consumers; and (xiii) mortgages.

Credit risk–weighted assets are derived from the result of multiplying the aggregate risk exposure (the outstanding balances of direct and indirect credit) adjusted for risk mitigation by a weight factor that applies to its segment.

$$\boxed{E^* = \text{máx.}\ \{0, [E * (1 + He + Hrcc) - C * (1 - Hc - Hfx)]\}}$$

E*	=	Value of the position following risk coverage
E	=	Value of the position, net of differed income and provisions
He	=	Increase in position due to volatility
Hrcc	=	Increase for adjustments to foreign Exchange crédito risk
C	=	Market value of the collateral security received or value of the charge, whichever is less, after adjustments for

time period mismatches, if any

Hc = Discounts in collateral security due to volatility

Hfx = Discounts caused by foreign currency value differences between collateral security and the position

Weight factors by Segment

Type	Segment	Weight	Exceptions
Non Retail	Multilateral Bank	As a function of its External Rating	0% for multilateral development Banks included in the list set out in Article 16° of SBS Resolution N° 14354-2009.
	Financial System		
	Sovereign		Special sovereign risk treatment for Peru (the weight factor for risk exposure in local currency and with the Peruvian Central Bank is 0%, the weight factor for risk exposure in foreign currency depends on an indicator of the degree of concentration of the exposure in the foreign currency relative to the regulatory capital from the previous month)
	Public Sector	100%	If certain conditions are met a transfer mechanism can be applied that leads to the application of a weight factor of 20%
	Securities	100%	
	Corporate	100%	
	Large Business	100%	
	Medium Sized Business	100%	
Retail	Small Business	100%	
	Micro Business	100%	
	Revolving Consumer	100%	
	Non Revolving Consumer	100%	
	Mortgage	50%	50% Covered portion / 100% Uncovered Portion Coverage for *MiVivienda* (My Home): 20% f (Mortgage credits given up to October 31, 2010 will receive weighting of 20%, while those given after that date will be weighted according to the institution rating)

Adjustments for the previously mentioned cases of exposure and collateral security are described below:

Concept	Item/ Entry subject to adjustment	Adjustment
Volatility	Exposure / Collateral	Depending on the instrument, counterparty and term, adjustment factors that fluctuate between 0.5% and 25% are applied
Foreign exchange credit risk	Exposure	When exposure is subject to foreign Exchange credit risk and it is indexed or denominated in foreign currency, an adjustment of 2.5% shall be applied
Term Mismatch	Collateral Security	Applying a penalty to security value when there is a mismatch in the term of exposure and the security accepted for risk mitigation (adjustment depends on the formula).
Foreign Currency	Collateral Security	Applying a penalty security value when there are foreign currency gaps between the risk exposure and the collateral security accepted for mitigation; the adjustment factor is 8%

Additional Capital Requirements

Pursuant to Article 199 of the Peruvian Banking Law, banks must have excess capital to ensure that they maintain the minimum capital requirement during negative macro-economic cycles and adjust to their own risk profile. SBS Resolution No. 8425-2011 has established additional capital requirements to ensure that banks comply with the excess required by Article 199 of the Peruvian Banking Law, specifically identifying requirements to cover the economic cycle, concentration risk, market concentration risk, interest rate risk and other risks.

This new regime will be implemented in phases over time as follows:

Adjustment Year	Percentage of Additional Regulatory Capital
July-2012	40%
July-2013	55%
July-2014	70%
July-2015	85%
July-2016	100%

SELECTED STATISTICAL INFORMATION

The following tables present certain selected statistical information and ratios for the period indicated. The selected statistical information should be read in conjunction with the information in the Financial Statements and the notes thereto. The statistical information and discussion and analysis presented below reflect the Bank's financial position on a consolidated basis except where otherwise noted, as of December 31, 2011, 2010 and 2009. As of December 31, 2011, BBVA Banco Continental's total assets represented 97.13% of the Bank's consolidated total assets before eliminations and BBVA Banco Continental's total liabilities represented 97.08% of the Bank's consolidated total liabilities before eliminations.

Average Balance Sheets and Income from Interest-Earning Assets

The tables below set forth selected statistical information based upon the average balance sheets of BBVA Banco Continental prepared on an unconsolidated basis. Except as otherwise indicated, average balances, when used, have been classified by currency (primarily Nuevos Soles or U.S. Dollars), rather than by the domestic or international nature of the balance. In addition, except where noted, such average balances are based upon the monthly ending balances for each year, with any such annual balance denominated in foreign currency having been converted into Nuevos Soles using the applicable exchange rate published by the SBS as of the date of such balance.

The following tables show average balances for all of BBVA Banco Continental's assets and liabilities, interest earned and paid amounts, and nominal rates for the Bank's interest-earnings assets and interest-bearing liabilities, all for the years ended December 31, 2011, 2010 and 2009. Loan fees, which are not material, are included in the tables as interest earned.

Average Balance Sheets
Assets, Interest Earned and Average Interest Rates [1]

Assets	Year Ended December 31, 2011 Average Balance	Year Ended December 31, 2011 Interest Paid	Year Ended December 31, 2011 Nominal Avg. Rate	Year Ended December 31, 2010 Average Balance	Year Ended December 31, 2010 Interest Paid	Year Ended December 31, 2010 Nominal Avg. Rate	Year... Average Balance
				(Nuevos Soles in thousands, except percentages)			
Interest-earning assets:							
Deposits in Central Bank............							
Nuevos Soles	2,075,663	57,488	2.77%	1,268,180	29,139	2.30%	54,279
Foreign Currency....................	5,363,169	6,623	0.12%	3,658,263	5,405	0.15%	3,531,412
Total	**7,438,832**	**64,111**	**0.86%**	**4,926,443**	**34,544**	**0.70%**	**3,585,691**
Deposits in other banks							
Nuevos Soles	113,591	2,091	1.84%	51,209	598	1.17%	39,432
Foreign Currency....................	441,498	499	0.11%	279,672	637	0.23%	517,227
Total	**555,089**	**2,590**	**0.47%**	**330,881**	**1,235**	**0.37%**	**556,659**
Investment in securities..............							
Nuevos Soles	2,961,299	146,078	4.93%	4,285,143	172,121	4.02%	3,833,142
Foreign Currency....................	134,561	1,106	0.82%	361,421	42,023	11.63%	959,813
Total	**3,095,860**	**147,184**	**4.75%**	**4,646,564**	**214,144**	**4.61%**	**4,792,955**
Loans (2).....................................							
Nuevos Soles	13,778,162	1,502,820	10.91%	11,678,541	1,228,794	10.52%	10,187,210
Foreign Currency....................	13,884,009	1,044,459	7.52%	10,896,942	849,826	7.80%	10,568,514
Total	**27,662,171**	**2,547,279**	**9.21%**	**22,575,483**	**2,078,620**	**9.21%**	**20,755,724**
Total interest-earning assets							
Nuevos Soles	18,928,715	1,708,477	9.03%	17,283,073	1,430,652	8.28%	14,114,062
Foreign Currency....................	19,823,237	1,052,687	5.31%	15,196,298	897,891	5.91%	15,576,965
Total	**38,751,952**	**2,761,164**	**7.13%**	**32,479,371**	**2,328,543**	**7.17%**	**29,691,027**

(1) Figures in this table are shown on an unconsolidated basis. Certain items that are considered as interest income or interest expense according to Peruvian GAAP accounting standards are excluded from this table.
(2) Figures for total loans include past-due loans, but do not include accrued but unpaid interest.

	Year Ended December 31, 2011			Year Ended December 31, 2010			Yea
	Average	**Interest**	**Nominal Avg.**	**Average**	**Interest**	**Nominal Avg.**	**Averag**
Assets				*(Nuevos Soles in thousands, except percentages)*			
Non-interest earning assets:							
Cash and clearings.....................							
Nuevos Soles	902,420	–	–	693,866	–	–	563,
Foreign Currency	476,338	–	–	403,176	–	–	361,
Total	**1,378,758**	**–**	**–**	**1,097,042**	**–**	**–**	**925,**
Provision for impairment of loan losses							
Nuevos Soles	(826,923)	–	–	(667,895)	–	–	(536,
Foreign Currency	(350,394)	–	–	(312,114)	–	–	(275,
Total	**(1,177,317)**	**–**	**–**	**(980,009)**	**–**		**(811,**
Property, furniture and equipment							
Nuevos Soles	520,735	–	–	406,088	–	–	346,
Foreign Currency	0	–	–	0	–	–	
Total	520,735	**–**	**–**	**406,088**	**–**	**–**	346,
Other non-interest-earning assets							
Nuevos Soles	1,228,767	–	–	1,009,398	–	–	953,
Foreign Currency	230,942	–	–	179,576	–	–	378,
Total	**1,459,709**	**–**	**–**	**1,188,974**	**–**	**–**	**1,331,**
Total non-interest-earning assets							
Nuevos Soles	1,824,999	–	–	1,441,457	–	–	1,327,
Foreign Currency	356,886	–	–	270,638	–	–	464,
Total	**2,181,885**	**–**	–	**1,712,095**	**–**	**–**	**1,791,**
Total average assets							
Nuevos Soles	20,753,714	1,708,477	8.23%	18,724,530	1,430,652	7.64%	15,441,
Foreign Currency	20,180,123	1,052,687	5.22%	15,466,936	897,891	5.81%	16,041,
Total	**40,933,837**	**2,761,164**	**6.75%**	**34,191,466**	**2,328,543**	**6.81%**	**31,482,**

Average Balance Sheets
Liabilities, Interest Paid and Average Interest Rates [1]

	Year Ended December 31, 2011			Year Ended December 31, 2010			Yea
	Average Balance	Interest Paid	Nominal Avg. Rate	Average Balance	Interest Paid	Nominal Avg. Rate	Average Balance
Assets				*(Nuevos Soles in thousands, except percentages)*			
Interest-bearing liabilities:							
Demand deposits							
Nuevos Soles	4,606,009	32,507	0.71%	4,125,457	17,364	0.42%	2,990,907
Foreign Currency	4,049,771	4,872	0.12%	3,452,607	4,376	0.13%	2,763,202
Total	**8,655,780**	**37,379**	**0.43%**	**7,578,064**	**21,740**	**0.29%**	**5,754,109**
Savings deposits							
Nuevos Soles	3,525,886	32,015	0.91%	2,824,908	27,547	0.98%	2,257,670
Foreign Currency	3,034,914	13,076	0.43%	2,461,260	19,307	0.78%	2,182,407
Total	**6,560,800**	**45,091**	**0.69%**	**5,286,168**	**46,854**	**0.89%**	**4,440,077**
Time deposits							
Nuevos Soles	6,945,851	268,056	3.86%	5,641,392	116,717	2.07%	4,659,033
Foreign Currency	5,746,875	79,372	1.38%	4,789,993	57,966	1.21%	6,206,754
Total	**12,692,726**	**347,428**	**2.74%**	**10,431,385**	**174,683**	**1.67%**	**10,865,787**
Due to banks, bonds and other liabilities							
Nuevos Soles	1,484,500	72,981	4.92%	1,397,289	57,744	4.13%	2,225,838
Foreign Currency	6,811,331	192,457	2.83%	5,167,778	130,311	2.52%	4,342,233
Total	**8,295,831**	**265,438**	**3.20%**	**6,565,067**	**188,055**	**2.86%**	**6,568,071**
Total interest-bearing liabilities							
Nuevos Soles	16,562,246	405,559	2.45%	13,989,046	219,372	1.57%	12,133,448
Foreign Currency	19,642,891	289,777	1.48%	15,871,638	211,960	1.34%	15,494,596
Total	**36,205,137**	**695,336**	**1.92%**	**29,860,684**	**431,332**	**1.44%**	**27,628,044**

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[1] Figures in this table are shown on an unconsolidated basis. Certain items that are considered as interest income or interest expense according to Peruvian GAAP accounting standards are excluded from this table.

	Year Ended December 31, 2011			Year Ended December 31, 2010			Yea
	Average Balance	Interest Paid	Nominal Avg. Rate	Average Balance	Interest Paid	Nominal Avg. Rate	Averag Balanc
				(Nuevos Soles in thousands, except percentages)			
Liabilities							
Non-interest bearing liabilities and shareholders' equity:							
Other liabilities							
Nuevos Soles	1,101,366	–	–	1,004,432	–	–	925,
Foreign Currency	336,924	–	–	337,389	–	–	391,
Total	**1,438,290**	**–**	**–**	**1,341,821**	**–**	**–**	**1,316,**
Shareholders' equity							
Nuevos Soles	3,285,384	–	–	2,986,850	–	–	2,523,
Foreign Currency	5,026	–	–	2,111	–	–	14,
Total	**3,290,410**	**–**	**–**	**2,988,961**	**–**	**–**	**2,538,**
Total non-interest-bearing liabilities and shareholders' equity							
Nuevos Soles	4,386,750	–	–	3,991,282	–	–	3,449,
Foreign Currency	341,950	–	–	339,500	–	–	405,
Total	**4,728,700**	**–**	**–**	**4,330,782**	**–**	**–**	**3,854,**
Total average liabilities and shareholders' equity							
Nuevos Soles	20,948,996	405,559	1.94%	17,980,328	219,372	1.22%	15,582,
Foreign Currency	19,984,841	289,777	1.45%	16,211,138	211,960	1.31%	15,900,
Total	**40,933,837**	**695,336**	**1.70%**	**34,191,466**	**431,332**	**1.26%**	**31,482,**
ADDITIONAL INFORMATION							
Total Deposits							
Nuevos Soles	15,077,746	332,578	2.21%	12,591,757	161,628	1.28%	9,907,
Foreign Currency	12,831,560	97,320	0.76%	10,703,860	81,649	0.76%	11,152,
Total	**27,909,306**	**429,898**	**1.54%**	**23,295,617**	**243,277**	**1.04%**	**21,059,**
Interest margin							
Nuevos Soles	18,928,715	1,302,918	6.88%	17,283,073	1,211,280	7.01%	14,114,
Foreign Currency	19,823,237	762,910	3.85%	15,196,298	685,931	4.51%	15,576,
Total	**38,751,952**	**2,065,828**	**5.33%**	**32,479,371**	**1,897,211**	**5.84%**	**29,691,**

Net Interest Income and Expense: Volume and Rate Analysis

	2011 / 2010			
	Increase (Decrease) due to changes in			Increase (Decrease
	Volume	Rate	Net Change	Volume
			(Nuevos Soles in thousands, except percentages)	
Interest income				
Deposits in Central Bank				
Nuevos Soles	22,364	5,985	28,349	27,892
Foreign Currency	2,105	(887)	1,218	187
Total	**24,469**	**5,098**	**29,567**	**28,079**
Deposits in other banks				
Nuevos Soles	1,148	345	1,493	138
Foreign Currency	183	(321)	(138)	(541)
Total	**1,331**	**24**	**1,355**	**(403)**
Investment in securities				
Nuevos Soles	(65,304)	39,261	(26,043)	18,155
Foreign Currency	(1,865)	(39,052)	(40,917)	(69,576)
Total	**(67,169)**	**209**	**(66,960)**	**(51,421)**
Loans				
Nuevos Soles	229,011	45,015	274,026	156,915
Foreign Currency	224,710	(30,077)	194,633	25,613
Total	**453,721**	**14,938**	**468,659**	**182,528**
Total interest-earning assets				
Nuevos Soles	148,533	129,292	277,825	262,323
Foreign Currency	245,708	(90,912)	154,796	(22,492)
Total	**394,241**	**38,380**	**432,621**	**239,831**
Interest expense				
Demand deposits				
Nuevos Soles	3,392	11,751	15,143	4,775
Foreign Currency	718	(222)	496	874
Total	**4,110**	**11,529**	**15,639**	**5,649**
Savings deposits				
Nuevos Soles	6,365	(1,897)	4,468	5,531
Foreign Currency	2,472	(8,703)	(6,231)	2,187
Total	**8,837**	**(10,600)**	**(1,763)**	**7,718**
Time deposits				
Nuevos Soles	50,342	100,997	151,339	20,324
Foreign Currency	13,216	8,190	21,406	(17,145)
Total	**63,558**	**109,187**	**172,745**	**3,179**

	2011 / 2010			
	Increase (Decrease) due to changes in			Increase (Decrease
	Volume	Rate	Net Change	Volume
Due to banks and bonds				
Nuevos Soles	4,287	10,950	15,237	(34,240)
Foreign Currency	46,439	15,707	62,146	20,817
Total	**50,726**	**26,657**	**77,383**	**(13,423)**
Total interest-bearing liabilities				
Nuevos Soles	63,010	123,177	186,187	29,099
Foreign Currency	55,634	22,183	77,817	5,035
Total	**118,644**	**145,360**	**264,004**	**34,134**

Interest-Earning Assets, Net Interest Margin and Yield Spread [1]

The following table shows for each of the periods indicated, the levels of average interest-earning assets, net interest income, gross yield, net interest margin and yield spread of BBVA Banco Continental on an unconsolidated basis, all on a nominal basis.

	For the Year Ended December 31,		
	2011	**2010**	**2009**
	(Nuevos Soles in thousands, except percentages)		
Average interest-earning assets			
Nuevos Soles	18,928,715	17,283,073	14,114,062
Foreign Currency	19,823,237	15,196,298	15,576,965
Total	**38,751,952**	**32,479,371**	**29,691,027**
Net interest income			
Nuevos Soles	1,302,918	1,211,280	1,111,254
Foreign Currency	762,910	685,931	745,099
Total	**2,065,828**	**1,897,211**	**1,856,353**
Gross yield [2]			
Nuevos Soles	9.03%	8.28%	10.36%
Foreign Currency	5.31%	5.91%	6.64%
Weighted-average rate	7.13%	7.17%	8.41%
Net interest margin [3]			
Nuevos Soles	6.88%	7.01%	7.87%
Foreign Currency	3.85%	4.51%	4.78%
Weighted-average rate	5.33%	5.84%	6.25%
Yield spread [4]			
Nuevos Soles	6.58%	6.71%	7.47%
Foreign Currency	3.84%	4.57%	4.77%
Weighted-average rate	5.20%	5.72%	6.09%

(1) Figures in this table are shown on an unconsolidated basis. Certain items that are considered as interest income or interest expense according to Peruvian GAAP but not according to international accounting standards are excluded from this table.
(2) Gross yield equals income from interest-earning assets divided by total average earning assets.
(3) Net interest margin represents net interest income divided by average interest-earning assets.
(4) Yield spread, on a nominal basis, represents the difference between gross yield on average interest earning-assets and average cost of interest-bearing liabilities.

Interest-Earning Deposits with Other Banks

The following table shows short-term funds deposited with other banks broken down by currency as of the dates indicated. Deposits held in countries other than Peru are denominated in several currencies; however, the substantial majority of such deposits are denominated in U.S. Dollars. These currencies were converted to Nuevos Soles using the applicable exchange rate published by the SBS as of the date of the relevant balance sheet.

	As of December 31,		
	2011	**2010**	**2009**
	(Nuevos Soles in thousands)		
Nuevo Sol-denominated			
Central bank	979,380	4,409,082	250,732
Commercial banks	99,773	87,839	19,396
Total Nuevo Sol-denominated	**1,079,153**	**4,496,921**	**270,128**
Foreign currency-denominated			
Central bank		4,069,290	3,342,043
Commercial banks	5,591,350	261,883	313,103
Total foreign currency-denominated	362,895	**4,331,173**	**3,655,146**
Total	**7,033,398**	**8,828,094**	**3,925,274**

Investment Portfolio

The following table shows the value of the Bank's fair value though profit and loss, available-for-sale and held to maturity investment by type. In accordance with amendments introduced by the SBS through SBS Resolution N° 10639-2008, profit and loss and available-for-sale investment are shown at fair value. Held to maturity investments are shown at amortized cost using the effective interest method:

	As of December 31,		
	2011	**2010**	**2009**
	(Nuevos Soles in thousands)		
BCRP Certificates of Deposits	1,421,368	606,458	2,022,131
Repurchase agreement			
Bonds			
Peruvian treasury	1,036,919	1,341,486	1,364,571
Peru Global treasury	10,903	207,976	471,053
Asset Backed Securities	24,736	8,461	10,032
Euro Notes	–	–	–
Corporate	–	8,237	8,789
Participation in mutual funds	43,461	34,143	23,910
Stock[1]	49,711	50,850	
Other investments	56	2,944	23,022
Total	**2,587,154**	**2,260,555**	**3,923,508**

[1] Includes stocks from fair value though profit and loss and available-for-sale portfolios.

The weighted-average yield on the Bank's Nuevo Sol-denominated interest and dividend-earning investment portfolio was 7.46% in 2009, 4.02% in 2010 and 4.93% in 2011. The weighted average yield on the Bank's foreign currency-denominated portfolio was 6.41% in 2009, 11.63% in 2010 and 0.82% in 2011. The total weighted-average yield of the Bank's portfolio was 7.25% in 2009 4.61% in 2010 and 4.75% in 2011.The following table shows the maturities of the Bank's investment securities by type as of December 31, 2011:

	Within 1 year	**After 1 year but within 5 years**	**After 5 year but within 10 years**	**After 10 years**	**Without maturity**	**Total**
	S/.000	**S/.000**	**S/.000**	**S/.000**	**S/.000**	**S/.000**
BCRP Certificates of Deposits	1,421,368	–	–	–	–	1,421,368
Bonds						
Peruvian treasury	–	224,019	362,526	450,374	–	1,036,919
Peru Global treasury	–	–	–	24,736	–	24,736
US treasury	–	–	–	10,903	–	10,903
Stock	–	–	–	–	49,711	49,711
Investment in Mutual Funds	–	–	–	–	43,461	43,461
Oher investments	–	–	–	56	–	56
Total	**1,421,368**	**224,019**	**362,526**	**486,069**	**93,172**	**2,587,154**

Loan Portfolio

Loans by Type

The Bank records direct loans when a disbursement of funds is made to a client. The following table shows the Bank's direct loans by type:

	As of December 31,		
	2011	**2010**	**2009**
	(Nuevos Soles in thousands)		
Direct credits			
Loans	17,014,585	14,751,372	11,786,363
Residential mortgage loans	5,842,095	4,695,209	3,819,087
Leasing transactions	4,601,173	3,794,109	3,524,291
Discounted notes	968,416	791,280	712,859
Credit cards	1,205,299	745,159	626,775
Factoring transactions	238,642	9,102	30,244
Refinanced and restructured loans	366,672	311,801	282,683
Past due loans and accounts in legal collection	279,710	264,635	217,387
Total gross loan	**30,516,592**	**25,362,667**	**20,999,689**
Past due loans and accounts in legal collection	(279,710)	(264,635)	(217,387)
Total performing loans	**30,236,881**	**25,098,032**	**20,782,302**
Performing loans as a percentage of total gross loan	99.1%	99.0%	99.0%

The classification of the loan portfolio as set forth in the table above is based upon the regulations of the SBS. Pursuant to the guidelines of the SBS, loans are categorized as follows:

Loans, mortgage loans and credit cards

Loans and credit cards include basic term loans documented by promissory notes and other extensions of credit, such as consumer loans in various forms and trade finance loans, among others.

Mortgage loans are loans for acquisition, construction, refurbishment, remodeling, expansion, improvement and sub-division of an owner's home backed by a duly constituted mortgage.

Leasing Transactions

Leasing transactions involve the Bank's acquisition of an asset and the leasing of that asset to a client of the Bank.

Discounted Notes

Discounted notes are loans discounted at origination. Discounted loans also include discounting of drafts, where the Bank makes a loan supported by a draft signed by one party and discounted by another party, with recourse to both parties.

Refinanced and Restructured Loans

Refinanced and restructured loans are loans with changes in their payment schedules due to payment difficulties. Under SBS regulations, refinanced loans constitute loans with respect to which the debtor is experiencing payment problems. Restructured loans are refinanced loans that are extended under the bankruptcy protection procedures of the Peruvian Corporate Restructuring Law.

Past-Due Loans

Past-due loans include overdue loans categorized according to SBS guidelines. This amount excludes amounts included in "Refinanced and restructured loans."

Loans by Economic Activity

The following table shows the Bank's total loan portfolio composition, including unearned interest, based upon the borrower's principal economic activity:

	As of December 31,					
	2011		2010		2009	
	(Nuevos Soles in thousands, except percentages)					
	Amount	**%**	**Amount**	**%**	**Amount**	**%**
Mortgages and consumer loan credits	8,786,449	29%	7,101,915	28%	5,907,888	28%
Manufacturing	5,577,385	18%	5,091,480	20%	4,011,779	19%
Commerce	5,190,967	17%	4,124,824	16%	3,323,714	16%
Transport, storage and communications	2,115,384	7%	2,233,474	9%	1,666,020	8%
Real estate	2,363,157	8%	1,841,812	7%	1,300,817	6%
Utilities	857,404	3%	715,967	3%	740,298	4%
Construction	966,620	3%	656,396	3%	502,596	2%
Agriculture and livestock	860,912	3%	608,252	2%	557,667	3%
Mining	883,776	3%	516,357	2%	643,093	3%
Hotels and restaurants	627,120	2%	490,020	2%	456,199	2%
Financial intermediation	442,831	1%	443,765	2%	620,654	3%
Other activities for community services	450,376	1%	395,300	2%	262,604	1%
Education	476,490	2%	373,772	1%	337,750	2%
Fishing	303,929	1%	234,422	1%	213,666	1%
Public administration and defense	190,369	1%	225,102	1%	213,446	1%
Social and health	181,587	1%	158,225	1%	124,053	1%
Others	241,836	1%	151,584	1%	117,445	1%
Total gross loan	**30,516,592**	**100.0%**	**25,362,667**	**100.0%**	**20,999,689**	**100.0%**

Concentrations of Loan Portfolio and Lending Limits

The Bank's loans and other contingent credits to the 20 customers, each considered as an "economic group" as defined by the SBS, to which the Bank had the largest exposure as of December 31, 2011 were S/. 3,799.7 million (US$1,409.4 million), representing 9.82% of the total loan portfolio. See "Supervision and Regulation—Banking Supervision and Regulation—Lending Limits." Total loans and other contingent credits outstanding and available to these customers ranged from S/. 130.7 million (US$ 48.5 million) to S/. 365.7 million (US$ 135.6 million). Total loans and other contingent credits outstanding and available to the Bank's 20 largest customers were classified in the following risk categories as of December 31, 2011: Class A (Normal)—100%; Class B (Potential Problem)—0%; Class C (Substandard)—0%; Class D (Doubtful)—0%; and Class E (Loss)—0%. See "—Loans by Asset Quality." These proportions have not fluctuated in recent years in any material amount.

The Bank's loans to a single borrower are subject to lending limits imposed by the Peruvian Banking Law. The applicable legal lending limits depend on the nature of the counterparty involved and the type of collateral received. The sum of loans to and deposits from another Peruvian financial institution, plus any guarantees of third-party performance received by the Bank from such institution, may not exceed 30% of the Bank's regulatory capital. The sum of loans to and deposits from non-Peruvian financial institutions, plus any guarantees of third-party performance the Bank has received from such institutions, are limited to 5%, 10% or 30% of the Bank's regulatory capital, depending upon the governmental supervision to which the institution is subject and upon whether it is recognized by the Central Bank as an international bank of prime credit quality. The limits on lending to non-Peruvian financial institutions may be increased to 50% of the Bank's regulatory capital if the amount by which such loans exceed the 5%, 10% or 30% limits is backed by certain letters of credit.

Lending on an unsecured basis to individuals or companies residing in Peru that are not financial institutions is limited to 10% of the Bank's regulatory capital. This limit rises to 15% if the additional 5% is guaranteed by a mortgage, pledge over certain securities and equipment or other collateral, and to 20% if the additional amount is backed by certain debt instruments guaranteed by another local bank, or by a foreign bank determined by the Central Bank to be of prime credit quality, or by other highly liquid securities at market value. Finally, the single borrower lending limit for loans backed by a cash deposit at BBVA Banco Continental or by debt obligations of the Central Bank is 30% of the Bank's regulatory capital.

Loans to individuals or companies residing outside of Peru that are not financial or banking entities are subject to a limit of 5% of the Bank's regulatory capital; however, this limit increases to 10% if the additional 5% is guaranteed by a mortgage or a pledge over certain publicly-traded securities. The limit rises to 30% if the additional amount is guaranteed by certain banks or by cash deposits held at BBVA Banco Continental.

With an unconsolidated regulatory capital of S/. 4,043 million (US$ 1,499.6 million) as of December 31, 2011, the Bank's lending capacity per borrower varies from S/. 4043 million (US$ 149.96 million) to S/. 1,212.9 million (US$ 449.9 million) depending on the type of borrower as specified above. As of December 31, 2011, the Bank was in compliance with the lending limits mandated by Peruvian Banking Law.

In the event that customers to which the Bank has significant credit exposure are not able to meet their obligations to the Bank, and any related collateral is not sufficient to cover such obligations, or if a reclassification of one or more of such loans or other contingent credits results in an increase in provisions for impairment of loan losses, the Bank may experience an adverse effect on its business financial condition and results of operations.

Loans by Currency

The following table presents the Bank's Nuevo Sol and foreign currency-denominated loan portfolio at the dates indicated.

	As of December 31,					
	2011		2010		2009	
	(Nuevos Soles in thousands, except percentages)					
Total loan portfolio	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
Nuevo Sol – denominated	15,129,020	49.6%	12,596,370	49.7%	10,708,866	51.0%
Foreign currency – denominated.......	15,387,572	50.4%	12,766,297	50.3%	10,290,823	49.0%
Total gross loan	**30,516,592**	**100.0%**	**25,362,667**	**100.0%**	**20,999,689**	**100.0%**

Loans by Maturity

The following table sets forth an analysis of the Bank's performing loan portfolio as of December 31, 2011, by type and by the time remaining to maturity.

Total loan portfolio	Total	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	More than 5 years
				(Nuevos Soles in thousands)			
Loans	18,221,643	2,467,101	3,886,277	2,454,169	2,169,613	6,177,204	1,067,279
Residential Mortgage loans	5,842,095	169,763	58,061	85,336	186,128	1,543,326	3,799,481
Leasing transactions	4,601,173	99,710	463,958	711,039	1,312,277	1,949,305	64,884
Credit cards	1,205,299	325,274	70,898	106,348	307,631	395,148	-
Refinanced and restructured loans	366,672	279,019	2,441	4,994	6,914	40,512	32,792
Total current loans	30,236,882	3,340,867	4,481,635	3,361,886	3,982,563	10,105,495	4,964,436
Past due loans	279,710						
Total gross loans	**30,516,592**						

Loans by Asset Quality

The Bank classifies its loan portfolio in accordance with SBS regulations. SBS Resolution No. 11356-2008 entered into effect on July 1, 2010 and modified the treatment of loan portfolio in terms of the calculation of provisions for loan losses and their classification of loans by credit type. These classifications include the following: (i) corporate, (ii) large business, (iii) medium business, (iv) small business, (v) microbusiness, (vi) revolving consumer, (vii) non-revolving consumer and (viii) mortgage loans. The characteristics for each category are described in greater detail below.

Non-Retail

- Corporate loans are made to debtors with annual sales levels greater than S/. 200 million in the last two years according to their latest audited financial statements. This category also includes debtors such as multilateral development banks, sovereigns, public sector entities, securities brokers and intermediaries and companies and institutions in the financial system.

- Large business include debtors with annual sales levels greater than S/. 20 million but less than or equal to S/. 200 million in the last two years according to their latest financial statements. Also included in this category are debtors that have issued debt instruments in the capital markets which have not yet matured.

- Medium business include debtors with total indebtedness greater than S/. 300 thousand in the last six months and which do not have the requisite characteristics to be categorized as corporate debtors or large business in the last six months.

Retail

- Small business loans include credit for financing activities related to production, sales or distribution and/or the supply of services. The total indebtedness in the financial system of debtors in this category is greater than S/. 20 thousand but less than S/. 300 thousand in the last six months.

- Microbusiness loans include credit for financing activities related to production, sales or distribution and/or the supply of services. The total indebtedness in the financial system of debtors in this category is no greater than S/. 20 thousand in the last six months.

- Revolving consumer loans include revolving credit for payments for goods, services or costs unrelated to business activity. This category includes debtors with a total indebtedness of less than S/. 300 thousand during six consecutive months.

- Non-revolving consumer loans include non-revolving credit for payments for goods, services or costs unrelated to business activity. This category includes debtors with a total indebtedness less than S/. 300 thousand during six consecutive months.

- Mortgage loans include credit for the acquisition, construction, renovation, remodeling, expansion, improvement and sub division of an owner's home, backed by a mortgage.

Regulations promulgated by the SBS also require Peruvian banks to classify all debtors into one of five categories ("Normal", "Potential Problem", "Substandard", "Doubtful", and "Loss") depending upon the degree of risk of nonpayment. The Bank reviews its loan portfolio on a continuing basis, and the SBS reviews the portfolio as it deems necessary or prudent. In classifying its loans based upon risk of nonpayment, the Bank, in compliance with SBS guidelines, assesses the following factors: the payment history on the particular loans, the history of the Bank's dealings with the borrower, management, operating history, repayment capability and availability of funds of the borrower, status of any collateral or guarantee, the borrower's financial statements, general risk of the sector in which the borrower operates, the borrower's risk classification made by other financial institutions, and other relevant factors. The classification of the debtor determines the amount of the required loan loss provision.

Peruvian banking regulations require banks to establish a provision for impairment of losses based on a percentage that depends on the loan's category in the bank's loan and credit portfolio.

In general, allowance for loan losses depends of the following variables: debt, classification and collaterals.

For debtors classified as Normal there are two components to determine the required provisions for impairment of loan losses, known as the "general provision." The first component of the provision for the impairment of loan losses is a fixed rate while the second component is a variable rate and is required if the Peruvian gross domestic product growth reaches a certain level established by the SBS. Both components are shown in the following table:

Loans by category	First Component	Second Component	Second Component (*)
Corporate loans	0.70%	0.40%	0.30%
Loans to large business	0.70%	0.45%	0.30%
Loans to medium business	1.00%	0.30%	0.00%
Loans to small business	1.00%	0.50%	0.00%
Loans to microbusiness	1.00%	0.50%	0.00%
Revolving consumer loans	1.00%	1.50%	0.00%
Non-revolving consumer loans	1.00%	1.00%	0.00%
Consumer credit under eligible agreements	1.00%	0.25%	0.00%
Mortgage loans	0.70%	0.40%	0.30%

(*) For the portion of the loan secured by self-liquidating collateral

SBS Resolution No. 11356-2008 requires a lower provision on the portion of the loan or credit that is secured with permissible collateral. For the purpose of determining the amount of the required provision, collateral is valued in accordance with SBS regulations, which require an appraisal of the collateral's expected market value. Only assets classified as (i) preferred, (ii) readily liquid preferred or (iii) self-liquidating preferred are acceptable as collateral. Such collateral must, in accordance with SBS regulations, (1) be relatively liquid, (2) have legally documented ownership, (3) have no liens outstanding and (4) have constantly updated appraisals. Examples of preferred or highly liquid preferred assets include, among others, cash deposits, real estate mortgages and pledges on securities or on other goods. Self-liquidating preferred assets include solely cash deposits in local banks or stand-by letters of credit from highly-rated foreign institutions.

The SBS requires the following specific provisions for all types of loans:

Risk Category	Table 1	Table 2	Table 3
Potential Problem	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%

Table 1: For unsecured loans
Table 2: For secured loans with "preferred" collateral
Table 3: For secured loans with "highly liquid preferred" collateral

One of the main changes introduced by SBS Resolution No. 11356-2008 is that since July 2010, the provision for contingent credit operations has been calculated using credit conversion factors applied over the nominal amount in the percentages provided below:

Indirect Credit by type	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) Issuances of standby letters supporting affirmative and negative covenants	50%
c) Issuances of guarantees, import letters of credit and standby 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 subparagraphs	100%

Loan Risk Categories

The classification of debtors according to risk depends on the risk of nonpayment and financial and economic situation of the debtors, and includes the following categories:

By Type / By Category	Corporate, large companies, medium-sized companies	Small businesses, microenterprises, revolving and non-revolving consumer	Residential mortgage loans[1]
Class A: Normal	Liquid financial situation, low leverage, cash flow not prone to any significant downturn, pays obligations in a timely manner.	Up to 8 calendar days past due in credit obligations	Up to 30 calendar days past due in payment of credit obligations
Class B: Potential Problem	Good financial and profit position, moderate level of indebtedness, cash flow sufficient to cover debt service payments on principal and interest but vulnerable to weakness from changes in	Between 9 and up to 30 calendar days past due in payment of credit obligations.	Between 31 and up to 60 calendar days past due in payment of credit

	business variables, occasional late payments not exceeding 60 days.		obligations.
Class C: Substandard	Weak financial position, cash flow insufficient to fully meet debt service payments on principal and interest, but may pay only these on occasion, cash flow projections showing no improvement, highly sensitive to changes in relevant variables, or late payments over 60 days but not exceeding 120 days.	Between 31 and up to 60 calendar days past due in payment of credit obligations.	Between 61 and up to 120 calendar days past due in payment of credit obligations.
Class D: Doubtful	Cash flow is insufficient to meet debt service payments of either principal or interest, critical financial position, highly leveraged, is forced to sell strategic assets or makes late payments over 120 days but not exceeding 365 days.	Between 61 and up to 120 calendar days past due in payment of credit obligations.	Between 121 and 365 calendar days past due in payment of credit obligations
Class E: Loss	Cash flow insufficient to cover costs, has suspended all payments, it is reasonable to assume that it will have difficulties to comply with eventual restructuring payment commitments, has declared bankruptcy or is forced to sell strategic assets, late payments exceeding 365 days.	Over 120 calendar days past due in payment of credit obligations.	Over 365 calendar days past due in payment of credit obligations

(1) Under SBS Resolution No. 808 – 2003, in force until June 30, 2010, residential mortgages were classified as Potential Problem and Substandard if debtors presented payment delays of 31 to 90 days and between 91 to 120 days, respectively.

The following table shows the Bank's loan portfolio risk classification:

	As of December 31,					
	2011		2010		2009	
	(Nuevos Soles in thousands, except percentages)					
Level or Risk Classification	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
A : Normal...................	28,488,684	95.1%	23,572,919	94.7%	19,041,912	92.8%
B : Potential Problem ...	580,981	1.9%	522,388	2.1%	785,999	3.8%
C : Substandard	321,139	1.1%	297,897	1.2%	286,734	1.4%
D : Doubtful	293,888	1.0%	323,724	1.3%	269,250	1.3%
E : Loss........................	260,803	0.9%	175,579	0.7%	141,167	0.7%
Total gross loans[1]..........	29,945,495	100.0%	24,892,507	100.0%	20,525,062	100.0%
C+D+E	875,830	3.0%	797,200	3.2%	697,151	3.4%

(1) Figures are net of deferred interest on discounted notes, refinanced loans, restructured loans and leasing receivables and exclude accrual interest on performing loans.

Loans by Borrower's Past Payment Performance

The Bank classifies loans as past due at various times, depending on their type. In accordance with SBS regulations, the classification as past due is determined as follows:

Loans by category	**SBS guidelines to past due classification**
Corporate, large business, medium business	After 15 calendar days past due in payment of credit obligations, the total amount is classified as past due
Small business and microbusiness	After 30 calendar days past due in payment of credit obligations, the total amount is classified as past due
Overdrafts	After 30 calendar days past due in payment of credit obligations, the total amount is classified as past due
Consumer loans, mortgage loans and leasing transactions	After 30 calendar days past due in payment of credit obligations, only the portion not paid is classified as past due, and after 90 calendar days past due, the total capital amount is classified as past due.

Accrued interest on past-due loans is recognized only when and to the extent received. With the exception of discounted notes and overdrafts, the recognition of accrued but unpaid interest on a loan is reversed when it becomes past due.

The following table sets forth the repayment status of the Bank's loan portfolio:

	As of December 31,		
	2011	2010	2009
	(Nuevos Soles in thousands)		
Current	30,236,882	25,098,032	20,782,302
Past-due 16-119 days	56,487	63,337	42,039
Past-due 120 days or more	223,223	201,298	175,348
Total past-due loans	**279,710**	**264,635**	**217,387**
Total gross loans	**30,516,592**	**25,362,667**	**20,999,689**
Past-due loans as a percentage of total loans	0.92%	1.04%	1.04%

Past-due Loan Portfolio

The following table analyzes the Bank's past-due loan portfolio by type of loan:

	As of December 31,		
	2011	2010	2009
	(Nuevos Soles in thousands)		
Loans	122,500	115,013	109,613
Residential mortgage loans	24,503	28,513	24,942
Leasing transactions	29,051	30,592	5,791
Discounted notes	3,720	5,889	11,720
Credit cards	30,173	18,315	26,217
Refinanced and restructured loans	69,763	66,313	39,104
	279,710	**264,635**	**217,387**
Reserves:			
Specific reserves	434,844	393,829	339,755
Not specifically identified reserves	815,090	655,523	532,382
Total allowance for loan losses	1,249,934	1,049,352	872,137
Total past-due portfolio net of total allowances	**(970,224)**	**(784,717)**	**(654,750)**

Allowance for Impairment of Loan Losses

The following table shows the changes in the Bank's allowance for loan losses, including provisions for contingent credits:

	As of December 31,		
	2011	2010	2009
	(Nuevos Soles in thousands)		
Reserves for loan losses at beginning of the period	**1,049,352**	**872,137**	**767,371**
Resolution SBS N° 11356 - 2008 adjustment[1]		10,221	
Provision	763,613	674,348	514,833

Recoveries and reversals	(443,836)	(327,563)	(171,545)
Transfers from the provision for contingent credits	-	-	-
Write-offs	(2,051)	(21,034)	(31,637)
Sale of portfolio	(102,942)	(148,733)	(185,674)
Exchange difference and other adjustments	(14,202)	(10,024)	(21,211)
Reserves for loan losses at the end of the period	**1,249,934**	**1,049,352**	**872,137**

(1) Since July 1, 2010, in accordance with SBS Resolution No. 11356-2008, leasing contracts settled and provisions (which were recorded as accounts receivable) are included in the loan portfolio.

Allocation of Allowance for Loan Losses

The following table sets forth the amounts of provisions for loan losses attributable to commercial, micro- and small business, consumer and mortgage loans at the dates indicated:

	As of December 31,		
	2011	**2010**	**2009**
	(Nuevos Soles in thousands)		
Commercial loans	819,223	687,623	539,782
Microbusiness loans	5,184	6,343	1,991
Consumer loans	299,648	235,948	236,911
Residential mortgage loans	125,879	119,438	93,453
Total	**1,249,934**	**1,049,352**	**872,137**

Deposits

The following table presents the components of the Bank's deposit base at the dates indicated:

	As of December 31,		
	2011	**2010**	**2009**
	(Nuevos Soles in thousands)		
Demand deposits			
Nuevo Sol-denominated	4,969,175	4,309,056	3,582,242
Dollar-denominated	3,919,785	3,654,128	2,991,525
Total	**8,888,960**	**7,963,184**	**6,573,767**
Savings deposits			
Nuevo Sol-denominated	3,924,801	3,321,287	2,764,620
Dollar-denominated	3,190,443	2,619,269	2,433,366
Total	**7,115,244**	**5,940,556**	**5,197,986**
Time deposits			
Nuevo Sol-denominated	6,031,296	6,408,667	3,828,587
Dollar-denominated	7,967,780	5,145,027	5,101,549
Total	**13,999,076**	**11,553,694**	**8,930,136**

Deposits from Financial Institutions			
Nuevo Sol-denominated	170,559	216,289	323,227
Dollar-denominated	136,475	142,943	287,223
Total	**307,034**	**359,232**	**610,450**
Other obligations			
Nuevo Sol-denominated	163,712	87,978	181,293
Dollar-denominated	18,445	12,796	20,058
Total	**182,157**	**100,774**	**201,351**
Total deposits:			
Nuevo Sol-denominated	15,259,543	14,343,277	10,679,969
Dollar-denominated	15,232,928	11,574,163	10,833,721
Total	**30,492,471**	**25,917,440**	**21,513,690**

Return on Equity and Assets

The following table provides the components for the Bank's return on equity and assets.

	As of December 31,		
	2011	**2010**	**2009**
Return on average assets (1)	2.82%	2.97%	2.92%
Return on average shareholders' equity (2)	31.85%	32.08%	36.22%
Dividend payout ratio (3)	80%	50%	50%
Shareholders' equity as a percentage of total assets	8.77%	8.95%	9.61%

(1) Return on average is the net income as a percentage of average total assets, calculated as the average of period-beginning and period-ending balances.

(2) Return on equity is the net income as a percentage of average shareholders' equity, calculated as the average of period-beginning and period-ending balances.

(3) Dividend payout ratio is the results of declared dividends divided by net income.

THE BANK

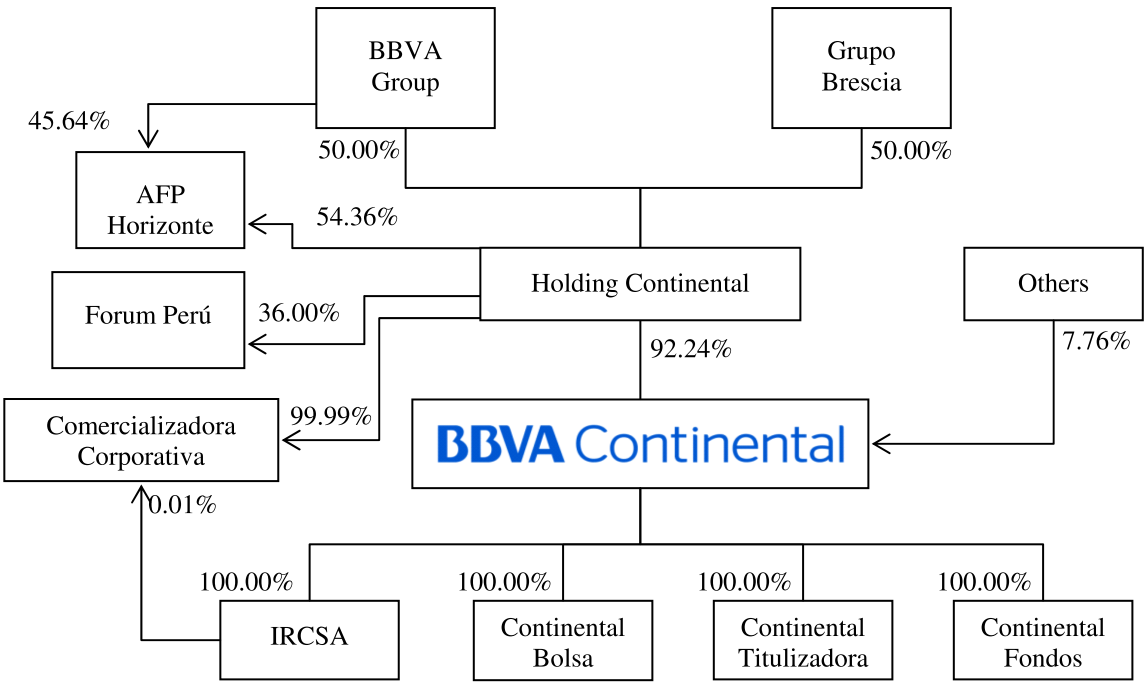
Organizational Structure

In May 1995, the Bank was purchased by Holding Continental, a company formed by BBVA Group and Grupo Brescia. In July 1998, the Peruvian government sold its remaining shares in the Bank, or the equivalent of 19.12% of the Bank's total shares, in an initial public offering. Since 1995, Holding Continental has increased its ownership stake in BBVA Banco Continental, and currently holds 92.24% of the Bank's outstanding capital stock.

The Bank's corporate structure is comprised of a group of wholly-owned subsidiaries offering specialized financial services that complement its commercial banking activities. These subsidiaries include:

- **Continental Bolsa**, a wholly-owned subsidiary engaged in portfolio advisory and brokerage services on the BVL;
- **Continental Fondos**, a wholly-owned subsidiary dedicated to the administration of mutual funds;
- **Continental Titulizadora**, a wholly-owned subsidiary which provides trustee services for asset securitizations structured by BBVA Banco Continental;
- **IRCSA**, a wholly-owned subsidiary which manages troubled assets and foreclosed property and equipment.

The following chart sets forth the Bank's ownership and corporate structure:



The Bank's History

General

The Bank was founded on August 20, 1951 by a group of private individuals to provide financial services in Peru, and initially were headquartered in the historic center of Lima. In 1964, Chase Manhattan Bank acquired 51.00% of the Bank's shares. In 1970, the Bank was nationalized by the Peruvian government, which became the majority shareholder by taking control of the shares of Chase Manhattan Bank. In 1973, BBVA Banco Continental acquired Banco de Progreso. In July 1975, BBVA Banco Continental was required by government mandate to acquire the shares of Banco Nor-Peru, as a result of Banco Nor-Peru's financial difficulties.

In June 1980, the Bank moved to its current location in the district of San Isidro. In the early 1980s, the Bank made several acquisitions of other Peruvian banks, including Banco de los Andes in 1981, Banco Comercial del Peru in 1983, and Banco Amazónico (by government mandate) in 1986. In 1992, the Bank, along with several other Peruvian banks, underwent a privatization process as an initiative of the administration of then-President Alberto Fujimori. In May 1995, Holding Continental, formed by BBV and Grupo Brescia, purchased 60.00% of the Bank's shares. In 1998, the logo BBV was added to BBVA Banco Continental and the Bank formed the subsidiaries Inmobiliaria Continental S.A. (now IRCSA) and Continental Titulizadora. In 1999, BBV acquired Argentaria and became BBVA Banco Continental. Since 1995, Holding Continental has increased its ownership stake in BBVA Banco Continental, and currently holds 92.24% of the Bank's outstanding capital stock.

Ownership

<u>BBVA Group</u>

BBVA Group is one of the largest and oldest financial groups worldwide dating back to 1857. It includes Spain's second largest financial group and is among the 10 largest financial groups in Europe in terms of equity. BBVA Group has a wide shareholder base with no single shareholder holding more than 5% of its shares. As of June 30, 2012, BBVA Group had offices in 32 countries, had 112,605 employees, 7,485 branches, 1,044,129 shareholders, total assets of €622,359 million and a market capitalization of €30,296 million.

Due to the increasingly competitive landscape in Europe in the mid-1990s, BBVA Group entered the Latin American market, which it saw as an under-served region with significant growth potential. BBVA Group currently has a significant presence in Latin America, with interests in banks, insurance companies and pension funds in Argentina, Chile, Colombia, Mexico, Panama, Paraguay, Peru, Uruguay and Venezuela. As of June 30, 2012, 72% of the employees, 58% of the branches, 117% of the net income and 34% of the assets of BBVA Group came from the Americas, including operations in the United States, where in 2007, BBVA Group acquired Compass Bank.

BBVA Group recently announced that it was exploring strategic alternatives for its pension fund business in Latin America, including a possible partial or complete divestiture, as this business is not related to its core banking business. BBVA Group directly owns 45.64% of the Bank's affiliate, AFP Horizonte S.A., and Holding Continental owns the remaining 54.36%. The Bank cannot assure you as to the terms of any such transaction, that one will occur or whether one will be consummated.

The Bank believes it benefits from its relationship with BBVA Group due to the BBVA Group's focus on the Latin American region, strong management, emphasis on risk management, technological and other know-how and strong credit ratings.

<u>Grupo Brescia</u>

Grupo Brescia is one of the largest corporate conglomerates in Peru, with investments across most economic sectors, including mining, banking, insurance, pension funds, real estate, tourism, explosives, welding, agriculture and fishing. Grupo Brescia is a family-owned enterprise, with several companies publicly listed on the BVL. They also have investments in Brazil (mining), Colombia and Venezuela (welding) and Chile (cement).

The Bank believes it benefits from the support of Grupo Brescia due to Grupo Brescia's position as one of the most important economic groups in Peru, with experienced, highly-skilled management and a strong solvency position. In addition, the Bank is able to realize certain synergies with Grupo Brescia, such as the Bank's ability to offer its customers insurance products such as life insurance, automobile insurance and property insurance that are provided through Grupo Brescia's insurance business, Rimac. Rimac also provides the health insurance for the Bank's employees.

Lines of Business

The Bank operates as a universal bank offering a broad range of financial services to its customer base. In recent years the Bank's customer base has experienced significant growth, reflecting improvements in Peru's economy and the resulting expansion of financial services generally in Peru. The Bank's customer base more than tripled in size between 2003 and 2012, increasing from approximately 720,000 customers as of December 31, 2003 to approximately 2,745,000 customers as of June 30, 2012. The Bank continues to develop and improve its products and services to meet the needs of its customers. The Bank's main lines of business include the following:

- Retail banking, which serves individuals and small businesses with annual sales under US$1,400,000;
- Middle market banking, which serves companies with annual sales of US$1,400,000 to US$75 million, institutional customers and government entities;
- Corporate banking, which serves large corporate groups with annual sales equal to or greater than US$75 million and multinational corporations; and
- Other financial services, which include the Bank's treasury, asset management and brokerage services.

Retail Banking

The Bank's retail banking business serves individuals and small businesses with annual sales under US$1,400,000. The Bank considers its retail banking business one of its strategic priorities as it seeks to take advantage of the increasing access to banking services that has occurred in Peru over the last five years. The Bank's nationwide distribution network supports its strong presence in the retail banking segment. The Bank's strategy is to expand its presence in the retail segment by offering innovative products and engaging in an aggressive marketing effort to increase its cross-selling opportunities, with a special focus on being chosen by its customers as their primary bank. This strategy focuses on attracting individuals and small businesses not only through the wide variety of products the Bank offers, but also through a potential long-term relationship with the Bank as their bank of choice. The Bank's main products for its retail customers include the following:

- Deposit products including different types of savings accounts, checking accounts and time deposits. The Bank offers products that allow customers to maintain savings accounts in U.S. Dollars or Euros. The Bank offers its customers a wide portfolio of products in order to meet their deposit needs, and is constantly seeking new opportunities and designing new products oriented to the specific needs of its customers. For example, the Bank offers a product called *Cuenta Remesa*, which offers savings accounts that facilitate the receipt of remittances from abroad;
- Credit products including several types of mortgage and consumer loans, loans to finance postgraduate studies, and Visa and MasterCard credit cards. The Bank has a solid position in the mortgage and consumer lending space. Certain of the Bank's loans, such as its *Préstamo Compras con Cuota Inicial* consumer loan product, are available in Nuevos Soles or U.S. Dollars. The Bank's lending to individuals is generally concentrated among the higher income segments of the population, although it also offers products such as *Préstamo Hipotecario Flexible, Préstamo Hipotecario Mi Vivienda* and *Préstamo Hipotecario Proyecto Mi Hogar*, which are designed to assist low-income individuals in purchasing their own homes, and are supported by funds from the Peruvian government;
- Investment products include a broad portfolio of mutual funds and fixed income investments. The Bank's mutual funds are managed by its subsidiary Continental Fondos, through which the Bank also offers fixed income investments for periods between 90-180 days; and

- Other products and services designed to satisfy the transactional, insurance and cash management needs of the Bank's retail customers include debit cards, insurance products, remittance services, national and international funds transfer services, letters of credit, rechargeable mobile telephone cards, cards and safety deposit boxes. The Bank's debit cards include its Visa Conticash and Visa VIP cards, which are linked to the customer's bank account, and can be used to make purchases in locations that are part of the Visa network and to withdraw cash from the Bank's nationwide network of ATMs. The insurance products the Banks offers include, among others, life insurance, automobile insurance and unemployment insurance, provided through Rimac.

The Bank's retail banking team also serves small businesses due to the overlap of customer needs. The Bank offers its small business customers a comparable range of products to what it offers its middle market customers.

Middle Market Banking

The Bank's middle market banking unit serves medium-sized businesses with annual sales of between US$1.4 million and US$75 million in addition to institutional customers and governmental entities, and seeks to take advantage of the growing sophistication and higher demand for credit and financial services of this customer base. The Bank's main products for its middle market customers (which are also offered to its small business retail customers), include the following:

- Deposit products including savings accounts, checking accounts and time deposits. The Bank offers products that allow customers to maintain savings accounts in U.S. Dollars or Euros as well as Nuevos Soles. The Bank's product *Cuenta Empresas* is a savings and checking account geared towards its business customers, and can also be used to make payments to third parties and transfer funds between the holder's different accounts;

- Credit products including loans to finance specific business needs such as working capital and the purchases of commercial goods and services as part of the trade cycle as well as credit cards. Certain of the Bank's commercial loans, such as its *Plan a Medida* product, are available in Nuevos Soles or U.S. Dollars, since many of its customers have cash flows in foreign currencies. The Bank offers several different types of Visa credit card options to its business customers, including its *Tarjeta Capital de Trabajo* product, which has a revolving line of credit for the purpose of meeting working capital needs. The Bank also offers other credit card products to assist its customers in administering travel expenses incurred by their employees;

- Transaction services including cash management services, payroll services, factoring services and leasing services through a platform called *Empresario.com*. Cash management services involve the Bank's collection of payments from third parties such as clients on behalf of its customers. Through the Bank's payroll services, it handles its customers' payment of the salaries and wages of their employees. Factoring services involve the purchase by the Bank of its customers' accounts receivable at a discount. Through the Bank's leasing services, it leases a particular asset such as machinery to its customer, who has the option to buy the asset at the end of the lease period, and is able to realize a tax benefit through this arrangement. The Bank's middle market customers also have access to its foreign trade, treasury services and investment banking services, which are described in further detail in the "Corporate banking" and "Other financial services" sections below; and

- Other products and services that are designed to complement the Bank's deposit and credit products and to meet the specific needs of its middle market and small business customer base include debit cards, insurance products and advances for customers that provide letters of credit. The Bank's debit cards include its Visa Conticash card, which is linked to the customer's bank account, and can be used to make purchases in locations that are part of the Visa network and to withdraw cash from ATMs. The Bank's insurance products include several different types of life insurance policies offered to its customers for the benefit of their employees, which it offers through Rimac.

Corporate Banking

The Bank's corporate banking business serves large corporate groups with annual sales equal to or greater than US$75 million and multinational corporations. The Bank's corporate banking business consists of its corporate banking, investment banking and trustee services. The Bank offers its corporate customers a wide range of sophisticated financial products including syndicated loans, leasing, securitizations and structured notes.

The investment banking area of the Bank's corporate banking business is responsible for providing structuring, origination and financial advisory services to its corporate customers and to its middle market customers, in addition to handling bilateral loans with other financial institutions.

The Bank's subsidiary Continental Titulizadora was created to serve as the trustee in securitizations structured by BBVA Banco Continental, pursuant to Peruvian regulations requiring the trustee to be a single purpose legal entity. Continental Titulizadora is also legally capable of serving as the trustee in securitizations structured by third parties other than BBVA Banco Continental and its affiliates, although to date it has not done so.

Other Financial Services

In addition to the Bank's retail, middle market and corporate banking businesses, it provides other specialized financial services to its customers, including the following:

- *Treasury services*. Through its Global Markets unit, the Bank provides treasury services that involve the administration of the deposits of its middle market and corporate customers. In addition, the Bank assists its customers with their liquidity management and foreign exchange operations, offer basic derivatives products to assist them in hedging market risk and provide advisory services regarding the state of the local and international markets.

- *Asset management services*. The Bank offers its customers asset management services, primarily in the form of financial advisory services for its business and institutional customers. These services involve advising existing customers as to various long-term investment options that exist within the local market, such as mutual funds, and investing the customers' assets under their own accounts. In addition, the Bank's subsidiary Continental Fondos acts as a fund manager for seventeen mutual funds, which is a separate business from the Bank's asset management services. At June 30, 2012 the Bank had S/. 3,300 million of assets under management. While the Bank at times advises its customers to invest in those particular funds (and receive a commission to do so), its asset management services are not limited to the funds managed by Continental Fondos.

- *Brokerage services*. Through the Bank's subsidiary Continental Bolsa, the Bank provides brokerage services to customers by assisting them in purchasing or selling shares listed on the BVL. Continental Bolsa also provides brokerage services relating to fixed income investments, as well as portfolio advisory services. In addition, Continental Bolsa assists the Bank's customers in trading securities on foreign exchanges located in markets such as New York, London and Toronto through its relationship with Lek Securities Corporation, an electronic order-execution and clearing firm that provides direct access to equities, options and futures markets for institutional investors.

Global Markets Unit

The Bank's Global Markets unit works with the Finance unit at the direction of the Bank's ALCO to handle the Bank's funding needs, and is responsible for managing the Bank's excess liquidity, in particular by investing the Bank's deposit base. In addition to its support function, the Global Markets unit also serves as a business unit that trades foreign exchange investments and derivatives. The foreign exchange investments and derivatives traded by the Global Markets unit are primarily on behalf of customers or to hedge the Bank's risk exposure, and are not speculative in nature. The risk involved in interest rate and exchange rate derivatives is controlled by the Bank's independent risk management unit.

As of March 2011, the Global Markets Unit, Asset Management Services, Brokerage Services and Corporate Banking Units became part of Wholesale Banking and Asset Management Unit as part of the business corporate model of BBVA Group.

Business Support Units

A number of functions and units support the Bank's main lines of business, including the Innovation and Development unit, Finance unit and Global Markets unit.

Innovation and Development Unit

The Bank's Innovation and Development unit is responsible for developing the products and advertising campaigns for the Bank's retail and middle market businesses, as well as developing the Bank's overall brand. The unit works closely with the Bank's other areas to engage in strategic planning and to create programs to implement the Bank's goals. The Innovation and Development unit recently created several initiatives designed to improve the Bank's customers' overall experience by increasing the speed and efficiency of certain day-to-day banking transactions.

Finance Unit

The Bank's Finance unit is responsible for issuances of its long-term and medium-term debt, as well as coordinating securitizations and debt issuances in the local market at the direction of the Bank's Asset and Liability Management committee ("ALCO"). The Finance unit also oversees, among other responsibilities, the Bank's accounting procedures and the preparation and monitoring of the Bank's budget and the budgets of its subsidiaries.

Distribution Channels

Points of Service

The Bank maintains a broad network throughout Peru and continues to increase its points of service to better reach its customers. The Bank's distribution channels include its branches, ATMs and express agents. In addition to its regular branches that handle the greatest volume of its banking transactions, the Bank has a smaller number of special branches that are intended for its business, corporate and institutional customers. As of June 30, 2012, the Bank had 312 total branches in Peru, of which 289 branches provided retail services, 22 branches provided business, corporate and institutional services and one branch provided wealth management services. The majority of the Bank's branches offer special account balance and activity modules and telephone modules that allow customers to check the balances of their accounts and recent transaction activity electronically or over the phone, without the assistance of an employee. As of June 30, 2012, the Bank had 389 balance and activity modules and 422 telephone modules located in its branches throughout Peru.

The Bank's ATMs are usually placed in high traffic areas, including gasoline stations, office buildings, supermarkets, commercial centers and malls. As of June 30, 2012, the Bank had 1,174 of its own ATMs, of which 606 were located in its branches, 138 were located in other companies, 126 were located in Farmacias Ahumada S.A. locations and 304 ATMs were located in other locations. Through an agreement the Bank has with Globalnet, the Bank's customers also have access to the Globalnet network of ATMs, which is the largest ATM network in Peru. As of June 30, 2012, there were 1,793 Globalnet ATMs located throughout Peru.

The Bank's express agents are located within neighborhood grocery stores and other small businesses that serve its customers, and allow its customers to conduct basic banking transactions such as withdrawals, deposits, credit card payments, transfers of money between accounts and payments of utility and other bills at these locations. The Bank has relationships with the small businesses in which the Bank's express agents are located that authorize the Bank's express agents to perform these transactions on the Bank's behalf, which serves as a cost-effective way for the Bank to provide greater access for its customers. In addition to the express agents, the Bank has express plus agents, which provide the same services as express agents, but which have a dedicated on-site employee to attend to the banking transactions. As of June 30, 2012, the Bank had 1,142 express agents and 57 express plus agents located throughout Peru. The 1,142 express agents include an agreement with Globokas Perú S.A.C., a company that provides network communication services, financial settlement platforms and express agents that allow clients to make transactions as they would do in a regular branch, such as withdrawals, deposits, payment of services, among others. This agreement allowed the Bank to place 737 express agents through their network to facilitate the Bank's clients' transactions.

In addition to the Bank's existing channels of distribution, during the first quarter of 2010, it introduced its first mobile branch, which will be deployed in areas with high demand for banking services, and located in a mobile unit that can be moved between locations rapidly and at a low cost.

Telephone and Online Banking Services

The Bank offers its customers telephone banking services 24 hours a day, seven days a week, which they can access from the telephone modules located within the Bank's branches or from a private telephone number that is registered with the Bank. Through telephone banking, the Bank's customers can obtain balance information, make credit card payments, transfer money between accounts, make payments on their loans and pay their utility and other bills.

The Bank also offers online banking services to its customers, and it believes that it is a market leader in Peru in this area. Through the online banking services offered on the Bank's website, customers can carry out all of their most frequent banking transactions, including, among others, obtaining balance information and transferring money between accounts. Online banking is a particularly important aspect of the Bank's banking services, due to a growing consumer preference for internet usage in Peru and increasing rates of internet penetration, as well as the operating efficiencies the Bank can realize.

Competition

The Peruvian banking system is currently comprised of 15 commercial banking institutions. As of June 30, 2012, the Bank was the second largest Peruvian bank in terms of assets, performing loans, deposits and net income as each term is defined by the SBS; and the third in terms of shareholders' equity, according to the SBS. The table below sets forth the Bank's market share in the following sectors of the Peruvian banking system on an unconsolidated basis as of June 30, 2012.

	As of June 30, 2012	
	Market Share	**Rank**
Total assets	22.52%	2
Performing loans	23.58%	2
Deposits	22.88%	2
Shareholders' equity	17.84%	3
Net profit	26.59%	2

Source: SBS

Total Assets

As of June 30, 2012, the Bank was second in the Peruvian banking system in terms of total assets, according to the SBS. Total assets include loan portfolio, cash and bank accounts, trading and term investments, accounts receivable and other assets as each term is defined by the SBS. The following table sets forth the level of assets for banks in Peru as of December 31, 2011, 2010 and 2009, and as of June 30, 2012.

	As of December 31,			As of June 30,
	2011	**2010**	**2009**	**2012**
	(Nuevos Soles in millions)			
Banco de Crédito	68,679	67,107	52,832	75,227
BBVA Banco Continental	42,254	37,785	30,047	47,328
Scotiabank	29,837	27,467	22,969	30,417
Interbank	20,050	19,362	16,177	23,148
Others	32,235	27,918	22,198	34,072
Total Peruvian banking system	**193,056**	**179,638**	**144,223**	**210,192**

Source: SBS

Performing Loans

As of June 30, 2012, the Bank was the second largest in the Peruvian banking system in terms of performing loans, according to the SBS, with a market share of 23.6%. The following table sets forth the level of performing loans for banks in Peru as of December 31, 2011, 2010 and 2009, and as of June 30, 2012.

	As of December 31,			As of June 30,
	2011	**2010**	**2009**	**2012**
	(Nuevos Soles in millions)			
Banco de Crédito	42,573	37,861	31,482	46,099
BBVA Banco Continental	29,870	24,788	20,500	31,361
Scotiabank	18,755	15,879	13,638	19,606
Interbank	14,125	12,085	9,950	14,487
Others	19,883	16,280	14,328	21,456
Total Peruvian banking system	**125,206**	**106,894**	**89,898**	**133,010**

Source: SBS

Deposits

As of June 30, 2012, the Bank was the second largest in the Peruvian banking system in terms of deposits, according to the SBS, with a market share of 22.9%. The following figures include deposits from the public and from financial institutions.

The following table sets forth the level of deposits for banks in Peru as of December 31, 2011, 2010 and 2009, and as of June 30, 2012.

	As of December 31,			As of June 30,
	2011	2010	2009	2012
	(*Nuevos Soles in millions*)			
Banco de Crédito	44,605	44,673	38,849	48,522
BBVA Banco Continental	30,374	25,857	21,347	31,778
Scotiabank	19,649	18,181	17,006	18,858
Interbank	13,113	11,967	11,521	15,323
Others	22,858	20,037	15,022	24,397
Total Peruvian banking system	**130,600**	**120,716**	**103,745**	**138,878**

Source: SBS

Shareholders' Equity

As of June 30, 2012, the Bank ranked third among commercial banks in Peru in terms of shareholders' equity, according to the SBS. The following table sets forth the level of shareholders' equity for banks in Peru as of December 31, 2011, 2010 and 2009; and as of June 30, 2012 and 2011.

	As of December 31,			As of June 30,
	2011	2010	2009	2012
	(*Nuevos Soles in millions*)			
Banco de Crédito	6,296	5,539	4,829	6,505
Scotiabank	4,043	3,447	2,460	4,205
BBVA Banco Continental	3,705	3,384	2,888	3,588
Interbank	1,956	1,667	1,422	2,062
Others	3,469	3,107	2,619	3,756
Total Peruvian banking system	**19,468**	**17,144**	**14,718**	**20,117**

Source: SBS

Net Income

As of June 30, 2012, the Bank was the second largest in the Peruvian banking system in terms of net income, according to the SBS. The following table sets forth net income for banks in Peru for the years ended December 31, 2011, 2010 and 2009, and for the six months ended June 30, 2012 and 2011.

	For the Year Ended December 31,			For the Six Months Ended June 30,
	2011	**2010**	**2009**	**2012**
		(Nuevos Soles in millions)		
Banco de Crédito	1,439	1,209	925	746
BBVA Banco Continental	1,129	1,007	928	604
Scotiabank	788	680	637	404
Interbank	541	497	429	285
Others	435	369	328	231
Total Peruvian banking system	**4,332**	**3,763**	**3,247**	**2,270**

Source: SBS

Risk Management

General

The Bank's risk exposure consists of credit, liquidity, operational (including legal) and market risks. Credit risk is defined as the potential loss caused by the partial or total failure of a counterparty or issuer to perform on an obligation to us. Credit risk can affect the performance of both the loan portfolio and the investment portfolio. Liquidity risk encompasses funding liquidity risk, which refers to the inability to renew liabilities or acquire new ones at normal market conditions, and market liquidity risk, which refers to the inability to unwind or offset positions due to a lack of market depth, thereby affecting the value of an asset. Operational risk is the potential loss caused by failures or deficiencies in information systems, internal controls or errors while processing transactions. Market risk is the potential loss due to adverse changes in market prices of financial instruments as a result of movements in interest rates, foreign exchange rates and equity prices, and the adverse effect on the Bank's traditional banking activities of interest rate and foreign exchange rate fluctuations. The Bank considers risk management an essential activity that requires continuous improvement and adjustment according to its operations.

The Peruvian financial authorities have formulated rigorous risk management regulations for the banking sector. The SBS has issued a set of requirements regarding risk management practices for all banking institutions in Peru. The regulations require that banks have adequate policies and procedures in place to manage credit, liquidity, market and operational risk. Management processes must include sound measurement and monitoring methods, as well as the establishment of risk limits. SBS regulations also require the establishment of risk committees and a risk management unit. The Bank believes its risk management function and processes fully comply with the SBS requirements.

The Bank's risk management function is performed in a centralized area independent of the business units that oversee credit exposure across all of the Bank's market segments. Risk management is comprised of an integral risk committee, an executive credit risk committee, a technical operational committee and a risk management unit. The Bank's risk management unit identifies and measures the quantifiable risk of all of the Bank's operations, and reports directly to the Bank's CEO. The Bank's integral risk committee decides on the strategies and policies related to mitigating financial risks, including the setting of risk limits, which are approved by the Bank's Board of Directors. The Bank's technical operational committee analyzes and evaluates proposed operations and serves as a technical filter for the executive credit risk committee. The Bank's executive credit risk committee analyzes, evaluates, qualifies and determines the final decision of special individual operations according to the procedures and policies established by the integral risk committee. The committee also analyzes catastrophic event scenarios and conducts stress testing. The Bank's integral risk committee meets quarterly, or more frequently if needed. The technical operational committee and the Bank's executive credit risk committee each meet at least weekly.

The Bank's risk management function is fully integrated within BBVA's risk management structure and the Bank applies BBVA's risk management policies. The Bank is subject to oversight by BBVA's risk management unit in Spain, as certain transactions (for instance, operations involving country risk) must be approved by BBVA, and the head of the Bank's risk management area reports to both the Bank's CEO and to BBVA's risk management unit.

Credit Risk

Retail Lending

The authority to extend credit is delegated to the branch managers at each of the Bank's branches. These officers are authorized to approve credit within individual limits set according to the amount of credit and the type of risk involved. Transactions over those limits have to be evaluated by the Bank's risk management unit.

The Bank's evaluation of credit risk is based on its highly-developed predictive tools, all of which are calibrated based on the performance profile of the customer and on the Bank's criteria and risk standards. The Bank uses several tools to evaluate the credit risk represented by individuals, including its credit report tools *Score Reactivo* and *Score de Buró*. Both of these programs analyze biographical data such as income, employment status, and household size and review the credit history of the individual with the Bank and with other financial institutions. *Score de Buró* also analyzes the credit behavior of all of the individual's obligations in the Peruvian financial system over the last 24 months, including the number of credit cards owned by the individual and the availability of credit on these credit cards, among other factors. The resulting score determines the amount of credit the Bank will provide that individual. In addition, the Bank contracts the services of an outside vendor to verify the work and home address that the customer has provided in order to ensure the possibility of future collection of the loan.

The Bank's credit evaluation procedures with respect to credit cards are based on a computerized credit scoring system designed specifically for credit cards. There are two different processes of origination; the mass process, which is carried out by the Bank's risk management unit, and the individual process, which is carried out by each of the Bank's branches. Through the mass process the Bank's risk management unit pre-approves credit cards for a large number of clients that have passed previously-set filters. Through the individual process, the Bank evaluates each new credit card application on an individual basis at the branch level. This evaluation can also be done by the Bank's risk management unit.

The Bank's monitoring activities are an important part of its credit risk management procedures, through which it can anticipate and reduce the risk of default. The Bank monitors its customers' credit and payment behavior on an ongoing basis by keeping track of their various credit products with the Bank and with other financial institutions, and their payment patterns. The Bank also analyzes factors relating to type of product, year of origination, marketing campaign, and geographic area, among others, to develop models that allow it to detect any "alert sign" in a customer's account. If this occurs, the Bank immediately takes steps such as contacting the customer to discuss an alternate payment plan. In this way, the Bank actively applies preventative measures to avoid a deterioration of its loan portfolio.

Corporate, Middle-Market and Small Business Lending

For the Bank's business customers, account officers are responsible for preparing proposals regarding loan applications. Each loan application is then classified according to its segment (corporate, middle-market or small business).

A business customer's credit evaluation process focuses primarily on the credit history and reputation of the business's owners and management, its production processes and facilities, its current and projected cash flows and the security offered for the loans. With respect to loans intended to finance a particular project, the evaluation focuses primarily on the experience of the borrower relating to such a type of project, the existence of a technological alliance, market conditions and the projected financial condition of the borrower. The Bank assigns a credit risk rating based on this analysis that helps identify the customer's risk profile.

In the middle-market and small business segments, the credit business is divided into divisional sub-groups representing broad geographical sectors. The divisions are made up of regional offices and territories. Each group has clusters of risk analysts. The risk analysts report to a risk territory manager, who reports to a segment risk manager in each of the corporate, middle-market or small business segments. The head of this area is the enterprise risk manager.

The Bank uses a system similar to that used with its retail customers for evaluating the credit risk represented by its small business, middle-market and corporate customers, in which it analyzes the customer's financial condition, credit history and qualitative information such as ownership structure. The Bank's credit criteria are based on industry studies that it prepares for key economic sectors. After passing the Bank's initial filters, credits for small business, middle-market and corporate customers are analyzed by the enterprise risk management area using different rating/scoring models.

The credit risk of the Bank's large multinational corporate customers is handled at the BBVA level. BBVA's risk management unit manages the entire relationship with those customers and coordinates lending and other services with all of the regions/banks involved.

As with the Bank's retail customers, the risk management unit monitors its business customers' credit and payment behavior on an ongoing basis by keeping track of the various credit products business customers have with it and with other financial institutions as well as their payment patterns. If a customer appears to meet one of the high risk profiles that the Bank has identified, the Bank's monitoring tool known as SALEM (*Sistema de Alerta Empresas*) generates a series of alerts to its monitoring risk territory manager and to the monitoring segment risk manager. At that stage, the Bank's monitoring risk territory manager will reach out to the customer and if appropriate, attempt to negotiate new terms for the credit, whether by refinancing the credit and obtaining additional collateral or by arranging for other methods of payment to prevent future default.

<u>Recovery</u>

The Bank has a separate group within its risk management area that is responsible for the recovery of past due credits through administrative processes and judicial proceedings. If a credit is less than 30 days overdue, the Bank relies on its external call centers to contact the customer regarding repayment. If a credit is between 30-90 days overdue, the credit is transferred to a collection agency. For collection purposes, past due credits that remain unpaid 90 days after the payment was due are considered defaulted credits. After 90 days, the Bank may initiate legal proceedings, which can last an average of three years. The Bank has the highest past-due coverage in the market, according to the SBS.

Liquidity Risk

Liquidity risk arises when an unusual increase in withdrawals of deposits creates the need to increase funding positions at a high cost or liquidate asset positions in the short-term at significantly reduced prices. The purpose of managing liquidity risk is to minimize the cost of funds through adequate coverage of liquidity needs that arise in either the ordinary course of business or from unforeseen events.

The Bank's Treasury unit is responsible for maintaining adequate short-term liquidity levels in Nuevos Soles and U.S. Dollars. The Bank's ALCO is responsible for maintaining adequate long-term liquidity levels in Nuevos Soles and U.S. Dollars, delegating operational tasks to the Bank's Finance unit. The Bank's principal sources of Nuevos Soles funding are customer deposits, which are highly concentrated in checking accounts (non-interest and interest-bearing), savings accounts, time deposits and repos from the Central Bank. The Bank's principal sources of U.S. Dollar funding are checking accounts (non-interest and interest-bearing), savings accounts, time deposits and derivatives.

Liquidity risk is analyzed by time horizon (short-term), by concentration of funding, liquidity performance indicators and stress conditions. Liquidity risk is monitored through a limit and alerts scheme for quantitative and qualitative indicators where, if necessary, a contingency plan is implemented for immediate corrective actions.

Market Risk

The Bank's exposure to market risk arises from trading and investment in financial instruments, where interest rates, foreign exchange rates (principally the Nuevo Sol/U.S. Dollar exchange rate) and equity prices are the main sources of market risks, and from traditional banking services such as deposit taking and lending where the balance sheet is exposed to interest-rate risk and foreign-exchange risk.

Trading Position

Treasury and trading positions are evaluated on a daily basis for market risk using value-at-risk methodology. In addition, daily information regarding risk versus limits, scenario analysis and stress tests is produced.

The Bank's risk management unit uses a parametric simulation model to calculate value-at-risk. Equally weighted parametric simulation is used as the central measure, against which limits are compared. Parametric simulation with exponentially weighted moving average is used as a complement to have more sensitivity of risk, as this model responds faster to changes in volatility and correlation levels. The effect of portfolio diversification is measured within each model.

Historical data of market parameters such as interest rate curves, foreign exchange prices, volatilities and stock indexes for the last year is available for value-at-risk calculations.

The information presented below corresponds to the Bank's positions as of June 30, 2012. Daily value-at-risk is calculated with a 99% confidence level. Value-at-risk is calculated to represent the maximum loss at the confidence level due to changes in market values of trading positions. The information below does not include securities that are no longer traded, are held-to-maturity, or are highly illiquid or in workout. During the second quarter of 2012, daily value-at-risk did not exceed S/. 7.7 million. The daily consolidated value-at-risk limit is S/. 15.8 million. Limits are reviewed periodically.

The following table displays the values of the daily Value-at Risk at June 30, 2012:

	Limits	At June 30, 2012	% of Limit at June 30, 2012
	(Nuevos Soles in thousands, except percentages)		
Limits			
Economic capital	199,856	75,600	37.8%
VaR	15,800	5,977	37.8%
Sublimits			
VaR interest rate	13,430	6,318	47.0%
VaR foreign exchange	3,950	1,361	34.5%

Stress testing is used to complement the value-at-risk methodology. Stress testing involves the creation of scenarios based on infrequent or catastrophic events to evaluate contingencies, and is of particular importance in periods of highly volatile or illiquid markets. The sensitivity analysis the Bank conducts shows the effect on positions caused by predetermined changes in market variables (a 1% increase in interest rates).

In addition, the Bank has a stop-loss process that issues a warning if losses reach a certain level preset by its board of directors. If a stop-loss warning is issued, the Market Risk Committee is convened to establish an action plan.

Interest Rate Risk

The Bank manages interest rate risk following policy guidelines established by its ALCO and the limits set for it at the corporate level.

As of June 30, 2012, the sensitivity of the Bank's earnings to interest rate changes of 300 basis points in local currency and 100 basis points in foreign currency was 2.66% of regulatory capital, according to the regulatory model. As of the same date, a Monte Carlo analysis based on 105 cases with a 99% confidence interval resulted in a ratio of economic capital to core capital of 9.9%, which is below the 25% limit set by the Bank.

Both metrics imply that the Bank's changes in earnings and economic value are within the appropriate range due to the Bank's amount of regulatory capital and core capital, therefore the potential adverse effects of interest rate volatility are under control. Values above 25.00% (in relation to economic capital / core capital) suggest a scenario that would be potentially harmful to the Bank (*e.g.*, could involve great earnings losses, decrease of company value, and increase of risk), if interest rate volatility were to increase.

Operational Risk

Operational risk is risk that cannot be classified as credit risk or market risk. The Bank measures and endeavors to control operational risk through its operational risk management unit.

The Bank's operational risk management unit reports to a risk executive officer and is responsible for establishing and implementing methodologies and procedures to identify, measure, evaluate and mitigate operational risk throughout the Bank. Because operational risk mitigation is a part of every process, the responsibility of its management is assigned to each process owner or manager in the Bank, who in turn designates a member of his or her staff as an operational risk manager. Each of these operational risk managers works as a delegate of the operational risk management unit.

The Bank uses EvRO (*Evaluación del Riesgo Operacional*, or Evaluation of Operational Risk), TransVaR (*Valor en Riesgo de las Transacciones*, or Transaction Value Risk), and SIRO (*Sistema Integrado de Riesgo Operacional*, or Integrated Operational Risk System) tools to manage operational risk, each of which was developed in-house and is a proprietary trademark. EvRO is a qualitative management tool that identifies and evaluates operational risk factors and helps the Bank to establish and prioritize mitigating measures. TransVaR is a collection of a key risk indicators that are customized for each process and that provide information about the level and kind of operational risk exposure in each process. SIRO is a database of historic losses suffered by the Bank as a consequence of operational risk events that are classified by risk class and loss type, business unit and account, among other criteria.

Anti-Money Laundering and Counter Terrorism Financing

The Bank believes it is fully in compliance with local regulations for established policies and procedures for the detection and prevention of money laundering and terrorism financing activities as well as with BBVA's global compliance unit standards. The Bank's compliance unit reports to the Board of Directors and includes an anti-money laundering and counter terrorism financing unit, created in 1997, which is currently composed of a manager, an anti-money laundering and counter terrorism financing supervisor, a risk supervisor and five analysts.

Internal Audit

The Bank has an internal audit unit which reports to the Board of Directors. This unit also serves the Bank's subsidiaries, and consists of 29 professionals specialized in treasury and capital markets, information technology, pension funds, processes, accounting, credit risk and fraud prevention. The audit unit is a part of BBVA's global audit team and provides important local support.

The internal audit unit prepares quarterly reports to the Board of Directors audit committee, assessing the progress and results of the unit's work program (known as the risk based "Annual Audit Plan"). The Annual Audit Plan takes into consideration the Bank's policies and procedures, the level of compliance with these procedures and local regulations, the Bank's strategic, investment and growth plans and the results of SBS and internal and external auditor reviews. In addition, the unit submits reports to the SBS every four months.

Information Technology

The Bank has two data center facilities, one located in Monterrey, Mexico, and one located in Lima, Peru. The general mainframe platform is maintained by BBVA, and each of BBVA's local users, including the Bank, has its own platform specifications. The Bank's regional center of computer operations is located at the site in Monterrey, Mexico, which is owned by BBVA, and to which the Bank connects by two international private networks supported by two different network providers. The Bank also has a back-up computer facility that is owned by BBVA, which is located in Mexico City, Mexico, as a part of the Bank's disaster recovery plan. In the event of disaster, natural or otherwise, as a result of which the Bank cannot operate its technology infrastructure, the back-up computer facility is designed to act as a surrogate technology backbone, providing all of its services to the branches and electronic banking systems. The system is designed to allow the Bank to operate under as close to normal conditions as possible during a disaster. Additionally, the Bank has established another site in Lima, Peru to serve as a backup site for the Bank's secondary site in the event of a disaster. This site has the ability to conduct all essential operations in order to ensure the continued functioning of the Bank's business.

The data center located in Lima, Peru is designed for servers supporting local applications and is integrated with the two main data centers in Mexico. The Bank plans to replace this data center with a new one in a bigger location, which will comply with the latest international standards of the Up-time Institute (Tier III Plus). This project is currently in the construction phase.

As part of the Bank's disaster recovery plan, a new site has been implemented in Lima as an alternative to the local data center which will allow it to restart operations in a maximum of six hours. Both sites are integrated with the two main data centers in Mexico.

All of the Bank's points of service, including branches, ATMs and modules, are linked to the Bank's center of computer operations, permitting it to monitor and analyze services while allowing most transactions to be executed on a real time, online basis. The applications the Bank uses for accounting, foreign exchange processing, risk management, retail banking, credit cards, ATMs and online banking have all been developed by BBVA in Spain and are used in all of the Bank's operations. Data back-up is done on a daily basis, and each of the Bank's applications and services has its own specific back-up requirements. The back-up process is automated in order to prevent errors.

The Bank's technology operations and initiatives are managed by its Technology and Operations division, which reports to the Bank's CEO. The Bank employs over 200 full-time employees and retains the services of certain specialized third-party providers that, together, develop, install, maintain and operate all of the Bank's software applications, management information and security systems. In order to provide a better service to end users, the Bank has outsourced the help desk services and the installation of hardware and software for its branches. The Bank's most critical operational data and software are stored on its mainframe system, access to which is controlled by a series of authorized mechanisms and passwords, with strong information technology security and privacy practices.

Due to the high incidence of internet fraud in Peru, the Bank has taken serious precautions to prevent security breaches and to protect its customers from internet and credit card fraud. Each of the Bank's customers holds a card printed with letter/number coordinates that they are prompted to enter in order to access the Bank's online network, and a second password for online transactions. The Bank has also adopted a series of security measures relating to its ATM services, which are designed to prevent card cloning and PIN retrieval. The Bank encourages its customers to adopt common security best practices in their use of the access to the Bank's services. All of these measures are accompanied by an online transaction monitoring system that generates alerts for abnormal usage of cards or account movements.

Properties

The Bank is domiciled in Peru and owns its headquarters located at Avenida República de Panamá 3055, San Isidro, Lima, Peru. As of June 30, 2012, the Bank had 312 branches. The Bank owns the real estate of some of them and leases real estate relating to the others from unaffiliated third parties.

Employees

The following table shows the Bank's number of employees as of the dates indicated:

	As of December 31,			As of June 30,	
	2011	2010	2009	2012	2011
BBVA Banco Continental and Subsidiaries					
BBVA Banco Continental	4,699	4,641	4,327	4,942	4,750
Subsidiaries	42	45	49	40	40
Total	4,741	4,686	4,376	4,982	4,790

As of June 30, 2012, 5.4% of the Bank's employees belonged to a union, which is known as the *Centro Federado de Empleados del BBVA Banco Continental*. The Bank's union contract is renewed annually. The Bank believes its relations with the union are good. The Bank has not experienced a strike or work stoppage since 1990. The remainder of the Bank's employees are non-unionized.

Licenses and Permits

The Bank is authorized by the SBS to conduct banking activities as described in "Supervision and Regulation." Continental Bolsa, Continental Fondos and Continental Titulizadora are licensed by the SMV. IRCSA is not required to have a license.

Legal Proceedings

The Bank is subject to various administrative and legal proceedings arising in the ordinary course of business, none of which it believes will have a material adverse effect on its financial condition or results of operations.

MANAGEMENT

Board of Directors

The Bank's Board of Directors has nine members and meets on a monthly basis. Four directors represent the Brescia Group, two represent the BBVA Group, and the other three members are independent directors.

The Bank's Board of Directors is located at Av. República de Panama 3055 San Isidro, Lima 27 Peru.

The Bank's Board of Directors consists of:

Name	Position	Board Member Since
Pedro Brescia Cafferata	Chairman	May 1995
Mario Augusto Brescia Cafferata	First Vice Chairman	May 1995
Vicente Rodero Rodero	Second Vice Chairman	April 2007
Eduardo Torres Llosa Villacorta	Member and CEO	December 2007
Alex Fort Brescia	Member of the Board of Directors	May 1995
Pedro Brescia Moreyra	Member of the Board of Directors	May 1995
José Antonio Colomer Guiu	Member of the Board of Directors	January 2000
Manuel Méndez del Río	Member of the Board of Directors	May 2007
Jorge Donaire Meca*	Member of the Board of Directors	October 2011

* Director since April 1, 2012.

Pedro Brescia Cafferata has been Chairman of the Board of Directors since 1995. Mr. Brescia is an agronomist, with experience serving as director on the boards of various companies, including the *Confederación Nacional de Instituciones Empresariales Privadas* (CONFIEP), *La Asociación de Bancos del Perú* (ASBANC), Inversiones Nacionales de Turismo S.A. ("INTURSA"), Rimac, Compañía Minera Raura S.A. ("Raura"), Exsa S.A. ("Exsa"), Holding Continental, Soldexa S. A. ("Soldexa") and Minsur S.A. ("Minsur").

Mario Augusto Brescia Cafferata has been First Vice Chairman of the Board of Directors since 1995. Mr. Brescia is an agronomist, with experience serving as director on the boards of various companies, including *La Sociedad Nacional de Minería, Petróleo y Energía*, INTURSA, Rimac, Raura, Exsa, Holding Continental, Soldexa and Minsur.

Vicente Rodero Rodero has been Second Vice Chairman of the Board of Directors since 2007. Mr. Rodero is an industrial engineer, with experience serving as director on the boards of various companies, including Banco de Financiación Industrial S.A., Banco del Comercio S.A., BBVA Bancomer S.A. in México and BBVA S.A. in Madrid.

Eduardo Torres Llosa Villacorta has been a Member of the Board of Directors and Chief Executive Officer since 2007. Mr. Torres Llosa is an economist, with experience serving as director on the board of Continental Fondos.

Alex Fort Brescia has been a Member of the Board of Directors since 1995. Mr. Fort holds a master's degree in business administration, with experience serving as director on the boards of various companies, including INTRUSA, Corporación Peruana de Productos Químicos S.A. ("CPPQ"), Agrícola Hoja Redonda S.A., Rimac, Holding Continental, Raura, Clínica Internacional S.A., Exsa, Inversiones Centenario S.A.A., Minsur, Soldexa and Sociedad de Comercio Exterior de Peru.

Pedro Brescia Moreyra has been a Member of the Board of Directors since 1995. Mr. Brescia is a business manager, with experience serving as director on the boards of various companies, including INTRUSA, CPPQ, Agrícola Hoja Redonda S.A., Rimac, Holding Continental, Raura, Clínica Internacional S.A., Exsa, Soldexa and Minsur.

José Antonio Colomer Guiu has been a Member of the Board of Directors since 2000. Mr. Colomer holds a degree in business administration and marketing, with experience serving as director on the boards of various companies, including Banco del Comercio S.A., BBVA Cataluña, BBVA Barcelona, and BBVA Taragona.

Manuel Méndez del Río has been a Member of the Board of Directors since 2007. Mr. Méndez is a business administrator, with experience serving as director on the boards of various companies of BBVA Group, Argentaria, Santander Group, Caja Segovia and Swiss Life.

Jorge Donaire Meca has been an alternate member of the Board of Directors since 2007 and a Member of the Board of Directors since October 2011. Mr. Donaire has experience serving as director on the boards of various companies, including Grupo BBVA del Peru, Grupo BBVA de España, as well as Compañía Peruana de Medios de Pago ("VISANET") and Cámara Oficial de Comercio de España en el Peru.

Executive Compensation

The aggregate amount of compensation paid by the Bank's to its executive officers, for the year ended December 31, 2011 was 0.5% of the Bank's gross income for that year. The aggregate amount of compensation paid by the Bank to its directors for the same period was 0.04%.

Risk Management Committees

The Risk Management Committees are located at Av. República de Panama 3055 San Isidro, Lima 27 Peru.

Integral Risk Committee

The Bank's integral risk committee implements policies relating to the mitigation of financial risks, including the setting of risk limits, and oversees credit exposure across all of the Bank's market segments.

The members of the Bank's integral risk committee are:

Name	Position
Eduardo Torres Llosa Villacorta	Chief Executive Officer
Marcelo González Sararols	Risks Manager

Executive Credit Risk Committee

The Bank's executive risk committee evaluates, qualifies and determines the final decision of special individual transactions according to the Bank's established policies and procedures.

The members of the Bank's executive credit risk committee are:

Name	Position
Eduardo Torres Llosa Villacorta	Chief Executive Officer
Marcelo González Sararols	Risks Manager
Gustavo Delgado Aparicio Labarthe	Manager of Wholesale Banking and Asset Management
Pedro Diez Canseco Briceno	Middle-Market Banking Manager
Hector Alonso Bueno Luján	Corporate and Middle Market Banking Risk Manager

Audit Committee

The Bank's audit committee is responsible for monitoring the Bank's internal controls and reports to the Bank's Board of Directors on the execution of these Bank's internal controls, policies and procedures. The audit committee approves and oversees the execution of the working plan of the Bank's internal audit unit, and is also responsible for evaluating the performance of the Bank's external auditors. The audit committee meets six times a year.

The members of the Bank's audit committee are:

Name	Position
Mario Augusto Brescia Cafferata	Member
Pedro Brescia Moreyra	Member
Jorge Donaire Meca	Member

Nominations and Remunerations Committee

The Bank's nominations and remunerations committee is responsible for evaluating the candidates for the Board of Directors that are proposed at the Shareholder's General Meeting, proposing the salaries of members of the Board of Directors at the Shareholder's General Meeting, proposing the candidates for executive officers to the Board of Directors, understanding the fundamental issues concerning the Bank's remuneration policy and applying the Bank's policies in relation to loans granted to employees. The nominations and remunerations committee meets five times a year.

The members of the Bank's nominations and remunerations committee are:

Name	Position
Mario Augusto Brescia Cafferata	Member
Eduardo Torres Llosa Villacorta	Member
Manuel Méndez del Río	Member

Corporate Governance Committee

The Bank's corporate governance committee, created on November 17, 2011, is responsible for supervising compliance with the Bank's corporate governance policies. The corporate governance committee implements the necessary improvements required to maintain the Bank's quality standards and ensures that shareholders, investors and the market have access to relevant information about the Bank. The corporate governance committee meets four times a year.

The members of the Bank's corporate governance committee are:

Name	Position
Jose Antonio Colomer	Member
Jorge Donaire Meca	Member
Eduardo Torres Llosa Villacorta	Member

Executive Officers

The following are the Bank's executive officers:

Name	Position
Eduardo Torres Llosa Villacorta	Chief Executive Officer
Gustavo Delgado Aparicio Labarthe	Corporate & Investment Banking Manager
Javier Balbín Buckley	Retail and Middle-Market Banking Manager
Ignacio Quintanilla Salinas	Innovation and Development Manager
Luis Ignacio de la Luz Dávalos	Chief Financial Officer
Marcelo González Sararols	Risk Manager
Walter Borra Núñez	Internal Audit Manager
Mirtha Zamudio Rodríguez	System and Operations Manager
Enriqueta González Pinedo	Legal Advisory Manager
Karina Bruce Marticorena	Human Resources Manager
Carlo Castoldi Crosby	Corporate Development Manager

Eduardo Torres Llosa Villacorta has served as Chief Executive Officer since December 2007. Prior to that, Mr. Torres Llosa held several management positions within the Bank, including Manager of Middle-Market Banking. Mr. Torres Llosa was born February 2, 1968, and holds a degree in economics from Universidad del Pacífico, an MBA from the Catholic University of Louvain and a diploma in finance from the University of Pennsylvania.

Gustavo Delgado Aparicio Labarthe has served as Corporate & Investment Banking Manager since March 2011. Prior to that, Mr. Delgado served as Global Clients and Investment Banking Manager for the Bank. Before that he worked almost 11 years at Citigroup and held several management positions. Mr. Delgado was born on April 15, 1973, and holds a degree in economics and business finance from Brunel University in London. Furthermore he holds an MBA from Thunderbird School of Global Management and Tecnológico de Monterrey.

Javier Balbín Buckley has served as Retail and Middle-Market Banking Manager since January 2008. Prior to that, Mr. Balbín held several management positions within the Bank, including Manager of Commercial Development. Mr. Balbín was born December 26, 1972, and holds a degree in economics from Universidad de Lima and an MBA from Universidad de Navarra.

Ignacio Quintanilla Salinas has served as Innovation and Development Manager since January 2008. Prior to that, Mr. Quintanilla held several management positions within the Bank, including Manager of Distribution Channels and Retail Banking. Mr. Quintanilla was born September 9, 1966, and holds a law degree from Universidad Particular Católica Santa María and an MBA from Instituto de Empresa.

Luis Ignacio de la Luz Dávalos has served as Chief Financial Officer since January 2008. Prior to that, Mr. de la Luz served as the Corporate Director of Accounting for BBVA Bancomer S.A. in Mexico. Mr. de la Luz was born June 24, 1971 and holds a degree in public accounting from Instituto Tecnológico Autónomo de México.

Marcelo González Sararols has served as Risks Manager since January 2008. Prior to that, Mr. González held several management positions within the Bank, including Systems and Operations Manager and was previously the Retail Banking Auditor for BBVA Banco Francés S.A. Mr. González was born December 24, 1968, and holds a degree in public accounting from Universidad Nacional Lomas de Zamora, Argentina.

Walter Borra Núñez has served as Internal Audit Manager since January 2010. Prior to that, Mr. Borra held several management positions within AFP Horizonte S.A., including Commercial Manager. Mr. Borra was born March 5, 1966 and holds a degree in Naval Science and an MBA from Escuela Superior de Administración de Negocios.

Mirtha Zamudio Rodriguez has served as System and Operations Manager since January 2008. Prior to that, Ms. Zamudio held several management positions within the Bank, including General Auditor. Ms. Zamudio was born July 30, 1961, and holds a degree in economics from Pontificia Universidad Católica del Perú and a diploma in finance from Escuela Superior de Administración de Negocios.

Enriqueta González Pinedo has served as Legal Advisory Manager since April 2001. Prior to that, Ms. González served as the Deputy Superintendant of the Legal Department of the SBS and Legal Advisory Manager of the COFIDE. Ms. González was born January 7, 1957 and holds a law degree and a Master's degree in international law and economics from Pontificia Universidad Católica del Perú.

Karina Bruce Marticorena has served as Human Resources Manager since October 2010. Prior to that, Ms. Bruce served as Corporate Development Manager and Centralized Operations Manager. Ms. Bruce was born June 23, 1964 and holds a degree in Business Administration.

Samuel Sánchez Gamarra was appointed as Corporate Development Manager on June 1, 2012. Previously, Mr. Sánchez served as Consumer Finance and Payments Director for four years. Prior to joining Banco Continental, Mr Sánchez served as VP of Consumer Products at Visa International. He also previously worked at Citigroup, where he held various management positions. Mr. Sánchez was born on July 28, 1973 and holds a degree in Economics from Universidad de Lima and an MBA from Incae Business School.

SHARE OWNERSHIP

As of June 30, 2012, the Bank's issued capital consisted of 1,944,231,963 fully subscribed and paid common shares. Holding Continental owns S/. 1,793,415, or 92.24%, of the Bank's common shares and the remaining 7.76% is held by other entities, including the pension funds administered by Prima AFP S.A. (S/. 8,453), AFP Horizonte S.A. (S/. 28,673), AFP Integra S.A. (S/. 31,380), and Profuturo AFP S.A (S/. 16,155). None of these other entities own more than 5.00% of the Bank's common shares.

RELATED PARTY TRANSACTIONS

The Bank has entered into various transactions with related parties. Under the Peruvian Banking Law, loans to related parties may not be provided on terms more favorable than those the Bank offers to the public. The Bank believes that it is in full compliance with this requirement and all other related party transaction requirements under the Peruvian Banking Law.

The Bank's related party transactions include extending loans, supplying and soliciting banking services, correspondent relationships and other operations. The Bank defines "related parties" in accordance with the definition established by the Peruvian Banking Law as interpreted by the SBS. This definition differs from the concept of related party or affiliate under other definitions, including under the U.S. securities laws. Certain entities which may fall under the definition of affiliate are not considered "related parties" by the SBS, as the requisite degree of control does not exist. Peruvian Banking Law provides that, within a financial group, a related party is one that directly or indirectly owns 4% or more of the shares of an entity or is under common control with the entity. The SBS has determined that Grupo Brescia does not exercise significant control over the Bank and therefore, the subsidiaries of Grupo Brescia that are not shareholders of Holding Continental are not considered to be a unique risk to the Bank under Peruvian law. Accordingly, the Bank does not consider the subsidiaries of Grupo Brescia to be related parties, with the exception of three subsidiaries of Grupo Brescia (Inversiones Breca, S.A., Urbanizadora Jardín, S.A. and Inversiones San Borja, S.A.), which due to their ownership of shares of Holding Continental, each meet the definition of a related party under Peruvian law. See Note 23 to the Bank's Financial Statements included herein for more information on the Bank's related party transactions.

The following is a summary of transactions with related parties, categorized by transaction type, as of and for the year ended December 31, 2011 and the six months ended June 30, 2012:

	As of June 30, 2012	**As of December 31, 2011**
	(Nuevos Soles in thousands)	
Related party transactions		
Assets		
Cash and due from banks	51,826	47,727
Loans, net	96	4,174
Other assets	151,342	122,082
Liabilities		
Deposits and obligations	325,343	106,657
Liabilities to banks and correspondents	11,098	-
Other liabilities	167,202	140,327
Contingent and off-balance sheet accounts		
Contingent accounts	4,994,441	4,029,834
Other off-balance sheet accounts	1,696,620	1,826,948

	For the Six Months Ended June 30, 2012	**For the Year Ended December 31, 2011**
	(Nuevos Soles in thousands)	
Income		
Financial income	7	52
Financial expenses	(4,283)	(9,686)
Other income (expenses), net	(26,407)	(57,388)

The following is a summary of direct and indirect loans extended to related parties, as of December 31, 2011 and as of June 30, 2012:

	As of June 30, 2012	As of December 31, 2011
Related party transactions		
Loans, net	96	4,174
Indirect loans	109,009	148,200
Derivatives at market value (positive)	142,097	111,155
Derivatives at market value (negative)	160,385	127,103
Deposits and obligations	325,343	106,657

As of December 31, 2011, direct and indirect loans to related parties were S/.202.00 million, in the aggregate. None of these loans are among the Bank's twenty largest borrowing groups. These loans comprised approximately 0.52% of the Bank's total loan portfolio, of which 100% were classified as Class A (Normal) loans.

As of June 30, 2012, direct and indirect loans to related parties were S/.164.8 million, in the aggregate. None of these loans are among the Bank's twenty largest borrowing groups. These loans comprised approximately 0.40% of the Bank's total loan portfolio, of which 100% were classified as Class A (normal). As of June 30, 2012, loans and other credits to the Bank's employees amounted to S/.294.8 million.

On an unconsolidated basis and in accordance with the Peruvian Banking Law, the SBS regulates and closely monitors loans to related parties and has established a limit on related party loans equivalent to 30% of a bank's regulatory capital. The Bank's total related party loans on an unconsolidated basis were 3.67% of its regulatory capital as of June 30, 2012 and 5.00% of its regulatory capital as of December 31, 2011. The Bank intends to continue to enter into transactions with related parties on terms similar to those that would be offered by or to an unaffiliated third party.

SUPERVISION AND REGULATION

General Overview of the Peruvian Regulatory Framework

The regulatory framework for the operation of Peruvian banks is set in the Peruvian Banking Law, which was enacted in December 1996. The Peruvian Banking Law provides for tighter loan loss reserve standards and modernized asset risk by conforming those standards with the guidelines of the Basel Committee on Banking Regulations and Supervisory Practices of International Settlements, or the Basel Accord, broadened supervision of financial institutions by the SBS to include supervision of holding companies and additional treatment for a series of recently developed products in the capital markets and financial derivatives areas.

A study conducted by the World Bank and the International Monetary Fund in 2005 concluded that Peru's 96.6% level of compliance (determined by the study's evaluation standards) of the Core Principles for Effective Supervision dictated by the Basel Committee is the highest in Latin America.

In June 2008, as a way to facilitate the adoption process to the Basel II Framework, the Peruvian Banking Law was amended by Legislative Decree No. 1028 and Legislative Decree No. 1052, to comply with the international standards. The changes introduced have been designed to be implemented progressively. The SBS, by use of its regulatory powers, has issued several regulations that seek to adapt the Peruvian financial system to the new Basel Capital Accord.

Peruvian banks and other Peruvian financial institutions are mainly regulated and supervised by the following administrative institutions.

Superintendencia de Banca, Seguros y Administradoras Privadas de Fondos de Pensiones (SBS)

The SBS is the regulatory authority charged with the implementation and enforcement of the requirements contained in the Peruvian Banking Law and, more generally, with the supervision and regulation of all banks and financial institutions in Peru and, since July 2005, private pension funds.

Its objectives include: (i) protecting the public interest; (ii) ensuring the financial stability of the institutions over which it has authority; and (iii) punishing violators of its regulations.

Its responsibilities include: (i) reviewing and approving, with assistance of the Central Bank, the establishment and organization of subsidiaries of the institutions it regulates; (ii) overseeing mergers, dissolutions and reorganization of banks, financial institutions and insurance companies; (iii) supervising financial, insurance and related companies from which information on an individual or consolidated basis is required, through changes in ownership and management control; (iv) reviewing the by-laws and amendments thereto of these companies; (v) setting forth criteria governing the transfer of bank shares, when permitted by law, for valuation of assets and liabilities and for minimum capital requirements; (vi) controlling the *Central de Riesgos* (Bank Risk Assessment Center), to which all banks are legally required to provide information regarding all businesses and individuals with whom they deal without regard to the amount of credit risk; and (vii) supervising the anti-money laundering system through the financial intelligence unit.

The SBS enforces the Peruvian Banking Law on an ongoing basis through periodic resolutions. The Peruvian Banking Law provides for stringent loan loss reserve standards, brings asset risk weighting in line with the Basel Committee on Banking Supervision guidelines and includes the supervision of financial institutions by the SBS to include holding companies.

For the foregoing purpose, the SBS requires banks, financial and insurance companies to report, on a periodic basis, all relevant information necessary for off-site evaluation of its financial performance. The relevant information for off-site evaluation includes audited financial statements on a consolidated basis, board of directors' reports, auditor's reports and any other reports which reflect the operation of a bank's business. Under current practice, such reporting is required on a daily, weekly, monthly, quarterly and semi-annual basis, depending on the nature of the reported information. The SBS is also responsible for conducting an annual on-site examination, as well as implementing the provisions of the Peruvian Banking Law and other related legislation.

The SBS has the power to impose administrative sanctions on financial institutions and their directors and employees as a result of any violation of the Peruvian financial system rules. Sanctions vary from monetary fines to license cancellation. The SBS may also sanction directors and other officers of financial institutions for breach of regulations under the supervision of the SBS.

The Peruvian Central Bank

Banks are also regulated in certain aspects by the Central Bank. The Central Bank is mainly responsible for setting Peru's monetary policy and, among other functions, manages Peruvian international reserves and gathers and publishes data on its finances. The Central Bank is also the sole issuer of Peruvian currency.

Superintendencia del Mercado de Valores (SMV)

The SMV is the Peruvian securities market regulatory authority, attached to the *Ministerio de Economía y Finanzas* (Ministry of Economy and Finance). The main purpose of the SMV is promoting, overseeing and regulating the securities market, supervising and controlling all individuals and entities that intervene in such market, controlling compliance with the provisions of the Peruvian Securities Market Law and its regulations and sanctioning the breach thereof.

Banking Supervision and Regulation

Implementation of Basel II Framework

To carry out the implementation of Basel II, the SBS has approved a schedule of two (2) phases: a first mandatory phase and a second voluntary phase. During the first phase, which started in 2008 and ended in June 2009, the SBS performed quantitative impact studies and drafted the most important regulations. On June 22, 2008, President García issued Legislative Decree No. 1028, which contains certain amendments to the current Peruvian Banking Law, most of which were aimed to adapt it to the Basel II Framework.

In order to conform to the Basel II Framework, the methodology for measuring credit, market and operational risks has been amended in order to allow both standardized and internal model-based methods for measuring market and credit risks. All Peruvian financial institutions were to have implemented the standardized approach methodology by June 2009. Financial institutions will have the opportunity to request the validation and approval to implement the IRB methodology. Only those financial institutions that apply to use the IRB methodology will follow the second phase of implementation of the Basel II Framework.

The second phase consists of a validation process of the IRB methodology by the SBS and its subsequent approval. Once the IRB methodology has been validated and approved by the SBS, the pertinent financial institution will use regulatory capital floors to calculate their capital requirements. The amount of required capital may not be less than the percentage of capital requirements obtained under the methodology.

	First Year	Second Year	Third Year
Basic IRB and internal models of credit risk	95%	90%	80%
Advanced models of credit risk and/or operational risk	90%	80%	–

Capital Adequacy Requirements—Basel II

Under the amended provisions of Article 199 of the Peruvian Banking Law, the regulatory capital of a bank shall not be lower than 10% of its total weighted assets, which is equivalent to the sum of: (i) ten times the regulatory capital allocated to cover market risks, (ii) ten times the regulatory capital allocated to cover operational risks and (iii) the total amount of credit risk-weighted assets.

According to Articles 184 and 185 of the Peruvian Banking Law, regulatory capital (*patrimonio efectivo*) of banks can be used to cover credit risk, market risk and operational risk and is composed of the sum of (i) tier 1 regulatory capital or basic capital and (ii) supplementary capital.

Basic capital or tier 1 capital is comprised of paid-in capital (which includes common stock and non-cumulative perpetual preferred shares), legal reserves, supplementary capital premiums, voluntary reserves distributable only with prior SBS approval and retained earnings of past years and of the current year, which are committed for capitalization. It also includes instruments having the characteristics of permanence and loss absorption issued in compliance with regulations recently enacted by the SBS. Basic capital excludes losses of past years and of the current year, and goodwill resulting from corporate reorganizations and acquisitions. Basic capital is also subject to certain additional deductions (*e.g.*, 50% of the investments in shares and subordinated debt issued by other local or foreign financial institutions or financial insurance companies, etc.).

Supplementary capital is defined as the sum of tier 2 and tier 3 capital. Tier 2 capital is composed of voluntary reserves (which may be reduced without prior consent from the SBS), the eligible portion of redeemable subordinated debt instruments that have mixed debt and equity features, and the generic loan loss provision (up to certain limits). Tier 2 capital is subject to certain deductions under the law (*e.g.*, 50% of the investments in shares and subordinated debt issued by other local or foreign financial institutions or financial insurance companies, etc.). Tier 3 capital is composed of redeemable subordinated debt that is incurred for the exclusive purpose of covering market risk.

Banks are required to prepare and submit to the SBS, within the first 15 days of each month, a report analyzing the bank's assets for the previous month and the total amount of the bank's regulatory capital. Foreign currency-denominated assets are valued in Nuevos Soles at an average exchange rate published by the SBS in effect as of the date of such report.

Implementation of Basel III Framework

In order to implement the Basel III Framework, in July 2011 the SBS approved a new resolution (SBS Resolution No. 8425-2011 or "Reglamento para el requerimiento de patrimonio efectivo adicional"), which includes additional regulatory requirements. The new resolution includes a counter-cyclical capital requirement based on the counter-cyclical buffer set out in the Basel III Framework. The new resolution also includes capital requirements based on the Basel III Framework capital conservation buffer with respect to the following risks: (a) economic cycle risk, (b) business concentration risk (by individual, sector and/or region), (c) market concentration risk, (d) banking book risk and (e) other risks. Each of the new requirements is based on the Basel III Framework.

The new regime will be implemented in phases over time as follows:

Implementation Date	**Percentage Required of Additional Capital Requirement**
July 2012	40%
July 2013	55%
July 2014	70%
July 2015	85%
July 2016	100%

Legal Reserve Requirements

Pursuant to Article 67 of the Peruvian Banking Law, all banks must create a legal reserve. Each year a bank must allocate no less than 10% of its net income to its legal reserve until its legal reserve is equal to no less than 35% of its paid-in capital. Any subsequent increases in paid-in capital will imply a corresponding increase in the required level of the legal reserves to be funded as described above.

Lending Limits

Under Article 206 of the Peruvian Banking Law, the total amount of direct and indirect credits and financings granted in favor of a person shall not exceed 10% of the bank's regulatory capital. A person is defined for the purposes therein as a person or group of persons or entities representing a common or single risk. The SBS has issued special regulations establishing the guidelines that must be followed by banks when determining legal reserves for legal proceedings for past due loans and foreclosures. For purposes of Peruvian Banking Law, a single borrower includes an individual or an economic group. An economic group constituting a single or a common risk includes a person, such person's close relatives and companies in which such person or close relatives and companies in which such person or close relatives have significant share ownership or decision-making capability. According to current regulations, shareholders who own or control directly or indirectly at least one-tenth of a company's shares are considered significant shareholders. Significant decision-making capability is deemed to be present when, among other things, a person or group can exercise material and continuous influence upon the decisions of a company, when a person or company holds seats on the board of directors or has principal officers in another company, or when it can be assumed that one company or person is the beneficial recipient of credit facilities granted to another company.

The 10% limit indicated above may be raised to 15%, 20% and 30%, depending on the type of collateral securing the excess over each limit. Accordingly, the limit can be raised to 15% when the excess is secured by a mortgage, it may be raised to 20% when the excess is collateralized with securities listed in the Selective Index of the Lima Stock Exchange (ISBVL) and it may be raised to 30% when the excess is secured with deposits that are maintained and pledged with the bank.

Other special lending limits must also be taken into account, such as lending to related parties or affiliates (30% of regulatory capital), to local banks (30%) and to foreign banks (from 5% for non-regulated banks to 30% for top rated international banks, which may also be raised to 50% when backed by letters of credit). There are other limits that require banks to diversify their portfolio in different types of assets, benefiting liquid and low risk assets.

Lending to Related Parties

The Peruvian Banking Law regulates and limits transactions with related parties and affiliates of financial institutions. The SBS and SMV have enacted regulations containing definitions of indirect ownership, related parties and economic groups, which serve as the basis for determining limits on transactions with related parties and affiliates. These regulations also provide the basis for the subsequent development of specific standards for the supervision of financial and mixed conglomerates formed by financial institutions.

Additionally, under Article 202 of the Peruvian Banking Law, the aggregate amount of loans to related party borrowers shall not exceed 30% of a bank's regulatory capital. For purposes of this test, related party borrowers include any person or an affiliate of that person, holding, directly or indirectly, 4% or more of a bank's capital stock, directors, certain of a bank's principal executive officers or other persons in more junior positions affiliated with the bank's management. All loans to related parties must be made on an arm's length basis with terms no more favorable than the best terms that the bank offers to the public.

In addition, under Article 201 of the Peruvian Banking Law, the total amount of loans to directors, officers, employees or close relatives of any such persons may not exceed 7% of the regulatory capital. All loans made to any single such related party borrower may not exceed 0.35% of a bank's regulatory capital (*i.e.*, 5% of the overall 7% limit) per each person, including her spouse and relatives. In addition, the Peruvian Banking Law generally provides that banks may not extend credit to or guarantee the obligations of employees or members of the board of directors, except for home mortgage loans to employees and directors.

Lending to the Peruvian Government

Circular No. B-2148-2005, enacted in July 2005, regulates and limits the transactions with agencies, institutions and companies belonging directly or indirectly to the Peruvian government. Under such regulations, financings granted to regional or local governments are subject to the limits referred to in Articles 206 to 209 of the Peruvian Banking Law whereas credits and loans granted to state-owned financial institutions (*i.e.*, COFIDE, Agrobanco, Banco de la Nación, etc.) may not exceed 30% of a bank's regulatory capital. Additionally, the aggregate amount of financings extended to other agencies, institutions and companies belonging directly or indirectly to the Peruvian State is subject to the limits set forth in Articles 206 to 209 of the Peruvian Banking Law.

Loan Loss Reserves

Procedures relating to loan loss reserves are set out in regulations issued by the SBS. Pursuant to SBS Resolution No. 11356-2008, from July 1, 2010, banks' loan portfolios are to be classified in eight different categories of loans: corporate loans, big business loans, medium business loans, small business loans, microbusiness loans, revolving consumer loans, non revolving consumer loans and residential mortgage loans. Banks are required to classify such debtors in any of the following categories:

I. Normal (*Normal*): Strong financial condition. All loans are fully collectible or expected to be paid in full in a timely manner. Included in this category are: (i) small-business loan debtors, micro-business loan debtors, revolving consumer loan debtors and non-revolving consumer loan debtors with payment delays of up to 8 days; and (ii) residential mortgage loan debtors with payment delays of up to 30 days.

II. Potential Problem (*Con Problemas Potenciales*): Deterioration in the financial condition or in cash flow is evident, nevertheless, it is expected that the loan will be repaid in full. Included in this category are: (i) corporate loan debtors, big-business loan debtors and medium business loan debtors with payment delays of up to 60 days, (ii) small-business loan debtors, micro-business loan debtors, revolving consumer loan debtors and non-revolving consumer loan debtors with payment delays of 9 to 3d days; and (iii) residential mortgage loan debtors with payment delays of 31 to 60 days.

III. Substandard (*Deficiente*): Weak financial condition. Cash flow is insufficient to cover debt service. Included in this category are: (i) corporate debtors, big-business loan debtors and medium business loan debtors with payment delays of 61 to 120 days; (ii) small-business loan debtors, micro-business loan debtors, revolving consumer loan debtors and non-revolving consumer loan debtors with payment delays of 31 to 60 days; and (iii) residential mortgage loan debtors with payment delays of 61 to 120 days.

IV. Doubtful (*Dudoso*): Financial condition is critical. Cash flow is insufficient to repay interest. Included in this category are: (i) corporate debtors, big-business loan debtors and medium business loan debtors with delays of 121 to 365 days; (ii) small-business loan debtors, micro-business loan debtors, revolving consumer loan debtors and non-revolving consumer loan debtors with payment delays of 61 to 120 days; and (iii) residential mortgage loan debtors with payment delays of 121 to 365 days.

V. Loss (*Pérdida*): Cash flow is insufficient to cover operating costs. Debtor is insolvent. Included in this category are: (i) corporate debtors, big-business loan debtors and medium business loan debtors with occasional and reduced payment delays of more than 365 days; (ii) small-business loan debtors, micro-business loan debtors, revolving consumer loan debtors and non-revolving consumer loan debtors with payment delays of more than 120 days; and (iii) residential mortgage loan debtors with payment delays of more than 365 days.

SBS regulations require Peruvian banks to maintain two types of loan loss reserves: (a) "generic" loan loss reserves (*provisiones genéricas*) on their total direct and indirect loan portfolio that is classified as category I at a provision rate of (i) 0.7% for corporate loans, big business loans and residential mortgage loans, and (ii) 1.0% for medium business loans, small-business loans, microbusiness loans, revolving consumer loans and non-revolving consumer loans, and (b) special reserves (*provisiones especificas*) on their total direct and indirect loan portfolio classified under categories II through V described above at a provision rate of 5%, 25%, 60%, and 100%. These percentages may be reduced if the loans are secured with certain types of collateral and for certain special types of loans, provided that certain requirements set forth under SBS Resolution No. 11356-2008, as amended, are satisfied.

As of December 31, 2008, banks were required to make dynamic loan loss reserves (*provisiones procíclicas*) based on the behavior of Peru's annualized average GDP over the last 30 months as determined and published by the Central Bank. On September 10, 2009, the SBS, through Circular No. B-2181-2009, announced the suspension of the pro-cyclical requirements. The suspension will be lifted when the annualized average change in GDP over the last thirty months is equal to or higher than 5% and at least 18 months have passed since the suspension was announced. The suspension was lifted in September 2010, through Circular No. B-2193-2010.

Risk of Over-Indebtedness by Consumer Banking Customers

According to SBS Resolution No. 6941-2008, banks and other financial entities must adopt a system to manage the risk of over-indebtedness that: (a) allows the mitigation of such risk before and after making the loan, (b) permits the performance of a permanent monitoring of the portfolio to identify over-indebted borrowers and (c) includes the periodic evaluation of the control mechanisms being used and of the corrective actions or required improvements, as the case may be. The board of directors of such banks and other financial entities are responsible for: (i) establishing and reviewing the policies and proceedings for the identification, measuring, treatment, control, reporting and monitoring of the risk from the level of indebtedness of its consumer banking customers and (ii) causing the management to adopt the necessary measures to monitor and control such risks. In addition, the board of directors must cause the bank and/or financial entity to have an organizational structure that guarantees total independence between the risk and the commercial divisions and that the incentive schemes for employees' performance does not cause a conflict of interest with risk management policies.

Banks and financial entities that are not able to monitor, control and identify the risk of over-indebtedness are obliged to maintain a special loan loss provision. Banks and financial entities that comply with the requirements described above are not required to maintain any such specific provision.

Country Risk Reserve Requirements

SBS Resolution No. 505-2002, enacted in June 2002, requires the funding of reserves to cover exposure to country risk, which is defined to include sovereign risk, transfer risk and expropriation or nationalization risk, all of which may affect operations with companies or individuals in foreign countries. The SBS has also established guidelines indicating the procedures and responsibilities that are necessary for dealing with country risk.

Integral Risk Management

SBS Resolution No. 37-2008, enacted in January 2008, contains guidelines for integral risk management of financial institutions. Integral risk management is a process intended to identify potential events that can affect banks and to manage those events according to its nature and risk level. This new regulation covers all kinds of risks that could affect a banking operation, such as operational, market, credit, strategic, liquidity, legal and reputational risks.

Credit Risk

According to the Peruvian Banking Law, as of July 1, 2009, financial institutions would have been allowed to use the IRB methodology instead of the standardized methodology for calculating their regulatory capital requirement for credit risk, after receiving prior approval from the SBS. However, regulations required for the full implementation of both standardized and IRB methodologies by Peruvian financial institutions were not enacted until November 4, 2009, with SBS Resolution No. 14354-2009.

Under SBS Resolution No. 14354-2009, financial institutions are allowed to use the standardized methodology and, with the prior approval of the SBS, IRB methodologies for calculating their regulatory capital requirement for credit risk.

Market Risk

Regulations for the supervision of market risks, enacted in May 1998, require banks to establish internal policies and procedures to monitor these risks, as well as market risk exposure limits. Regulations define market risks as the probable loss derived from exposure to various classes of commodities, securities, foreign exchange, derivative operations or commercial assets that banks may hold in their portfolio, which could or could not be registered in their balance sheets.

In June 2009, the SBS enacted SBS Resolution No. 6328-2009, which defines the methodology to be applied, and the requirements to be satisfied, in calculating the regulatory capital requirement for market risks under the standard methodology and the IRB methodology.

Since July 1, 2009, financial institutions have been allowed to use IRB methodology (subject to prior approval by the SBS) in substitution of the standardized methodology.

Operational Risk

SBS Resolution No. 2116-2009, enacted in April 2009, approved guidelines for the management of operational risk. SBS Resolution No. 2116-2009 defines operational risks as those dealing with the possibility of suffering losses due to deficiencies in internal procedures, information technology or personnel, or the occurrence of adverse external events. SBS Resolution No. 2116-2009 establishes mandatory policies and procedures to measure and control operational risks (including, among other things, the creation of a database detailing the different types of operational losses, new duties for boards of directors and management of the bank). Banks are required to adequately manage risks involved in their operations and services in order to minimize possible financial losses due to inadequate or non-existent policies or procedures.

In April 2009, the SBS enacted SBS Resolution No. 2115-2009 which defines the methodology to be applied, and the requirements to be satisfied, in calculating the regulatory capital requirements for operational risk under the IRB method, the alternative standard method and the advanced methods. The IRB method uses the bank's gross operational margin as "exposure indicator," is expressly regulated by SBS Resolution No. 2115-2009 and its application does not require the prior approval by the SBS. Application of the alternative standard method or the advanced methods requires the compliance with certain provisions of SBS Resolution No. 2115-2009 and the prior approval by the SBS.

Investments in Financial Instruments

Investment in financial instruments by Peruvian banks is restricted to those financial instruments listed in the Peruvian Banking Law, such as equity instruments traded on a stock exchange, debt instruments (to the extent that certain requirements are satisfied), sovereign debt instruments and quotas in mutual and investment funds, among others.

Pursuant to SBS Resolution No. 10639-2008, effective as of March 2009, investments in financial instruments by Peruvian banks shall be classified into any of the following categories: (a) investments at fair value with changes in results (short-term), (b) investments available for sale, (c) investments held to maturity (long-term) and (d) investments in subsidiaries and affiliates.

Financial instruments are valued at their market value, provided that there is an active market for them. If there is no active market for a financial instrument, then such financial instrument will be valued pursuant to methodologies and models developed by banks that allow the determination of the fair value of such financial instruments or, as approved by the SBS, pursuant to the valuations made by valuation entities or other sources of information that publish or sell market prices. Banks will evaluate, at each balance sheet date, if there is evidence that a financial instrument in which it has invested has reduced in value and will make the corresponding provisions. For such purposes, a bank will reduce the value of a financial instrument if there is objective evidence of a deterioration of such financial instruments as a consequence of an event occurring after its initial registration on the bank's balance sheet and to the extent that such event has a negative impact (that can be measured with confidence) on the future cash flows of the financial instrument.

Reserve Requirements Required by the Central Bank

Under the Peruvian Banking Law, all financial institutions regulated by the SBS (except for small-business development non-bank institutions) are required to maintain a reserve requirement (*encaje*) for certain obligations. The Central Bank may require additional and marginal reserves. The exact level and method of calculation of the reserve requirement is set by the Central Bank, which has issued different sets of regulations for foreign and local currency-denominated obligations of banks. Among others, the following liabilities are subject to the reserve requirement: demand and time deposits, savings accounts, certain bonds and funds administered by the bank and amounts due to foreign banks and other foreign financial companies (in certain circumstances). Subject to certain requirements, the regulation excludes loans from foreign institutions and debt securities, whether offered domestically or internationally, both with an average term of more than three years, *provided*, that the sum of the aggregate amount of such types of indebtedness shall be subject to a reserve requirement of 20% when it exceeds the higher of (a) 2.5 times the regulatory capital of the corresponding financial institution or (b) S/. 400 million, *provided*, *however*, that only the amount which exceeds the aforementioned threshold shall be subject to the applicable reserve requirement.

Since July 1, 2012, the minimum reserve requirement for local and foreign currency deposits is 9%. Foreign currency and local currency deposits collected from the general public are subject to a marginal rate of 55% and 30%, respectively. Deposits in local currency collected from a foreign financial institution are subject to a 20% special rate and a 120% marginal rate. Local and foreign currency borrowings from certain foreign sources with an original maturity of three years or less are subject to a 60% special rate. Financial institutions may satisfy the minimum reserve requirements with funds that they hold in vaults or that they have deposited in their accounts at the Central Bank.

They must also keep at least 3.0% of their local and foreign currency deposited in the Central Bank. The Central Bank oversees compliance with the reserve requirements.

The Central Bank also establishes the interest rate payable on reserves that exceed the minimum reserve requirement applicable to both local and foreign currency deposits. The current applicable interest rate for (a) local currency reserves, different from those described below, is the overnight deposits interest rate, minus 100 basis points; and (b) foreign currency deposits, is a 60% one-month LIBOR interest rate. Currently, no interest rate is payable in respect of local currency deposits from certain foreign sources, such as financial institutions, hedge funds, brokerage firms, pension funds, mutual funds, investment banks and others with a foreign parent company, except for those authorized by the SBS to collect deposits from the general public in Peru. The applicable interest rate is expected to be periodically revised by the Central Bank in accordance with monetary policy objectives.

In the past few months, the Central Bank has on numerous occasions changed the deposit reserve requirements applicable to Peruvian commercial banks.

Deposit Insurance Fund

Bank deposits are protected by the *Fondo de Seguros de Depósito* (Deposit Insurance Fund), against bank failure. Specifically, all types of deposit accounts maintained by natural persons and non-profit legal entities and demand deposit accounts maintained by other legal entities are covered in full up to an amount that is revised quarterly by the SBS. For the period between June 1, 2012 and August 31, 2012, the maximum coverage amount is S/.91,649 per person per bank.

The Deposit Insurance Fund was established in 1991 and was organized as a private corporation in 1996. The Deposit Insurance Fund's governing body is led by a representative of the SBS. The additional members are appointed by the Central Bank (one member), the Ministry of Economy and Finance (one member) and by the banks (three members). SBS provides the necessary administrative members and operational resources for the Deposit Insurance Fund.

The financial resources available to the Deposit Insurance Fund pursuant to the Peruvian Banking Law include, among others, the original contribution from the Central Bank, insurance premiums paid by banks, unclaimed bank deposits (after ten years) and fines imposed by the SBS for violations of the Peruvian Banking Law.

In addition, the Deposit Insurance Fund may, in extraordinary situations, borrow funds with authorization from the Peruvian treasury, or it may borrow long-term government securities from the Peruvian treasury.

Anti-Money Laundering Rules

Money laundering is considered a criminal act in Peru. A special legal framework was established in April 2002, which follows the 40 recommendations of the Financial Action Task Force (G-7). Since then, this legal framework has been amended in order to improve and increase the efficiency of the Peruvian anti-money laundering system.

Money laundering includes a wide range of serious offenses such as tax evasion, terrorism, drug trafficking, corruption and other criminal activities. A special set of anti-money laundering rules applies specifically to banks, which include specific rules for customer and employee due-diligence and record-keeping. In March 2008, the SBS enacted additional anti-money laundering provisions, pursuant to which, among other things, banks must establish a set of policies and procedures specifically aimed to prevent asset laundering and the financing of terrorist activities. In November 2008, the SBS modified the anti-money laundering provisions to include, among other changes, the obligations of Peruvian banks to verify that their branches and foreign subsidiaries comply with the anti-money laundering and terrorism financing provisions enacted by the SBS and with the recommendations of the Financial Action Task Force (G-7).

The government agency responsible for supervising the anti-money laundering system is the financial intelligence unit, which was made part of the SBS in July 2007. The chairman of this agency is appointed by the chairman of the SBS.

On February 17, 2011, the SBS modified current anti-money laundering provisions through SBS Resolution No. 2108-2011, in order to adapt these provisions to international standards established by the Financial Action Task Force of South America (*Grupo de Accion Financiera de Sudamerica*, or "GAFISUD"), in relation to due diligence in the identification of clients according to their risk and profile level, among other considerations.

Disclosure of Material Information

All banks that are organized as corporations (the only exception being the Peruvian branches of foreign banks) are listed on the Lima Stock Exchange. As a result, they are subject to the disclosure and reporting rules contained in the Peruvian Securities Market Law and the internal regulations of the Lima Stock Exchange.

Under these rules, listed companies such as banks are required to disclose to the market on a timely manner (within 24 hours) all information that investors are reasonably likely to consider material. Special regulation provides for specific parameters to determine what is considered relevant information.

Banks are also subject to full disclosure and reporting obligations under the banking regulatory framework.

Intervention by the SBS and Liquidation

Pursuant to the Peruvian Banking Law, the SBS has the power to interrupt the operations of a bank in order to prevent it from, or to control and reduce the effects of, a bank failure. Either of these actions, depending on the event, must be taken upon the occurrence of certain events, including (a) suspension of payments; (b) repeated failure to comply with instructions from the SBS or the Central Bank; (c) repeated violation of the Peruvian Banking Law or the bank's by-laws; (d) unauthorized or unsound management; or (e) deficit of regulatory capital (to the extent that if it is in excess of 50%, then an Intervention is mandatory). Less drastic measures, such as (i) placing additional requirements, (ii) ordering a capital increase or an asset divesture, or (iii) imposing a financial restructuring plan, may be adopted by the SBS when the situation allows for them.

An Intervention may halt a bank's operations up to 45 days, which may be extended for a second period of up to 45 additional days, during which time the SBS may institute measures such as (a) canceling losses by reducing reserves, capital and subordinated debt; and (b) segregating certain assets and liabilities for transfer to another financial institution. After an Intervention, the SBS will proceed to dissolve and liquidate the bank unless the bank merges with another acquiring institution or another recovery measure is adopted.

Beginning on the date on which a resolution of the SBS subjecting a bank to an Intervention regime is issued, and continuing until such Intervention is concluded (which period ends when the liquidation process begins), the Peruvian Banking Law prevents any creditor of the bank from: (a) initiating any judicial or administrative procedure for the collection of any amount owed by the bank, (b) enforcing any judicial decision rendered against the bank to secure payment of any of its obligations, (c) constituting a lien or attachment over any of the assets of the bank to secure payment of any of its obligations, or (d) making any payment, advance or netting payment obligations or assuming any obligation on behalf of the bank, with the funds or assets that may belong to it and are held by third parties, except for: (i) the netting of payment obligations that are made between regulated entities of the Peruvian financial system and insurance systems, and (ii) under certain circumstances, the netting of payment obligations arising from repurchase agreements and derivatives transactions entered into with local or foreign financial and insurance institutions.

During liquidation, claims of bank creditors rank as follows:

First order - Labor claims:

1st. Employee remunerations.

2nd. Social benefits, contributions to the private and public pension system and other labor claims against the bank accrued until the date when the dissolution is declared, retirement pensions or the capital required to redeem those pensions or to secure them by purchasing annuities.

Second order:

Claims for bank deposits and other types of saving instruments provided under the Peruvian Banking Law, in the portion not covered by the Deposit Insurance Fund.

Third order - Taxes:

1st. Claims by the Peruvian social security administration (*EsSalud*) related to health care benefits for which the bank is responsible as employer.

2nd. Taxes.

Fourth order - Unsecured and non-privileged credits:

1st. All unsecured and non-privileged credits against the bank, ranked on the basis of (i) the date they were assumed or incurred by the bank whereby obligations assumed or incurred on an earlier date shall rank senior in right of payment to obligations assumed or incurred by the bank at a later date, and (ii) obligations assumed or incurred by the bank on a date that cannot be determined shall rank junior in right of payment to all the obligations comprised in (i) above and *pari passu* among themselves.

2nd. The legal interests on the bank's obligations that may accrue during the liquidation.

3rd. Subordinated debt.

Except for unsecured and non-privileged credits, all claims within an order will be ranked *pari passu* among themselves. Each category of creditors will collect in the order indicated above, whereby distributions in one order will be subject to completing full distribution in the prior order.

Any security interest created before the issuance of the resolution declaring the bank's dissolution and the initiation of the liquidation process shall subsist in order to guarantee the obligations it secures. The secured creditors shall retain the right to collect from the proceeds of the sale of the collateral, on a preferred basis (except with respect to labor claims and savings, which are privileged claims), subject to certain rules established under Article 119 of the Peruvian Banking Law.

Peruvian banks are not subject to the regime of insolvency and bankruptcy otherwise applicable to Peruvian corporations in general.

Information Transparency

Information transparency is mainly regulated by SBS Resolution No. 1765-2005, which sets the most important rules and limitations on consumer banking protection. Among other dispositions, banks may freely set interest rates, fees and expenses for their deposit-taking and lending activities; however, such information needs to be fully revealed to the market on a permanent basis. In addition, important credit clauses in bank agreements are subject to the SBS's prior approval. Recent modifications also regulate customer service, which may improve compliance with the consumer protection regulation. In this regard, banks must consult with a customer attention office experienced in legal and compliance matters as well as specialized personnel in customer service that may be able to help solve inquires and complaints. Finally, banks are required to send periodic information to the SBS to be published on its website, so that bank clients can access it in a timely and complete fashion.

Consumer Protection Code

The Consumer Protection Code, enacted on September 2, 2010 by means of Law No. 29571, approved a wide range of rules intended to protect consumers in all of the sectors of the economy. With regards to customer protection in the banking industry, the Consumer Protection Code applies concurrently with the Consumer Financial Protection Act (Law No. 28587) and its implementing regulations approved by SBS Resolution No. 1765-2005. Specific regulation of banking products and services, however, is governed exclusively by the Peruvian Banking Law. The Consumer Protection Code entered into force on October 2, 2010.

DESCRIPTION OF THE NOTES

The Notes were issued pursuant to a base indenture, dated as of August 29, 2012 and a supplemental indenture, dated as of August 29, 2012 (together, the "Indenture"). The base indenture and the supplemental indenture are agreements among The Bank of New York Mellon, as Trustee, paying agent, security registrar and calculation agent, and The Bank of New York Mellon (Luxembourg) S.A., as Luxembourg listing agent, transfer agent and paying agent, and BBVA Banco Continental.

The Indenture provides for the issuance of the Notes but does not limit the aggregate principal amount of Notes that may be issued under the Indenture, and provides that, subject to certain conditions, additional Notes may be issued under the Indenture from time to time. The Indenture does not limit the amount of additional indebtedness or other obligations that BBVA Banco Continental may incur. At the option of BBVA Banco Continental, this additional indebtedness may consist of additional Notes ("Additional Notes") issued by it in one or more transactions, which shall have identical terms (other than issue date, issue price and in certain cases, first interest payment date) as the Notes issued hereby; *provided, however*, that unless such Additional Notes are issued under a separate CUSIP number, either such Additional Notes are part of the same "issue" within the meaning of U.S. Treasury Regulation Section 1.1275-1(f) or neither the original notes nor such Additional Notes are issued with original issue discount for United States federal income tax purposes. Holders of Additional Notes would have the right to vote together with holders of the Notes as one class.

This section describes the general terms and provisions of the Indenture and the Notes, which are incorporated by reference herein. Capitalized terms not otherwise defined in this "Description of the Notes" have the meanings ascribed to them in the Indenture. BBVA Banco Continental urges you to read each of the Indenture and the form of the Notes because, in addition to this description, they define your rights as a holder of Notes. In case of any conflict regarding the rights and obligations of the holders of the Notes under the Indenture, the Notes, and this offering memorandum, the terms of the Indenture will prevail. You may obtain a copy of the Indenture and the form of the Notes by contacting the Trustee at the address indicated in this offering memorandum and, for so long as the Notes are admitted to listing on the Official List of the Luxembourg Stock Exchange (the "LSE") and to trading on the Euro MTF Market, at the office of the paying agent in Luxembourg.

Ranking and Outstanding Indebtedness

The Notes are our direct, unconditional and unsecured general obligations and will, other than as set forth below, at all times rank *pari passu* in right of payment with all of our other unsecured obligations from time to time outstanding other than obligations that are, by their terms, expressly subordinated in right of payment to the Notes. The Notes are effectively subordinated to (i) all of our existing and future secured indebtedness with respect to the value of our assets securing that indebtedness, (ii) certain direct, unconditional and unsecured general obligations that, in case of our insolvency, are granted preferential treatment pursuant to Peruvian law, (iii) claims of our existing and future depositors pursuant to applicable Peruvian law, and (iv) all of the existing and future liabilities of our subsidiaries, including trade payables.

As of June 30, 2012, the Bank had:

- S/.1,603 million (US$600 million) of senior secured indebtedness which would rank senior to the Notes;
- S/.31,923 million (US$11,952 million) of deposits which would rank senior to the Notes; and
- S/.7,660 million (US$2,868 million) of senior unsecured indebtedness. Substantially all of such indebtedness would rank senior to the Notes based on the date such obligations were assumed or incurred as set forth in the Peruvian Banking Law (see "Banking Supervision and Regulation—Intervention by the SBS and Liquidation").

Principal, Maturity and Interest

BBVA Banco Continental is issuing $500,000,000 aggregate principal amount of Notes. The Notes will mature on August 26, 2022. The Notes will bear interest at a rate of 5.000% per year from August 29, 2012. The Notes will not be entitled to the benefit of any sinking fund. Interest on the Notes will be payable semi-annually in arrears on February 26 and August 26 of each year (each, an "Interest Payment Date"), commencing on February 26, 2013.

Redemption at Maturity

The outstanding principal amount of the Notes will be paid upon maturity unless required to be earlier repaid as a result of the occurrence and continuation of an Event of Default (as defined herein) or as described below.

Optional Redemption

Except as stated below, BBVA Banco Continental may not redeem the Notes prior to their maturity. BBVA Banco Continental has the right at any time prior to maturity, at its option, to redeem any of the Notes, in whole or in part, on at least 30 days' but not more than 60 days' notice, at a redemption price equal to the greater of (1) 100% of the principal amount of such Notes on such redemption date and (2) the sum of the present value on such redemption date of each remaining scheduled payment of principal and interest thereon (exclusive of interest accrued to the date of redemption) discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 50 basis points (the "Make-Whole Amount"), plus in each case any accrued and unpaid interest on the principal amount of the Notes up to, but not including, the date of redemption (subject to the right of holder of record on the relevant record date to receive interest due on the relevant interest payment date) and Additional Amounts, if any.

"Comparable Treasury Issue" means the United States Treasury security or securities selected by an Independent Investment Banker as having an actual or interpolated maturity comparable to the remaining term of the Notes to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of a comparable maturity to the remaining term of such Notes.

"Comparable Treasury Price" means, with respect to any redemption date (1) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest such Reference Treasury Dealer Quotation or (2) if the Independent Investment Banker obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations.

"Independent Investment Banker" means one of the Reference Treasury Dealers appointed by BBVA Banco Continental.

"Reference Treasury Dealer" means Goldman, Sachs & Co. and Merrill Lynch, Pierce, Fenner & Smith Incorporated (or their respective affiliates that are primary United States securities dealers) and two other primary United States government securities dealers in New York City reasonably designated by BBVA Banco Continental; provided that, if any of the foregoing shall cease to be a primary United States government securities dealer in New York City (a "Primary Treasury Dealer"), BBVA Banco Continental will substitute therefor another Primary Treasury Dealer.

"Reference Treasury Dealer Quotation" means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Independent Investment Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Independent Investment Banker by such Reference Treasury Dealer at 3:30 pm New York City time on the third Business Day preceding such redemption date.

"Treasury Rate" means, with respect to any redemption date, the rate per annum as determined by the Independent Investment Banker equal to the semi-annual equivalent yield to maturity or interpolated maturity (on a day count basis) of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

Redemption Prior to Maturity for Taxation Reasons

Early Redemption Upon a Withholding Tax Event

Upon the occurrence of a Withholding Tax Event in respect of the Notes, BBVA Banco Continental may, at its election, redeem the Notes in whole, but not in part, upon giving not less than 30 nor more than 60 days' notice to the holders of the Notes, in an amount equal to the Base Redemption Amount.

"Base Redemption Amount" means the aggregate principal amount of the Notes *plus* accrued and unpaid interest in respect of the current interest period to (but excluding) the redemption date *plus* Additional Amounts (as defined below), if any.

"Withholding Tax Event" means that, as a result of:

(i) any change in, amendment to or official pronouncement by a competent authority of Peru with respect to, the laws (or any regulations or rulings issued thereunder) of Peru, including any political subdivision thereof or any taxing authority therein, as applicable; or

(ii) any change in the application, administration or official interpretation of such laws, regulations or rulings, including, without limitation, the holding of a court of competent jurisdiction,

BBVA Banco Continental has or will become, on or after the date of issuance of Notes, obligated to pay or will be liable for Withholding Tax Additional Amounts (as defined below) in respect of the Notes in excess of the gross amount of Withholding Tax Additional Amounts payable in respect of such Notes prior to such changes, amendments or pronouncements become effective, and which obligation BBVA Banco Continental determines in good faith cannot be avoided by it taking reasonable measures available to it. For the avoidance of doubt, no Withholding Tax Event will be deemed to occur with respect to Withholding Tax Additional Amounts payable due to an increased rate of withholding tax imposed under applicable laws, unless the relevant change, amendment or pronouncement increases the withholding tax to a rate that exceeds 4.99%.

Early Redemption Upon a Value Added Tax Event

Upon the occurrence of a Value Added Tax Event, BBVA Banco Continental may, at its election redeem the Notes in whole, but not in part, upon giving not less than 30 nor more than 60 days' notice to the holders of the Notes, in an amount equal to the higher of (a) the Base Redemption Amount and (b) the Make-Whole Amount.

"VAT Additional Amounts" means any Peruvian VAT (as defined below) that non-Peruvian holders of the Notes may incur in respect of payments under such Notes. BBVA Banco Continental will indemnify such holders from and against any such Peruvian VAT.

"Value Added Tax Event" means that on the next Interest Payment Date, BBVA Banco Continental would, for reasons outside its control, either be directly liable for Peruvian value added tax ("Peruvian VAT") or be obligated to pay VAT Additional Amounts, as a result of:

(i) a change in or amendment to the applicable laws or regulations of Peru; or

(ii) a change in, or pronouncement by competent Peruvian authorities with respect to, the official application or official interpretation of such laws or regulations;

in each case, which change, amendment or pronouncement becomes effective on or after the date of issuance of the Notes, and BBVA Banco Continental cannot avoid such circumstance by taking reasonable measures; *provided, however*, that no Value Added Tax Event will be deemed to occur unless the Peruvian VAT for which BBVA Banco Continental is directly liable or with respect to which the VAT Additional Amounts are payable, in each case as a result of such change, amendment or pronouncement, is imposed at a rate that exceeds 3%.

Payment and Administration of the Notes

The Notes will bear interest at the rates specified above. See “Principal, Maturity and Interest” above. Interest on the Notes will be paid on the dates specified above to the person in whose name a Note is registered at the close of business on the day immediately preceding the respective Interest Payment Date (such date, a “record date,” whether or not a Business Day).

If any Interest Payment Date or maturity date for the Notes falls on a day that is not a Business Day, the related payment of principal or interest will be made on the next succeeding Business Day as if it were made on the date such payment was due, and no interest will accrue on the amount so payable for the period from and after such Interest Payment Date or maturity date, as the case may be.

Any interest on the Notes which is payable, but is not paid or duly provided for, on any Note Interest Payment Date shall cease to be payable to the holder of the Note on the regular record date, and such defaulted interest may be paid by BBVA Banco Continental to the persons in whose name the Notes are registered at the close of business on a special record date (as such term is defined in the Indenture) fixed by the Trustee for such purpose. Interest on the Notes will be computed on the basis of a 360-day year of twelve 30-day months. Except as described in “—Book-Entry System; Delivery and Form,” BBVA Banco Continental will pay principal and interest by check and may mail interest checks to a holder’s registered address.

The principal of and interest on the Notes will be payable in U.S. dollars or in such other coin or currency of the United States of America as is legal tender for the payment of public and private debts at the time of payment.

The Notes were issued in denominations of $10,000 and any integral multiple of $1,000 in excess thereof and only in the form of beneficial interests in respect of one or more Global Notes registered in the name of Cede & Co., as nominee of The Depository Trust Company, or DTC. Beneficial interests in respect of the Global Notes are held through financial institutions acting on behalf of the beneficial holders of such interests as direct or indirect participants in DTC. Except in limited circumstances, owners of beneficial interests in respect of the Global Notes will not be entitled to receive physical delivery of Notes in certificated form. See “—Book-Entry System; Delivery and Form.” No service charge will be made for any registration of, transfer or exchange of Notes, but BBVA Banco Continental may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Initially, the Trustee will act as paying agent and security registrar for the Notes. The Notes may be presented for registration of transfer and exchange at the offices of the security registrar for the Notes.

Highly Leveraged Transactions; Change of Control

The Indenture does not include any debt covenants or other provisions which afford holders of the Notes protection in the event of a highly leveraged transaction or a change of control.

Indebtedness, Liens, Dividends, Investments, Transactions with Affiliates and Reserves

The Indenture does not limit the ability of BBVA Banco Continental to incur additional indebtedness (including Additional Notes), to grant liens on its assets and properties, to make payments of dividends, to make investments or enter into transactions with its affiliates or require it to create or maintain any reserves.

Covenants

BBVA Banco Continental has agreed to restrictions on its activities for the benefit of holders of the Notes. The following restrictions will apply separately to the Notes:

Consolidation, Merger, Sale or Conveyance

BBVA Banco Continental may not consolidate with or merge into any other corporation or convey or transfer our properties and assets substantially as an entirety to any person, unless:

(i) the successor corporation shall be a corporation organized and existing under the laws of Peru, the United States of America or any State thereof, or any country member of the Organization for Economic Cooperation and Development and any state thereof (to the extent applicable), and shall expressly assume, by a supplemental indenture, delivered to and in a form satisfactory to the Trustee, the due and punctual payment of the principal of or interest on the Notes and the performance of every covenant in the Indenture on BBVA Banco Continental's part to be performed or observed;

(ii) immediately after giving effect to such transaction, no Event of Default, and no event which, after notice or lapse of time or both would become an Event of Default, shall have happened and be continuing; and

(iii) it shall have delivered to the Trustee an officers' certificate and an opinion of counsel, each stating that such consolidation, merger, conveyance or transfer and such supplemental indenture comply with the foregoing provisions relating to such transaction and all conditions precedent in the Indenture relating to such transaction have been complied with.

In case of any such consolidation, merger, conveyance or transfer, such successor corporation will succeed to and be substituted for BBVA Banco Continental as obligor on the Notes with the same effect as if it had issued the Notes. Upon the assumption of the obligations of BBVA Banco Continental by any such successor corporation in such circumstances subject to applicable laws, BBVA Banco Continental will be discharged from all obligations under the Notes and the Indenture.

Maintenance of Franchise and Legal Rights.

BBVA Banco Continental shall maintain, renew and keep in full force and effect our legal existence and rights, licenses, permissions, consents, approvals, franchises and privileges in the jurisdictions necessary for the performance of its obligations under the Indenture and in the normal conduct of its business (except, in each case, to the extent that any failure to have such rights, licenses, permissions, consents, approvals, franchises and privileges could not reasonably be expected, alone or in the aggregate, to have a Material Adverse Effect).

Compliance with Laws.

BBVA Banco Continental shall comply at all times in all respects with all laws applicable to it, except where non-compliance therewith could not reasonably be expected, alone or in the aggregate, to have a Material Adverse Effect.

Periodic Reports

So long as any Notes are outstanding, BBVA Banco Continental will furnish to the Trustee:

(i) within 135 days after the end of each fiscal year, an English version (or accompanied by an English translation thereof) of our consolidated audited Financial Statements for the two most recent fiscal years, prepared in accordance with Peruvian GAAP or in accordance with such accounting standards as may from time to time be required for Peruvian banks, together with an audit report thereon by our independent auditors and with the corresponding notes to the financial statements in English, accompanied by an officer's certificate stating that no Event of Default has occurred during such period or, if one or more has/have occurred, specifying each such event and what actions have been taken and/or will be taken with respect to each such event; and

(ii) within 75 days after the end of each of the first three fiscal quarters of each fiscal year and 135 days after the end of each fiscal year, an English version (or accompanied by an English translation thereof) of our unaudited Peruvian GAAP (with respect to financial statements delivered after the end of the first three fiscal quarters) financial statements or an English version (or accompanied by an English translation thereof) of our audited consolidated Peruvian GAAP (with respect to financial statements delivered at the end of a fiscal year) financial statements, accompanied by, in the case of annual audited financial statements, an officer's certificate stating that no Event of Default has occurred during such period or, if one or more has/have occurred, specifying each such event and what actions have been taken and/or will be taken with respect to each such event.

In addition, BBVA Banco Continental shall furnish to the holders of the Notes and to prospective investors, upon the requests of such holders, any information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act so long as such Notes are not freely transferable under the Exchange Act by "persons" who are not "affiliates" under the Securities Act.

In addition, if and so long as the Notes are admitted to listing on the Official List of the LSE and to trading on the Euro MTF Market and the rules of the LSE so require, copies of such reports and information furnished to the Trustee will also be made available at the specified office of the paying agent in Luxembourg.

Listing

In the event that the Notes are admitted to listing on the Official List of the LSE and to trading on the Euro MTF Market, BBVA Banco Continental will use its reasonable best efforts to maintain such listing, *provided* that if, as a result of the European Union regulated market amended Directive 2001/34/EC (the "Transparency Directive") or any legislation implementing the Transparency Directive BBVA Banco Continental could be required to publish financial information either more regularly than we otherwise would be required to or according to accounting principles which are materially different from the accounting principles which it would otherwise use to prepare its published financial information, or BBVA Banco Continental determines that it is unduly burdensome to maintain a listing on the LSE, it may delist the Notes from the Euro MTF Market in accordance with the rules of the LSE and seek an alternative admission to listing, trading and/or quotation for the Notes on a different section of the LSE or by such other listing authority, stock exchange and/or quotation system inside or outside the European Union as it may decide. Although BBVA Banco Continental cannot assure you as to the liquidity that may result from a listing on the LSE, delisting the Notes from the LSE may have a material effect on the ability of holders of the Notes to resell the Notes in the secondary market.

Events of Default

An "Event of Default," with respect to the Notes is defined in the Indenture as:

(i) a default by BBVA Banco Continental in the payment of any principal of any of the Notes, when due and payable, whether at maturity or otherwise (including without limitation any amounts payable by way of optional redemption, together with any applicable premium required to be paid in respect of any such amount), and the continuance of such default for a period greater than three days;

(ii) a default by BBVA Banco Continental in the payment of any interest or any Additional Amounts when due and payable on any of the Notes and the continuance of such default for a period of 30 days;

(iii) a default by BBVA Banco Continental in the performance or observance of any other term, covenant, warranty, or obligation in respect of the Notes or the Indenture, not otherwise expressly defined as an Event of Default in clauses (i) or (ii) above, and the continuance of such default for more than 60 days after written notice of such default has been given to BBVA Banco Continental by the Trustee or the holders of not less than 25% of the total principal amount of the Notes outstanding specifying such default or breach and requiring it to be remedied and stating that such notice is a "Notice of Default;"

(iv) the occurrence with respect to any Indebtedness (as defined below) of BBVA Banco Continental or any of its "significant subsidiaries'" (as defined in Article 1, Rule 1-02 (w)(1) or (2) of Regulation S-X promulgated under the Securities Act, as such regulation is in effect on the date of the Indenture) Indebtedness having an outstanding principal amount of $40,000,000 or more in the aggregate for all such Indebtedness of all such persons (a) of an event of default that results in such Indebtedness being accelerated prior to its scheduled maturity or (b) failure to make any payment of such Indebtedness when due and such defaulted payment is not made, waived or extended within the applicable grace period;

(v) a resolution by the SBS or any similar Peruvian governmental authority is issued with respect to BBVA Banco Continental ordering a definitive intervention regime ("Intervention") or a similar regime under the applicable law, which for the avoidance of doubt shall not include any surveillance regime or similar proceedings by the SBS;

(vi) any proceeding is instituted by or against BBVA Banco Continental or any of its significant subsidiaries seeking to adjudicate BBVA Banco Continental or any of its significant subsidiaries bankrupt or insolvent, or seeking the liquidation, winding up, reorganization, arrangement, adjustment, protection, relief or composition of any Indebtedness, or seeking the entry of an order for relief or the appointment of a receiver, Trustee or other similar official for BBVA Banco Continental or any of its significant subsidiaries or for any substantial part of its property or any of its significant subsidiaries' property, under Peruvian banking law and any other applicable regulation, or order for Intervention or a similar regime under the applicable law, and, in the case of any of the foregoing actions instituted against BBVA Banco Continental or any of its significant subsidiaries, such proceeding or action is not dismissed or discharged and remains in effect for 60 days; or BBVA Banco Continental or any of its significant subsidiaries take corporate action to authorize any of the actions set forth in this clause (vi); or

(vii) any event occurs that under any applicable law has substantially the same effect as any of the events referred to in any of clause (v) or (vi).

For purposes of the above, "Indebtedness" means (i) money borrowed and premiums (if any) and accrued interest in respect thereof, (ii) liabilities under or in respect of any acceptance or credit, (iii) the principal and premium (if any) and any accrued and unpaid interest in respect of any bonds, notes, debentures, debenture stock, loan stock, certificates of deposit or other securities whether issued for cash or in whole or in part for a consideration other than cash, (iv) all obligations issued or assumed as the deferred purchase price of property, all conditional sale obligations and all obligations under any title retention agreement (but excluding trade accounts payable in the ordinary course of business), and (v) guarantees and other contingent obligations in respect of Indebtedness referred to in clauses (i) through (iv) above.

The Indenture provides that (i) if an Event of Default (other than an Event of Default described in clauses (v), (vi) and (vii) above) shall have occurred and be continuing with respect to the Notes, either the Trustee or the holders of not less than 25% of the total principal amount of the Notes then outstanding may declare the principal of all outstanding Notes and the interest accrued thereon, if any, to be due and payable immediately and (ii) if an Event of Default described in clauses (v), (vi) and (vii) above shall have occurred, the principal of all outstanding Notes and the interest accrued thereon, if any, shall become and be immediately due and payable without any declaration or other act on the part of the Trustee or any holder of Notes. In this case, BBVA Banco Continental will be required, without limiting any of its payment obligations under the Notes, to duly comply with any and all then-applicable Central Bank regulations for remittance of funds outside of Peru. The Indenture provides that Notes owned by BBVA Banco Continental or any of its affiliates shall be deemed not to be outstanding for, among other purposes, declaring the acceleration of the maturity of the Notes. Upon the satisfaction by BBVA Banco Continental of certain conditions, the declaration described in clause (i) of this paragraph may be annulled by the holders of a majority of the total principal amount of the Notes then outstanding. Past defaults, other than an Event of Default described in clauses (i), (ii) and (iii) above, may be waived by the holders of a majority of the total principal amount of the Notes outstanding, *provided, however*, that in the case of an Event of Default described in clauses (v), (vi) and (vii) above, all the principal of the Notes, interest thereon and all other amounts payable under the Notes shall automatically become and be due and payable, without presentment, demand, protest or any notice of any kind, all of which are expressly waived by BBVA Banco Continental . BBVA Banco Continental will be required, without limiting any of its payment obligations under the Indenture, to duly comply with any and all then-applicable Central Bank regulations for remittance of funds outside of Peru.

In the event of any Event of Default specified in clause (iv) above, such Event of Default and all consequences thereof shall be annulled, waived and rescinded, automatically and without any action by the Trustee or the holders of the Notes, if within 60 days after BBVA Banco Continental or its significant subsidiaries received notice of such acceleration or failed to make a principal payment, and before the entering of any judgment:

(x) the Indebtedness that is the basis for such Event of Default has been discharged;

(y) the holders thereof have rescinded, annulled or waived the acceleration, notice or action (as the case may be) giving rise to such Event of Default; or

(z) the default that is the basis for such Event of Default has been cured.

Payment of Additional Amounts

All payments in respect of the Notes will be made free and clear of and without any deduction or withholding for or on account of any present or future Taxes (as defined below), unless the withholding or deduction of such Taxes is required by law or the official interpretation thereof, or by the administration thereof. If BBVA Banco Continental is required by any law of any Taxing Jurisdiction (as defined below) to withhold or deduct any Taxes from or in respect of any sum payable under the Notes, BBVA Banco Continental shall (i) pay such additional amounts with respect to Taxes other than Peruvian VAT (the "Withholding Tax Additional Amounts") and VAT Additional Amounts (collectively, "Additional Amounts") as may be necessary in order that the net amounts receivable by holders of any Notes after such withholding or deduction shall equal the respective amounts which would have been receivable by such holder in the absence of such withholding or deduction, (ii) make such withholding or deduction, and (iii) pay the full amount withheld or deducted to the relevant tax or other authority in accordance with applicable law, except that no such Additional Amounts will be payable in respect of any Note:

(i) to the extent that such Taxes are imposed or levied solely by reason of such holder (or the beneficial owner) having some connection with the Taxing Jurisdiction other than the mere holding (or beneficial ownership) of such Note, receiving principal or interest payments on the Notes or enforcing rights thereunder (including but not limited to citizenship, nationality, residence, domicile, or existence of a business, permanent establishment, a place of business or a place of management present or deemed present in the Taxing Jurisdiction);

(ii) to the extent that any Taxes are imposed other than by deduction or withholding from payments of principal, premium, if any, or interest on or in respect of the Notes;

(iii) in the event that the holder (or beneficial owner) fails to comply with any reasonable certification, identification or other reporting requirement concerning nationality, residence, identity or connection with the Taxing Jurisdiction if (1) compliance is required by applicable law, regulation, administrative practice or treaty as a precondition to exemption from all or part of the taxes, (2) if the certification, identification or other reporting requirement does not concern nationality, residence or identity with the Taxing Jurisdiction, the holder (or beneficial owner) is able to comply with these requirements without undue hardship and (3) BBVA Banco Continental has given the holders (or beneficial owners) at least 30 calendar days prior notice that they will be required to comply with such requirement;

(iv) in the event that the holder fails to surrender (where surrender is required) its Note for payment within 30 days after BBVA Banco Continental has made available a payment of principal or interest, provided that BBVA Banco Continental will pay Additional Amounts to which a holder would have been entitled had the Note been surrendered on the last day of such 30-day period;

(v) to the extent that such Taxes are imposed by reason of an estate, inheritance, gift, personal property, use or sales tax or any similar taxes (not including any value added tax), assessments or other governmental charges;

(vi) where such withholding or deduction of Taxes is imposed on a payment to an individual and is required to be made pursuant to any European Council Directive 2003/48/EC or any other Directive on the taxation of savings implementing the conclusions of the European Council of Economic and Finance Ministers ("ECOFIN") meeting of June 3, 2003 or any law implementing or complying with, or introduced in order to conform to, such Directive;

(vii) where such Taxes could have been avoided by presenting the relevant Note to another available paying agent of the Bank; or

(viii) any combination of items (i) to (vii) above.

Any reference to payments on the Notes shall be deemed also to include any Additional Amounts. The foregoing obligations shall survive any termination of the Indenture or the Notes.

"Taxes" means, with respect to payments on the Notes, all current and future taxes, withholdings, imposts, funds, deductions, duties, levies, assessments, value added taxes and charges whatsoever, and all interest, penalties or similar amounts with respect thereto or with respect to the non-payment thereof, now or hereafter imposed, assessed, levied or collected by (or on behalf of) any taxing authority in Peru, or in the event that BBVA Banco Continental appoints additional paying agents, by the jurisdictions of such additional paying agents, or the jurisdiction of any successor corporation (each, a "Taxing Jurisdiction"), or any political subdivision thereof or any authority or agency therein or thereof having power to tax.

For a discussion of Peruvian withholding taxes applicable to payments under or with respect to the Notes, see "Taxation."

Modification of the Indenture

Subject to applicable Peruvian banking regulations, BBVA Banco Continental and the Trustee may, without the consent of the holders of the Notes, amend, waive or supplement the Indenture or the Notes for certain specified purposes, including, among other things, curing ambiguities, defects, omissions or inconsistencies, to conform the text of the Indenture or the Notes to any provision in this "Description of the Notes" or making any other provisions with respect to matters or questions arising under the Indenture or the Notes or making any other change as will not adversely affect the interests of any holder of the Notes in any material respect.

In addition, with certain exceptions, BBVA Banco Continental and the Trustee may amend, waive or supplement the Indenture or the Notes with the consent of the holders of at least a majority in aggregate principal amount of the Notes then outstanding, but no such modification may be made without the consent of the holder of each outstanding Note affected thereby which would:

(i) change the maturity of any payment of principal of or any installment of interest on any Note, or reduce the principal amount thereof or the interest or premium payable thereon, or change the method of computing the amount of principal thereof or interest or premium, if any, payable thereon on any date or change any place of payment where, or the coin or currency in which, any principal or interest or premium thereon are payable, or impair the right of holders to institute suit for the enforcement of any such payment on or after the date when due; or

(ii) reduce the percentage in aggregate principal amount of the outstanding Notes, the consent of whose holders is required for any such amendment, supplement or waiver or the consent of whose holders is required for any waiver of compliance with certain provisions of the Indenture or certain defaults thereunder and their consequences provided for in the Indenture; or

(iii) modify any of the provisions of certain sections of the Indenture with respect to the Notes, including the provisions summarized in this paragraph, except to increase any such percentage or to provide that certain other provisions of the Indenture cannot be modified or waived without the consent of the holder of each outstanding Note affected thereby.

The Indenture provides that the Notes owned by BBVA Banco Continental or any of its affiliates shall be deemed not to be outstanding for, among other purposes, consenting to any such modification.

Without the consent of any holder of the Notes, BBVA Banco Continental and the Trustee may amend the Indenture to evidence the assumption by a successor corporation of our covenants contained in the Indenture and the Notes, to add to our covenants, or to surrender any right or power conferred by the Indenture upon BBVA Banco Continental, for the benefit of the holders of the Notes, to add such provisions as may be expressly permitted by the Trust Indenture Act of 1939, as amended, excluding the provisions in Section 316(a)(2), to establish any form of security as provided for in the Indenture and the issuance of and terms thereof, to add to the rights of the holders of the Notes, to evidence and provide for the acceptance of a successor trustee and to provide for the issuance of Notes in bearer form with coupons as well as fully registered form.

Registrar, Transfer Agent and Paying Agents

The Bank of New York Mellon will act as our agent as security registrar for the Notes. The Bank of New York Mellon will also act as paying agent for the Notes. BBVA Banco Continental has the right at any time to vary or terminate the appointment of any paying agents and to appoint additional or successor paying agents in respect of the Notes. Registration of transfers of the Notes will be effected without charge, but upon payment (with the giving of such indemnity as BBVA Banco Continental may require) in respect of any tax or other governmental charges that may be imposed in relation to it. BBVA Banco Continental will not be required to register or cause to be registered the transfer of the Notes after the Notes have been called for redemption. Application has been made to admit the Notes for listing on the Official List of the LSE and to trading on the Euro MTF Market. As long as the Notes are listed on this market, BBVA Banco Continental will also maintain a paying agent and a transfer agent in Luxembourg.

The Trustee

The Bank of New York Mellon is the trustee under the Indenture. The Indenture provides that during the existence of an Event of Default, the Trustee will exercise the rights and powers vested in it by the Indenture, using the same degree of care and skill as a prudent person would exercise or use under the circumstances in the conduct of his own affairs. In the absence of an Event of Default, the Trustee need only perform the duties specifically set forth in the Indenture. The Indenture does not contain limitations on the rights of the Trustee under the Indenture, should it become our creditor, to obtain payment of claims. The Trustee is not precluded from engaging in other transactions and, if it acquires any conflicting interest, it is not required to eliminate such conflict or resign. The address of the Trustee is The Bank of New York Mellon, 101 Barclay Street, Floor 4 East, New York, New York 10286.

Governing Law; Submission to Jurisdiction

The Indenture and the Notes are governed by, and are construed in accordance with, the law of the State of New York, without giving effect to the applicable principles of conflict of laws.

BBVA Banco Continental will consent to the non-exclusive jurisdiction of the U.S. federal and New York state courts in the Borough of Manhattan, The City of New York, and will agree that all disputes under the Indenture or the Notes may be submitted to the jurisdiction of such courts. BBVA Banco Continental will irrevocably consent to and waive to the fullest extent permitted by law any objection that it may have to the laying of venue of any suit, forum, action or proceeding against it or its properties, assets and revenues with respect to the Indenture or any such suit, action or proceeding in any such court and any right to which it may be entitled on account of place of residence or domicile.

To the extent that BBVA Banco Continental or any of its revenues, assets or properties shall be entitled to any immunity from suit, from the jurisdiction of any such court, from attachment prior to judgment, from attachment in aid of execution of judgment, from execution of a judgment or from any other legal or judicial process remedy, it will irrevocably agree not to claim and will irrevocably waive such immunity to the fullest extent permitted by the laws of such jurisdiction.

BBVA Banco Continental has agreed that service of all writs, claims, process and summons in any suit, action or proceeding against the it or its properties, assets or revenues with respect to the Indenture and the Notes or any suit, action or proceeding to enforce or execute any judgment brought against it in the State of New York may be made upon CT Corporation Systems at 111 Avenue of the Americas, New York, New York 10011, and it has irrevocably appointed CT Corporation Systems as its agent to accept such service of any and all such writs, claims, process and summonses.

Book-entry System; Delivery and Form

The Notes are being offered and sold in connection with the initial offering thereof solely to "qualified institutional buyers," as that term is defined in Rule 144A under the Securities Act, pursuant to Rule 144A, and in offshore transactions to persons other than "U.S. persons," as defined in Regulation S under the Securities Act, in reliance on Regulation S. Following the initial offering of the Notes, the Notes may be resold to qualified institutional buyers pursuant to Rule 144A, non-U.S. persons in offshore transactions in reliance on Regulation S, and pursuant to Rule 144 under the Securities Act, as described under "Transfer Restrictions."

The Global Notes

Rule 144A Global Note

Notes offered and sold to qualified institutional buyers pursuant to Rule 144A were issued in the form of one or more fully registered restricted global note (the "Rule 144A Global Note"). The Rule 144A Global Note was deposited on the date of the closing of the sale of the Notes with, or on behalf of, The Depository Trust Company, or DTC and registered in the name of Cede & Co., as nominee of DTC, and will remain in the custody of The Bank of New York Mellon, as custodian pursuant to the FAST Balance Certificate Agreement between DTC and The Bank of New York Mellon, as custodian. Interests in the Rule 144A Global Note are available for purchase only by qualified institutional buyers.

Regulation S Global Note

Notes offered and sold in offshore transactions to non-U.S. persons in reliance on Regulation S under the Securities Act were initially issued in the form of one or more fully registered Regulation S global note (the "Regulation S Global Note"). The Regulation S Global Note was deposited upon issuance with, or on behalf of, a custodian for DTC in the manner described in the preceding paragraph for credit to the respective accounts of the purchasers, or to such other accounts as they may direct, at Euroclear Bank S.A./N.V., as operator of the Euroclear System ("Euroclear") or Clearstream Banking, *société anonyme* ("Clearstream") as participants through depositaries in DTC.

Investors may hold their interests in the Regulation S Global Note directly through Euroclear or Clearstream or DTC, if they are participants in such systems, or indirectly through organizations which are participants in such systems. After the expiration of the Restricted Period (defined below under "—Exchanges Among the Global Notes"), investors may also hold such interests through organizations other than Euroclear or Clearstream that are participants in the DTC system. Euroclear and Clearstream will hold such interests in the Regulation S Global Note on behalf of their participants through customers' securities accounts in their respective names on the books of their respective depositaries. Such depositaries, in turn, will hold such interests in the Regulation S Global Note in customers' securities accounts in the depositaries' names on the books of DTC.

Except as set forth below, the Global Notes may be transferred, in whole and not in part, solely to another nominee of DTC or to a successor of DTC or its nominee. Beneficial interests in respect of the Global Notes may not be exchanged for Notes in physical, certificated form (referred to as "certificated notes") except in the limited circumstances described below.

The Notes are subject to certain restrictions on transfer and bear a restrictive legend as set forth under "Transfer Restrictions."

All interests in the Global Notes, including those held through Euroclear or Clearstream, may be subject to the procedures and requirements of DTC. Those interests held through Euroclear or Clearstream may also be subject to the procedures and requirements of such systems.

Exchanges Among the Global Notes

Prior to the 40th day after the later of the commencement of the offering of the Notes and the date of the closing of the sale of the Notes (through and including the 40th day, the "Restricted Period"), transfers by an owner of a beneficial interest in respect of the Regulation S Global Note to a transferee who takes delivery of this interest through the Rule 144A Global Note will be made only in accordance with applicable procedures and upon receipt by the Trustee of a written certification from the transferor of the beneficial interest in the form provided in the Indenture to the effect that such transfer is being made to a person whom the transferor reasonably believes is a qualified institutional buyer within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A. Such written certification will no longer be required after the expiration of the Restricted Period.

Transfers by an owner of a beneficial interest in respect of the Rule 144A Global Note to a transferee who takes delivery of such interest through the Regulation S Global Note, whether before or after the expiration of the Restricted Period, will be made only upon receipt by the Trustee of a certification from the transferor in the form provided in the Indenture to the effect that such transfer is being made in accordance with Regulation S or (if available) Rule 144 under the Securities Act and that, if such transfer is being made prior to the expiration of the Restricted Period, the interest transferred will be held immediately thereafter through Euroclear or Clearstream.

Any beneficial interest in respect of one of the Global Notes that is transferred to a person who takes delivery in the form of an interest in another Global Note will, upon transfer, cease to be an interest in such Global Note and become an interest in the other Global Note and, accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to beneficial interests in such other Global Note for as long as it remains such an interest.

Certain Book-Entry Procedures for the Global Notes

The descriptions of the operations and procedures of DTC, Euroclear and Clearstream set forth below are provided solely as a matter of convenience. These operations and procedures are solely within the control of the respective settlement systems and are subject to change by them from time to time. Neither BBVA Banco Continental, the Trustee nor the initial purchasers take any responsibility for these operations or procedures, and investors are urged to contact the relevant system or its participants directly to discuss these matters.

DTC has advised BBVA Banco Continental that it is (i) a limited purpose trust company organized under the laws of the State of New York, (ii) a “banking organization” within the meaning of the New York Banking Law, (iii) a member of the Federal Reserve System, (iv) a “clearing corporation” within the meaning of the Uniform Commercial Code, as amended, and (v) a “clearing agency” registered pursuant to Section 17A of the Exchange Act. DTC was created to hold securities for its participants and facilitates the clearance and settlement of securities transactions between participants through electronic book-entry changes to the accounts of its participants, thereby eliminating the need for physical transfer and delivery of certificates. DTC’s participants include securities brokers and dealers (including the initial purchasers), banks and trust companies, clearing corporations and certain other organizations. Indirect access to DTC’s system is also available to other entities such as banks, brokers, dealers and trust companies, or indirect participants that clear through or maintain a custodial relationship with a participant, either directly or indirectly. Investors who are not participants may beneficially own securities held by or on behalf of DTC only through participants or indirect participants.

BBVA Banco Continental expects that pursuant to procedures established by DTC (i) upon deposit of each Global Note, DTC will credit the accounts of participants designated by the initial purchasers with an interest in the Global Note and (ii) ownership of the Notes will be shown on, and the transfer of ownership thereof will be effected only through, records maintained by DTC (with respect to the interests of participants) and the records of participants and the indirect participants (with respect to the interests of persons other than participants).

The laws of some jurisdictions may require that certain purchasers of securities take physical delivery of such securities in definitive form. Accordingly, the ability to transfer interests in the Notes represented by a Global Note to such persons may be limited. In addition, because DTC can act only on behalf of its participants, who in turn act on behalf of persons who hold interests through participants, the ability of a person having an interest in Notes represented by a Global Note to pledge or transfer such interest to persons or entities that do not participate in DTC’s system, or to otherwise take actions in respect of such interest, may be affected by the lack of a physical definitive security in respect of such interest.

So long as DTC or its nominee is the registered owner of a Global Note, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by the Global Note for all purposes under the Indenture. Except as provided below, owners of beneficial interests in respect of a Global Note will not be entitled to have Notes represented by such Global Note registered in their names, will not receive or be entitled to receive physical delivery of certificated Notes, and will not be considered the owners or holders thereof under the Indenture for any purpose, including with respect to the giving of any direction, instruction or approval to the Trustee thereunder. Accordingly, each holder owning a beneficial interest in respect of a Global Note must rely on the procedures of DTC and, if such holder is not a participant or an indirect participant, on the procedures of the participant through which such holder owns its interest, to exercise any rights of a holder of Notes under the Indenture or such Global Note. BBVA Banco Continental understands that under existing industry practice, in the event that it requests any action of holders of Notes, or a holder that is an owner of a beneficial interest in respect of a Global Note desires to take any action that DTC, as the holder of such Global Note, is entitled to take, DTC would authorize the participants to take such action and the participants would authorize holders owning through such participants to take such action or would otherwise act upon the instruction of such holders. Neither BBVA Banco Continental nor the Trustee or any paying agent, security registrar or transfer agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of Notes by DTC, or for maintaining, supervising or reviewing any records of DTC relating to such Notes.

Payments with respect to the principal of, premium, if any, liquidated damages, if any, and interest on any Notes represented by a Global Note registered in the name of DTC or its nominee on the applicable record date will be payable by the Trustee to or at the direction of DTC or its nominee in its capacity as the registered holder of the Global Note representing such Notes under the Indenture. Under the terms of the Indenture, BBVA Banco Continental and the Trustee, the paying agents, the security registrar and the transfer agents may treat the persons in whose names the Notes, including the Global Notes, are registered as the owners thereof for the purpose of receiving payment thereon and for any and all other purposes whatsoever. Accordingly, neither BBVA Banco Continental nor the Trustee, any paying agent, security registrar or transfer agent has or will have any responsibility or liability for the payment of such amounts to owners of beneficial interests in respect of a Global Note (including principal, premium, if any, liquidated damages, if any, and interest). Payments by the participants and the indirect participants to the owners of beneficial interests in respect of a Global Note will be governed by standing instructions and customary industry practice and will be the responsibility of the participants or the indirect participants and DTC.

Transfers between participants in DTC will be effected in accordance with DTC's procedures, and will be settled in same-day funds. Transfers between participants in Euroclear or Clearstream will be effected in the ordinary way in accordance with their respective rules and operating procedures.

Subject to compliance with the transfer restrictions applicable to the Notes, cross-market transfers between the participants in DTC, on the one hand, and Euroclear or Clearstream participants, on the other hand, will be effected through DTC in accordance with DTC's rules on behalf of Euroclear or Clearstream, as the case may be, by its respective depositary. However, such cross-market transactions will require delivery of instructions to Euroclear or Clearstream, as the case may be, by the counterparty in such system in accordance with the rules and procedures and within the established deadlines (Brussels time) of such system. Euroclear or Clearstream, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to its respective depositary to take action to effect final settlement on its behalf by delivering or receiving interests in the relevant Global Notes in DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Euroclear participants and Clearstream participants may not deliver instructions directly to the depositaries for Euroclear or Clearstream.

Because of time zone differences, the securities account of a Euroclear or Clearstream participant purchasing an interest in a Global Note from a participant in DTC will be credited, and any such crediting will be reported to the relevant Euroclear or Clearstream participant, during the securities settlement processing day (which must be a Business Day for Euroclear and Clearstream) immediately following the settlement date of DTC. Cash received in Euroclear or Clearstream as a result of sales of interest in a Global Note by or through a Euroclear or Clearstream participant to a participant in DTC will be received with value on the settlement date of DTC but will be available in the relevant Euroclear or Clearstream cash account only as of the Business Day for Euroclear or Clearstream following DTC's settlement date.

Although DTC, Euroclear and Clearstream have agreed to the foregoing procedures to facilitate transfers of interests in the Global Notes among participants in DTC, Euroclear and Clearstream, they are under no obligation to perform or to continue to perform such procedures, and such procedures may be discontinued at any time. Neither BBVA Banco Continental nor the Trustee or any paying agent, security registrar or transfer agent will have any responsibility for the performance by DTC, Euroclear or Clearstream or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

Certificated Notes

If (i) BBVA Banco Continental notifies the Trustee in writing that DTC is no longer willing or able to act as a depositary or DTC ceases to be registered as a clearing agency under the Exchange Act and a successor depositary is not appointed within 90 days of such notice or cessation, (ii) BBVA Banco Continental, at its option, notifies the Trustee in writing that it elects to cause the issuance of Notes in definitive form under the Indenture, (iii) upon the request of any holder subsequent to the occurrence of any Event of Default or (iv) upon the occurrence of certain other events as provided in the Indenture, then, upon surrender by DTC of the Global Notes, certificated notes will be issued to each person that DTC identifies as the beneficial owner of the Notes represented by the Global Notes. Upon any such issuance, the Trustee is required to register such certificated notes in the name of such person or persons (or the nominee of any thereof) and cause the same to be delivered thereto.

Neither BBVA Banco Continental nor the Trustee, any paying agent, security registrar or transfer agent shall be liable for any delay by DTC or any participant or indirect participant in identifying the beneficial owners of the related Notes and each such person may conclusively rely on, and shall be protected in relying on, instructions from DTC for all purposes (including with respect to the registration and delivery, and the respective principal amounts, of the Notes to be issued).

Notices

Notice to holders of the Notes will be given by mail to the addresses of such holders as they appear in the security register.

From and after the date the Notes are listed on the Euro MTF Market and so long as a listing on the Euro MTF Market is maintained or is required by the rules of the LSE, all notices to holders of Notes will be published in English:

(1) in a leading newspaper having a general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*); or

(2) if such Luxembourg publication is not practicable, in one other leading English language newspaper being published on each day in morning editions, whether or not it shall be published in Saturday, Sunday or holiday editions.

Notices shall be deemed to have been given on the date of publication as aforesaid or, if published on different dates, on the date of the first such publication. In addition, notices will be mailed to holders of Notes at their registered addresses in Luxembourg. Notices may also be published on the website of the Luxembourg Stock Exchange (www.bourse.lu).

Replacement of Notes

In case of mutilated, destroyed, lost or stolen Notes, application for replacement thereof may be made to the Trustee or BBVA Banco Continental. Any such Note shall be replaced by the Trustee in compliance with such procedures, on such terms as to evidence and indemnification as the Trustee and BBVA Banco Continental may require and subject to any applicable law or regulation. All such costs as may be incurred in connection with the replacement of any Notes shall be borne by the applicant. Mutilated Notes must be surrendered before new ones will be issued.

TAXATION

Certain Material U.S. Federal Income Tax Considerations

TO ENSURE COMPLIANCE WITH INTERNAL REVENUE SERVICE CIRCULAR 230, U.S. HOLDERS ARE HEREBY INFORMED THAT: (A) ANY DISCUSSION OF U.S. FEDERAL INCOME TAX ISSUES IN THIS OFFERING CIRCULAR IS NOT INTENDED OR WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED UPON, BY U.S. HOLDERS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON U.S. HOLDERS UNDER THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED, (B) SUCH DISCUSSION IS WRITTEN IN CONNECTION WITH THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN AND (C) U.S. HOLDERS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

The following is a description of certain material U.S. federal income tax consequences that may be relevant to the acquisition, ownership and disposition of the Notes by U.S. Holders, as defined below. This description addresses only the U.S. federal income tax considerations applicable to U.S. Holders, except as specifically stated otherwise, that purchase Notes pursuant to this offering at their issue price (generally, the first price at which a substantial amount of the Notes is sold to the public, other than sales to underwriters, placement agents, wholesalers, or similar persons) and that will hold the Notes as capital assets (generally, assets held for investment). This description does not address tax considerations applicable to holders that may be subject to special tax rules, including:

- certain financial institutions;
- insurance companies;
- real estate investment trusts or regulated investment companies;
- dealers or traders in securities or currencies;
- tax-exempt entities;
- persons that are subject to the alternative minimum tax;
- persons that will hold the Notes as part of a “hedging” or “conversion” transaction or as a position in a “straddle” for U.S. federal income tax purposes;
- persons that have a “functional currency” other than the U.S. dollar;
- persons who are residents or have a permanent establishment in Peru; or
- partnerships or other entities classified as partnerships for U.S. federal income tax purposes.

This description is based on the U.S. Internal Revenue Code of 1986, as amended (the “Code”), existing, proposed and temporary U.S. Treasury Regulations and judicial and administrative interpretations thereof, in each case as available on the date hereof. U.S. tax laws and the interpretation thereof are subject to change, which change could apply retroactively and could affect the tax consequences described below.

This description does not address any U.S. federal tax consequences other than U.S. federal income tax consequences, such as the estate and gift tax or the Medicare tax on net investment income. It also does not address any U.S. state, local or non-U.S. tax consequences. Investors should consult their own tax advisors with respect to the U.S. federal, state, local and foreign tax consequences of acquiring, owning or disposing of the Notes, in their particular circumstances.

For purposes of this description, a "U.S. Holder" is a beneficial owner of the Notes for U.S. federal income tax purposes that is:

- a citizen or individual resident of the United States;
- a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States or any state thereof, including the District of Columbia;
- an estate, the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust, if either a court within the United States is able to exercise primary jurisdiction over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust or such trust has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

The U.S. federal income tax treatment of a partner in a partnership (including any entity classified as a partnership for U.S. federal income tax purposes) that holds Notes will depend on the status of the partner and the activities of the partnership. Prospective purchasers that are partnerships and partners in such partnerships should consult their tax advisors concerning the U.S. federal income tax consequences to them of the acquisition, ownership and disposition of the Notes by the partnership.

Payments of Stated Interest

Interest paid on a Note (including any Additional Amounts) will be taxable to a U.S. Holder as ordinary interest income at the time it accrues or is received in accordance with the U.S. Holder's regular method of accounting for U.S. federal income tax purposes.

Interest on the Notes will generally constitute foreign source income, which may be relevant to a U.S. Holder in calculating its foreign tax credit for U.S. federal income tax purposes. Subject to limitations under the Code (including holding period requirements), any Peruvian tax withheld from payments on the Notes may be treated as a foreign income tax eligible for credit against a U.S. Holder's income tax liability (or, at a U.S. Holder's election, may be deducted in computing taxable income if the U.S. Holder has elected to deduct all foreign income taxes paid or accrued for the relevant year). The limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. The rules governing foreign tax credits (and deductions) are complex, and U.S. Holders should consult their own tax advisor regarding the availability of foreign tax credits (or deductions), including credits (or deductions) in respect of taxes imposed by Peru on payments on the Notes, in their particular circumstances.

Sale, Exchange or Other Taxable Disposition of the Notes

A U.S. Holder generally will recognize taxable gain or loss on the sale, exchange or other taxable disposition of the Notes equal to the difference between the amount realized on the sale, exchange or other taxable disposition (other than amounts attributable to accrued but unpaid interest, which will be taxable as ordinary interest income) and the U.S. Holder's adjusted tax basis in the Notes. This gain or loss will be capital gain or loss, and will be long-term capital gain or loss if the Notes were held for more than one year. Long-term capital gains of a non-corporate U.S. Holder may be subject to tax at a preferential rate. The deductibility of capital losses is subject to limitations. Gain or loss, if any, recognized by a U.S. Holder generally will be treated as U.S. source income or loss for U.S. foreign tax credit purposes.

If any foreign income tax is withheld on the sale, exchange or other taxable disposition of a Note, the amount realized by a U.S. Holder will include the gross amount of the proceeds of that sale, exchange or other taxable disposition before deduction of such tax. Capital gain or loss, if any, realized by a U.S. Holder on the sale, exchange or other taxable disposition of a Note generally will be treated as U.S. source gain or loss for U.S. foreign tax credit purposes. Consequently, in the case of a gain from the sale, exchange or other taxable disposition of a Note that is subject to foreign income tax, the U.S. Holder may not be able to benefit from the foreign tax credit for the tax unless the U.S. Holder can apply the credit against U.S. federal income tax payable on other income from foreign sources. Alternatively, the U.S. Holder may take a deduction for the foreign income tax if the U.S. Holder elects to deduct (rather than credit) all foreign income taxes paid or accrued during the taxable year. The rules governing foreign tax credits are complex and, therefore, U.S. Holders should consult their tax advisors regarding the availability of foreign tax credits in their particular circumstances.

Backup Withholding and Information Reporting

Payment of interest and proceeds from the sale or disposition of the Notes that are made within the United States or through certain U.S.-related financial intermediaries generally are subject to information reporting and to backup withholding unless (i) the U.S. Holder is an exempt recipient or (ii) in the case of backup withholding, the U.S. Holder provides a correct taxpayer identification number and certifies that the U.S. Holder is not subject to backup withholding. Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against the U.S. Holder's U.S. federal income tax liability, provided the required information is timely furnished to the IRS.

Recently enacted legislation requires individual U.S. Holders to report information to the IRS with respect to their investment in the Notes unless certain requirements are met. Investors who are individuals and fail to report required information could become subject to substantial penalties. Prospective investors are encouraged to consult with their own tax advisors regarding the possible implications of this new legislation on their investment in the Notes.

Certain Peruvian Tax Considerations

The following summary of certain Peruvian tax matters as in force on the date of this offering circular describes the principal tax consequences of an investment in the Notes by a person who is not domiciled in Peru and will not hold the Notes in connection with the conduct of a trade or business through a permanent establishment in Peru. This summary is not intended to be a comprehensive description of all of the tax considerations that may be relevant to a decision to make an investment in the Notes. In addition, it does not describe any tax consequences: (a) arising under the laws of any taxing jurisdiction other than Peru or (b) applicable to a resident of Peru or to a person with a permanent establishment in Peru.

For Peruvian tax purposes, a legal entity is domiciled in Peru if it has been incorporated in Peru or if it is considered a permanent establishment in Peru of a foreign entity. All entities incorporated in Peru are subject to Peruvian income tax on its worldwide income, whereas permanent establishments of non-Peruvian legal entities and all non-Peruvian legal entities are only liable for the Peruvian income tax in relation to income earned from a Peruvian source.

On the other hand, as a general rule, a non-Peruvian individual is deemed domiciled in Peru for tax purposes if such individual has resided or has remained in Peru for more than 183 calendar days during any twelve month period (changes in resident status enter in force in the following fiscal year). A Peruvian individual is liable for Peruvian income tax on worldwide income, while a non-Peruvian individual is only liable for Peruvian income tax in relation to income earned from a Peruvian source.

Income tax

Payment of interest

Interest on bonds or other debt instruments is subject to Peruvian Income Tax, as Peruvian source income, when the issuer is incorporated in Peru, regardless of where the issuance takes place or the location of the goods affected to warranty. Likewise, interest on bonds or other debt instruments is subject to Peruvian Income Tax, as Peruvian source income, if funds are placed, or economically used, in Peru, or if the payer of such amounts is domiciled in Peru.

As a general rule, interest received by non-domiciled entities from bonds and other debt instruments issued by Peruvian entities is subject to Peruvian Income Tax withholding at a rate of 4.99%. If the parties are considered "related", the applicable withholding rate will be 30%.

Similarly, if such interest is received by non-domiciled individuals, it is subject to Income Tax withholding at a rate of 4.99% provided that (i) the parties to the transaction are not considered "related" and (ii) interest does not derive from a transaction "from or through a tax haven". If these requirements are not met, the applicable withholding tax will be 30%.

The Bank is required to act as withholding agent for income tax, if any, due with respect to interest paid on the Notes. The Bank has agreed, subject to specific exceptions and limitations, to pay additional amounts to the holders of the Notes in respect of the Peruvian income taxes mentioned above. See "Description of the Notes—Payment of Additional Amounts".

Sale of the Notes

With respect to non-Peruvian holders, any capital gain arising from the sale, exchange or other disposition of those notes would be subject to Peruvian income tax at a rate of 30%. The tax rate would be 5% only if the following two requirements are satisfied: (i) the Notes are registered in the Securities Public Registry and (ii) the Notes are negotiated in a Peruvian Centralized Stock Market.

Taxable capital gain would be the result of the positive difference between the sale value and the acquisition value, taking into consideration that the acquisition value has to be certified by the Peruvian Tax Administration through a form submitted by the seller. This certification is not needed in case of sales made through the Peruvian Centralized Stock Market and for early redemptions of the Notes made by the issuer.

The Peruvian Income Tax Law provides a temporal exemption on the assessment of income tax on capital gains resulting in the sale of securities issued by Peruvian entities performed by individuals (Peruvian or non-Peruvian), for the first S/. 18,250 (5 UIT) gained in a calendar year. Pursuant to Peruvian Tax Law, this exemption will be in effect until December 31, 2012. Nevertheless, it is customary to extend the validity of this type of exemption for an additional term when the previous term expires.

Prospective purchasers of the Notes should discuss with their own tax advisors the application of any income tax described herein to their particular situations.

Redemption

Any premium received upon an early redemption of the Notes will be subject to withholding tax at a rate of either 4.99% or 30% depending on whether the premium is characterized as interest or capital gains. Prospective investors should seek advice from an independent tax advisor.

Value Added Tax ("VAT")

Interest paid on the Notes will be exempted from VAT. According to Supreme Decree No. 099-2011-EF, interest paid on securities, such as the Notes, issued through an international offering by companies incorporated or established in Peru will be exempt from VAT when (i) such Notes and this offering circular are registered with the SMV; (ii) the international offering has a 'placement tranche' in Peru, and (iii) the international offering is executed, as the case may be, pursuant to Supreme Decree No. 093-2002-EF (*Texto Unico Ordenado de la Ley del Mercado de Valores*) and Legislative Decree No. 862 (*Ley de Fondos de Inversíon y sus Sociedades Administradoras*). This exemption applies to all the Notes issued pursuant to this offering circular. The aforementioned exemption will only be in effect until December 31, 2012. Although it is customary to extend these VAT exemptions, the Bank cannot assure that the exemption will be renewed after December 31, 2012.

If the requirements set forth are not satisfied, the interest paid on the Notes issued hereunder will be subject to VAT at a rate of 18%. Nonetheless, holders of Notes are not responsible for VAT payment in any event.

In addition, VAT is not applicable in the case of sale or exchange of the Notes.

Financial transaction tax ("FTT")

In Peru there is a FTT with a 0.005% rate on debits and credits made in a Peruvian bank or other financial institution account, either in national or foreign currency. Likewise, if the issue price paid for the Notes is deposited in a Peruvian Financial System ("PFS") bank account, such credit will also be levied at the corresponding FTT rate. The taxpayer of the FTT is the holder of the PFS bank account.

PLAN OF DISTRIBUTION

Under the terms and subject to the conditions contained in a purchase agreement dated August 23, 2012, the Bank has agreed to sell to each of the initial purchasers, and each of the initial purchasers has severally agreed to purchase, the principal amount of Notes opposite its name on the table below.

Initial Purchasers of Notes	Principal Amount
Banco Bilbao Vizcaya Argentaria, S.A.	US$100,000,000*
Goldman, Sachs & Co.	US$200,000,000
Merrill Lynch, Pierce, Fenner & Smith Incorporated	US$200,000,000
Total	US$500,000,000

*Includes Regulation S Notes only.

The purchase agreement provides that the initial purchasers are obligated to purchase all of the Notes if any are purchased. The initial purchasers propose to offer the Notes initially at the offering price on the cover page of this offering circular and may also offer the Notes to selling group members at the offering price less a selling concession. After the initial offering, the offering price may be changed. The offering of the Notes by the initial purchasers is subject to receipt and acceptance and subject to the initial purchasers' right to reject any order in whole or in part.

The initial purchasers are offering the Notes to investors that are either (1) U.S. Persons, as defined in Regulation S under the Securities Act, who are QIBs in reliance on Rule 144A under the Securities Act or (2) non-U.S. Persons (within the meaning of Regulation S of the Securities Act) outside of the United States.

The Notes have not been and will not be registered under the Securities Act or under the securities laws of any other jurisdiction. The Notes are being offered and sold only to investors that are either (1) QIBs in reliance on Rule 144A under the Securities Act or (2) non-U.S. Persons (within the meaning of Regulation S of the Securities Act) outside of the United States. Prospective purchasers are hereby notified that the sellers of the Notes may be relying on the exemptions from the provisions of Section 5 of the Securities Act provided by Rule 144A.

The initial purchasers have agreed that except as permitted by the purchase agreement they will not offer, sell or deliver the Notes (1) as part of its distribution at any time, or (2) otherwise until 40 days after the later of the commencement of this offering and the closing date, within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each broker/dealer to which it sells the Notes in reliance on Regulation S during such 40-day period, a confirmation or other notice detailing the restrictions on offers and sales of such Notes within the United States, or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act. Resales of the Notes are restricted as described under "Notice to Investors."

In addition, until 40 days after the commencement of this offering, an offer or sale of the Notes within the United States by a broker/dealer (whether or not it is participating in the offering), may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than pursuant to Rule 144A.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive, (each, a "Relevant Member State"), each initial purchaser has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date") it has not made and will not make an offer of any Notes which are the subject of the offering contemplated by this offering circular to the public in that Relevant Member State other than:

(a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(b) to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the

Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the issuer for any such offer; or

(c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes shall require the Bank or any initial purchaser to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer to the public" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression "Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

United Kingdom

Each initial purchaser represents, warrants and agrees that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the "FSMA")) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to us; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Hong Kong

The Notes may not be offered or sold by means of any document other than (i) to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder, or (ii) in other circumstances which do not result in the document being a "prospectus" within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong); and no advertisement, invitation or document relating to the Notes may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the Securities and Futures Ordinance and any rules made thereunder.

Singapore

This offering circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this offering circular and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes may not be circulated or distributed, nor may the Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), (ii) to a relevant person pursuant to Section 275(l), or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 by a relevant person which is: (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferable within 6 months after that corporation or that trut has acquired the notes pursuant to an offer made under Section 275 except: (1) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA; (2) where no consideration is or will be given for the transfer; (3) where the transfer is by operation of law; or (4) as specified in Section 276(7) of the SFA.

Japan

The securities have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (the "Financial Instruments and Exchange Law") and each Initial Purchaser has agreed that it will not offer or sell any securities, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Law and any other applicable laws, regulations and ministerial guidelines of Japan.

Peru

In Peru this constitutes a public offering directed exclusively to “institutional investors” under CONASEV Resolution No. 079-2008-EF/94.01.1, as amended.

The Notes and this offering circular have been registered with the SMV in accordance with the procedure set forth in Section IV.2.A.b).4 of the Manual for Compliance with the Requirements Applicable to the Public Offering of Securities (*Manual para el Cumplimiento de los Requisitos Aplicables a Ofertas Públicas de Valores Mobiliarios*), as amended by SMV Resolution No. 004-2011-EF/94.01.1, applicable to U.S. offerings in reliance of Rule 144A of the Securities Act with a Peruvian component.

In order to purchase the Notes, each “institutional investor” in Peru must sign an statement representing (a) that it is an “institutional investor” (as such term is defined in the Seventh Final Disposition of CONASEV Resolution No. 141-98-EF/94.10, as amended); and (b) that it understands (i) the differences in the accounting and tax treatment in Peru and the country or countries where the Notes will be traded, and (ii) the terms and conditions of the Notes.

General

Each of the initial purchasers has represented and agreed that it has not offered, sold or delivered and will not offer, sell or deliver any Notes directly or indirectly, or distribute this offering circular or any other offering material relating to the Notes in or from any jurisdiction, except under circumstances that will result in compliance with the applicable laws and regulations thereof and that will not impose any obligations on the Bank except as set forth in the purchase agreement.

Purchasers of Notes sold outside the United States may be required to pay stamp taxes and other charges in compliance with the laws and practices of the country of purchase in addition to the price to investors on the cover page of this offering circular.

The initial purchasers and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Certain of the initial purchasers and their respective affiliates have provided, and may in the future provide, a variety of these services to the issuer and to persons and entities with relationships with the issuer, for which they received or will receive customary fees and expenses. BBVA, one of the initial purchasers, owns 50% of Holding Continental. See “Description of the Notes” in this offering circular.

In the ordinary course of their various business activities, the initial purchasers and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the issuer (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the issuer. Certain of the initial purchasers or their affiliates that have a lending relationship with the Bank routinely hedge their credit exposure to the Bank consistent with their customary risk management policies. Typically, such initial purchasers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the Notes offered hereby. Any such short positions could adversely affect future trading prices of the notes offered hereby. The initial purchasers and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

The Bank has agreed to indemnify the several initial purchasers against liabilities, including liabilities under the Securities Act, and to contribute to payments that the initial purchasers may be required to make in respect of these liabilities.

The Bank has applied to have the Notes admitted for listing on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF market. The initial purchasers have advised the Bank that they intend to make a market in the Notes as permitted by applicable law. They are not obligated, however, to make a market in the Notes and any market-making may be discontinued at any time at their sole discretion. Accordingly, no assurance can be given as to the development or liquidity of any market for the Notes.

The initial purchasers may engage in over-allotment, stabilizing transactions, covering transactions and penalty bids in accordance with Regulation M under the Exchange Act.

- Over-allotment involves sales in excess of the offering size, which creates a short position for the initial purchaser.
- Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum.
- Covering transactions involve purchases of the Notes in the open market after the distribution has been completed in order to cover short positions.
- Penalty bids permit the initial purchaser to reclaim a selling concession from a broker/dealer when the Notes originally sold by such broker/dealer are purchased in a stabilizing or covering transaction to cover short positions.

These stabilizing transactions, covering transactions and penalty bids may cause the price of the Notes to be higher than it would otherwise be in the absence of these transactions. These transactions, if commenced, may be discontinued at any time.

BBVA is participating in the offering of Notes only outside of the United States in reliance upon Regulation S under the Securities Act.

NOTICE TO INVESTORS

Because of the following restrictions, purchasers are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of the Notes offered hereby.

The Notes have not been registered under the Securities Act, any U.S. state securities laws or the laws of any other jurisdiction (other than Peru), and may not be offered, sold or otherwise transferred within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act) except to (a) QIBs (as defined in Rule 144A under the Securities Act) in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A or (b) non-U.S. persons (as defined under Regulation S) and persons in offshore transactions in reliance on Regulation S.

Each purchaser of the Notes offered hereby will be deemed to have represented and agreed as follows (terms used herein that are defined in Rule 144A ("Rule 144A") and Regulation S ("Regulation S") under the Securities Act and the rules and regulations thereunder are used herein as defined therein):

(1) You (A)(i) are a QIB, (ii) are aware that the sale of the Notes to you is being made in reliance on Rule 144A and (iii) are acquiring such Notes for your own account or for the account of a QIB or (B)(i) are a non-U.S. Person and (ii) are acquiring the Notes in an offshore transaction pursuant to Regulation S.

(2) You understand that the Notes have not been and will not be registered under the Securities Act, and that (A) if in the future you decide to offer, resell, pledge or otherwise transfer any of the Notes, such Notes may be offered, resold, pledged or otherwise transferred only (i) in the United States to a person whom the seller reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A, and (ii) outside the United States in a transaction complying with the provisions of Rule 903 or 904 under the Securities Act, in each case in accordance with any applicable securities laws of any State of the United States, and that (B) you will, and each subsequent holder is required to, notify any subsequent purchaser of the Notes from you of the resale restrictions referred to in (A) above, and (C) the Notes may not be reoffered, resold, pledged or otherwise transferred except in accordance with the legend on such Notes described below.

(3) The Notes bear a legend to the following effect:

"THE NOTES EVIDENCED HEREBY HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933 (THE "SECURITIES ACT") OR ANY STATE SECURITIES LAWS OR THE LAWS OF ANY OTHER JURISDICTION (OTHER THAN PERU). NEITHER THIS NOTE NOR ANY BENEFICIAL INTERESTS IN THE NOTE MAY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (A) (1) TO A PERSON WHO THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER ("QUALIFIED INSTITUTIONAL BUYER") WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A OF THE SECURITIES ACT, OR (B) TO PERSONS IN OFFSHORE TRANSACTIONS IN RELIANCE ON REGULATION S. EACH PURCHASER OF THIS NOTE IS HEREBY NOTIFIED THAT THE SELLER OF THIS NOTE MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER.

THE HOLDER HEREOF BY ACCEPTING THIS NOTE, REPRESENTS, WARRANTS, ACKNOWLEDGES AND AGREES, AND EACH BENEFICIAL OWNER, BY PURCHASING OR ACQUIRING SUCH INTEREST, IS DEEMED TO REPRESENT, WARRANT, ACKNOWLEDGE AND AGREE, FOR THE BENEFIT OF THE ISSUER AND FOR ANY AGENT OR SELLER WITH RESPECT TO THE NOTES, THAT (A)(I) IT AND EACH PERSON FOR WHICH IT IS ACTING IS A QUALIFIED INSTITUTIONAL BUYER (II) IT IS AWARE THAT THE SALE OF THE NOTES TO IT ARE BEING MADE IN RELIANCE ON

RULE 144A AND (III) IT IS ACQUIRING SUCH NOTES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A UNDER THE SECURITIES ACT OR (B) IT AND EACH PERSON FOR WHICH IT IS ACTING IS A NON-U.S. PERSON OUTSIDE OF THE UNITED STATES IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 or 904 UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES.

IF ANY NOTE IS SOLD IN PERU IT WILL BE SUBJECT TO THE TRANSFER AND RESALE RESTRICTIONS SET FORTH IN CONASEV RESOLUTION NO. 079-2008-EF/94.01.1".

(4) You are not purchasing the Notes with a view to the resale, distribution or other disposition thereof in violation of the Securities Act or the Investment Company Act. You understand that an investment in the Notes involves certain risks, including the risk of loss of all or a substantial part of its investment under certain circumstances. You have had access to such financial and other information concerning the Bank and the Notes as you deemed necessary or appropriate in order to make an informed investment decision with respect to its purchase of the Notes. You had such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of its investment in the Notes, and you and any accounts for which you are acting are each willing and able to bear the economic and other risk of its investment.

(5) You are aware that in connection with the purchase of the Notes: (i) no initial purchaser is acting as a fiduciary or financial or investment advisor for you; (ii) you are not relying (for purposes of making any investment decision or otherwise) upon any advice, counsel or representations (whether written or oral); (iii) no initial purchaser has given to you (directly or indirectly through any other person) any assurance, guarantee, or representation whatsoever as to the expected or projected success, profitability, return, performance, result, effect, consequence, or benefit (including legal, regulatory, tax, financial, accounting or otherwise) of your purchase; and (iv) you have consulted with your own legal, regulatory, tax, business, investment, financial, accounting and other advisors to the extent you have deemed necessary, and you made your own investment decisions based upon your own judgment and upon any advice from such advisors as you deemed necessary and not upon any view expressed by any initial purchaser.

(6) You, and each person for which you are acting, understand that any sale or transfer of the Notes (or beneficial interests therein) to a person that does not comply with the requirements set forth in paragraphs (1) through (8) hereof will be null and void *ab initio* and not honored by the Company.

(7) You, and each person for which you are acting, will provide notice of these transfer restrictions to any subsequent transferees and agree not to reoffer, resell, pledge or otherwise transfer the Notes or any beneficial interest therein, to any person except to a person that (x) meets all of the requirements in paragraphs (1) through paragraph (8) hereof and (y) agrees not to subsequently transfer the Notes or any beneficial interest therein except in accordance with these transfer restrictions.

(8) You are aware that the initial purchasers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements. If you are acquiring any Notes for the account of one or more persons each of whom is also a U.S. person who is a QIB, you represent that you have sole investment discretion with respect to each such account and that you have full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

Resale Restrictions in Peru

Each purchaser of the Notes in Peru represent (a) that it is an "institutional investor" (as such term is defined in the Seventh Final Disposition of CONASEV Resolution No. 141-98-EF/94.10); and (b) that it understands (i) the differences in the accounting and tax treatments in Peru and the country or countries where the securities will be traded, and (ii) the terms and conditions of the securities.

NOTICE TO PERUVIAN INVESTORS

The Notes are being offered in Peru only to “institutional investors” (as such term is defined in the Seventh Final Disposition of CONASEV Resolution No. 141-98-EF/94.10, as amended).

The securities in Peru are subject to the transfer and resale restrictions set forth in CONASEV Resolution No. 079-2008-EF/94.01.1, as amended.

GENERAL INFORMATION

Clearing Systems

The Notes have been accepted for trading in book-entry form by DTC and have been accepted for clearance through Clearstream International S.A. and the Euroclear Bank S.A./N.V., as operator of the Euroclear System. The CUSIP and ISIN numbers and Common Codes for the Notes are as follows:

144A note CUSIP	144A note ISIN	144A note Common Code
05537G AA3	US05537GAA31	082330003
Regulation S note CUSIP	**Regulation S note ISIN**	**Regulation S note Common Code**
P16260 AA2	USP16260AA28	082286594

Listing

Application has been made to list the Notes on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF market. Copies of the Bank's bylaws, the indenture, as may be amended or supplemented from time to time, the Bank's published annual audited consolidated financial statements and any published quarterly unaudited consolidated financial statements will be available at the Bank's principal executive offices, as well as at the offices of the Indenture Trustee, registrar, paying agent and transfer agent, and at the offices of the Luxembourg listing agent, paying agent and transfer agent, as such addresses are set forth in this offering circular. The Bank will maintain a paying and transfer agent in Luxembourg for so long as any of the Notes are listed on the Official List of the Luxembourg Stock Exchange.

Authorization

The Bank has obtained all necessary consents, approvals and authorizations in connection with the issuance and performance of the Notes on March 29 and April 26, 2012.

Responsibility and No Material Adverse Change

The Bank accepts responsibility for the information contained in this offering circular and, to the best of the knowledge and belief of the Bank, such information is in accordance with the facts and does not omit anything likely to have a material effect on such information. Except as disclosed in this offering circular, there has not been any significant change in the financial or trading position of the Bank since the date of the Bank's last published interim financial statements and there has not been any material adverse change in the business prospects of the Bank since the date of the Bank's last published Financial Statements included in this offering circular.

No Litigation

Except as disclosed herein, the Bank is not involved in any governmental litigation or arbitration proceedings relating to claims or amounts which are material in the context of the issue of the Notes nor so far as the Bank is aware is any such governmental litigation or arbitration proceedings pending or threatened.

Notices

All notices to the registered holders of Notes will be mailed or delivered to such holders at their addresses indicated in records maintained by the Registrar and, as long as the Notes are listed on the Luxembourg Stock Exchange, and the rules of the Luxembourg Stock Exchange so require, notices will be published in a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or on the Luxembourg Stock Exchange website. Any such notice shall be deemed to have been given on the date of such delivery or publication, as the case may be, or in the case of mailing, on the second business day after such mailing.

LEGAL MATTERS

Certain matters relating to the validity of the Notes were passed upon for the Bank by Paul Hastings LLP, New York, New York and Miranda & Amado Abogados, Lima, Peru. Certain legal matters were passed upon for the initial purchaser by Cleary Gottlieb Steen & Hamilton LLP, New York, New York and Rodrigo, Elias & Medrano Abogados, Lima, Peru.

INDEPENDENT AUDITORS

The consolidated financial statements of BBVA Banco Continental and subsidiaries as of December 31, 2011 and 2010 and December 31, 2010 and 2009 and for the years ended December 31, 2011, 2010 and 2009, included in this offering circular, have been audited by Beltrán, Gris y Asociados S.C.R.L., independent auditors, a Peruvian entity that is a member firm of Deloitte Touche Tohmatsu Limited.

ANNEX A—PRINCIPAL DIFFERENCES AMONG PERUVIAN GAAP, U.S. GAAP AND IFRS (AS ADOPTED BY THE IASB)

Peruvian GAAP is composed of: (a) the standards and interpretations issued or adopted by the International Accounting Standards Board ("IASB") which include International Financial Reporting Standards (hereinafter, IFRS), International Accounting Standards ("IAS"), and the Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") or by the former Standing Interpretation Committee ("SIC") adopted by IASB, made official by the Peruvian Accounting Board ("CNC") for its application in Peru and, (b) the application in Peru of the equity method for the valuation of investment in subsidiaries. The following paragraphs summarize the areas in which differences among Peruvian GAAP, IFRS and U.S. GAAP could be significant to the financial statements of Financial Entities in Peru as of June 30, 2012. The Bank has not prepared consolidated financial statements in accordance with IFRS or U.S. GAAP and, accordingly, cannot offer any assurances that all existing differences have been identified and that the differences described below could, in fact, be the largest differences between the Bank's financial statements and those prepared under IFRS or U.S. GAAP. In addition, the Bank cannot estimate the net effect that applying IFRS or U.S. GAAP would have on the Bank's consolidated results of operations or consolidated financial position or any component thereof, in any of the presentations individually or in the aggregate, and, as a result, the Bank's total shareholders' equity prepared on the basis of Peruvian GAAP may be materially different if it were to report such amount under IFRS or U.S. GAAP. Differences in the presentation of the financial statements as well as differences in the information provided in the footnotes to the financial statements have not been reported therein.

Content and Format of Financial Statements

Under Peruvian GAAP, the presentation and content of the accounts included in the financial statements are detailed in the "Accounting Manual for Financial Entities" issued by the SBS. Under IFRS, specifically IAS 1, IAS 32, IAS 39, IFRS 7, include generic principles regarding the presentation and disclosure in the financial statements for financial entities. Under U.S. GAAP, the SEC has established detailed rules about the form and content of the financial statements for banks in its S-X regulation and various other pronouncements that contain detailed requirements for presentation and disclosure.

Cash Flow Statements

Under Peruvian GAAP, the cash flow statement is presented using the indirect method, in accordance with the "Accounting Manual for Financial Entities" issued by the SBS, which contains significant presentational differences as compared to the cash flow statement prepared in accordance with IFRS (IAS 7) and U.S. GAAP (ASC 230).

The format of a cash flow statement prepared under IAS 7 is essentially the same as a cash flow statement prepared under ASC 230. Both standards require cash flows to be classified into three broad categories: operating activities; investing activities; and financing activities. However, presentation differences can arise due to differences between IFRS and U.S. GAAP in respect of the definition of cash, and the classification of specific items.

Consolidation and Investment in Special Purpose Entities

The key principle for consolidation under IFRS is IAS 27 (Amended) "Consolidated and Separate Financial Statements," and under U.S. GAAP it is ASC 810 "Consolidation." Consolidation principles under Peruvian GAAP and IFRS (IAS 27, SIC 12) are based upon the concept of control and are substantially similar. Under U.S. GAAP, a reporting entity is not required to consider the effect of potential voting rights (e.g., warrants, share call options, instruments convertible into voting shares) when determining whether a controlling financial interest exists. Under Peruvian GAAP and IFRS a reporting enterprise consider the "existence and effect of potential voting rights that are currently exercisable or convertible" when determining whether control is present.

Under both IFRS and U.S. GAAP, the determination of whether or not entities are consolidated by a reporting enterprise is based on control, although differences exist in the definition of control. Under IFRS, the concept of power to control is the parent's ability to govern the financial and operating policies of an entity to obtain benefits. Control is presumed to exist if the parent owns more than 50% of the votes, and potential voting rights must be considered. Under U.S. GAAP, there are two different models for determining whether consolidation is appropriate. Under the risk and rewards model, consolidation is based on which interest holder absorbs a majority of the risks and rewards of a variable interest entity (VIE). If a reporting entity has an interest in another entity that is not considered a VIE or that is not within the scope of the VIE model, the voting interest model must be applied. Under this model, consolidation is based on whether the reporting entity has a controlling financial interest in the entity.

Under Peruvian GAAP and IFRS (IAS 27 and SIC 12), a reporting entity must consider the indicators of control in both IAS 27 and SIC-12 to determine whether consolidation is appropriate. Under this model, a reporting entity should consider which party controls an entity on the basis of an evaluation of both governance indicators (IAS 27) and economic indicators (SIC-12).

Associates

Until March 1, 2009, under Peruvian GAAP, associates and other investments were classified as permanent investments and accounted for using the equity method. In accordance with SBS Resolution No. 10639-2008, dated October 31, 2008, as amended, which superseded SBS Resolution No. 1914-2004, dated November 23, 2004, and became effective on March 1, 2009, the Permanent Investments category was eliminated and replaced by Investments in Subsidiaries and Associates. This category comprises equity instruments acquired with the purpose of having: (i) an equity participation, (ii) control, as defined by IAS 27, and/or (iii) significant influence, as defined by IAS 28. Their initial recognition is at acquisition cost, including transaction costs that are directly attributable to the acquisition, and thereafter, are recorded following the equity participation method.

Under U.S. GAAP, an investor applies the equity method of accounting when it has significant influence over an investee, with two exceptions. First, if the investor has elected the fair value option, it would carry its investment at fair value. Second, the investor may be permitted to carry its investment at fair value under specialized industry accounting guidance.

Under IFRS, the investor applies the equity method of accounting when it has significant influence over an associate, with two exceptions. First, if the investor meets the criteria in paragraph 10 of IAS 27, to present nonconsolidated financial statements, the investor should account for its investment in an associate not classified as held for sale, either at cost or in accordance with IAS 39 (rather than applying the equity method of accounting). A similar exemption exists for an investor that is not a parent entity and that meets the criteria in paragraph 13(c) of IAS 28. Second, investments in associates held by venture capital organizations, mutual funds, unit trusts, and similar entities (including investment-linked insurance funds) are generally carried at fair value under IAS 39.

Under IFRS and U.S. GAAP significant influence is generally presumed if an investor holds directly or indirectly 20% or more of the voting power of the investee

Goodwill Amortization

The key principle for Goodwill under IFRS is IAS 38 (Amended) "Intangible assets", and under U.S. GAAP it is ASC 350 "Intangibles –Goodwill and Others".

Under U.S. GAAP and IFRS, goodwill is not amortized but it is subject to an annual impairment test; negative goodwill must be recognized immediately in profit and losses.

Under Peruvian GAAP, financial entities that generated goodwill before January 1, 2010, can still amortize it up to five years from its generation date.

Property, Furniture and Equipment

Under IFRS (IAS 16), a company has the alternative to account for certain fixed assets at cost model or revaluation model. Under U.S. GAAP (ASC 360), historical cost is the only alternative. Under Peruvian GAAP, fixed asset revaluations may be allowed by the SBS for one time under certain circumstances.

Intangible Assets

IFRS (IAS 38), Peruvian GAAP and U.S. GAAP (ASC 350) require recognition of acquired and some internally generated intangible assets, and amortization of such over their estimated economic life. U.S. GAAP and IFRS also allow for the identification of intangible assets which are identified as having an indefinite life, and such intangible assets are not amortized but instead are evaluated for potential impairment at least annually.

Impairment

Peruvian GAAP, IFRS (IAS 36) and U.S. GAAP (ASC 350 and 360) require that specific and clearly detailed tests be carried out to adjust the carrying value of certain assets (long-live assets) when indicators of potential impairment exist (or annually for goodwill and intangible assets with an indefinite life).

Impairments under Peruvian GAAP and IFRS are based on discounted cash flows. Under U.S. GAAP, only if an asset's estimated undiscounted future cash flows are below its carrying amount is a determination required of the amount of any impairment based on discounted cash flows. There is no undiscounted test under IFRS.

Under Peruvian GAAP and IFRS, goodwill is allocated to "cash generating units," which are the smallest group of identifiable assets that include the goodwill under review for impairment and generate cash inflows from continuing use that are largely independent of the cash inflows from other assets. Under U.S. GAAP, goodwill is allocated to "reporting units," which are operating segments or one level below an operating segment (as defined in ASC 280).

The goodwill impairment test under U.S. GAAP compares the carrying value for each reporting unit to its fair value. A two-step test is performed: First, fair value of the reporting unit is compared with its carrying amount, including goodwill. If fair value is greater than carrying amount, step 2 is skipped because goodwill is not impaired. Then the "implied fair value" of reporting-unit goodwill is compared with its carrying amount. If the carrying amount exceeds the implied fair value of goodwill, an impairment loss is recognized in an amount equal to that excess. Under IFRS, the recoverable amount of a CGU (higher of (1) fair value less costs to sell and (2) value in use) is compared with the carrying amount. The impairment loss is allocated by (1) reducing any goodwill of the CGU and then (2) reducing the carrying value of other assets of the CGU on a pro rata basis, subject to certain constraints.

Under Peruvian GAAP and IFRS impairment losses are reversed when there has been a change in economic conditions or in the expected use of the asset, except for goodwill. Under U.S. GAAP impairment losses cannot be reversed for assets to be held and used, as the impairment loss results in a new cost basis for the asset. Subsequent revisions to the carrying amount of an asset to be disposed of are reported as adjustments to the asset's carrying amount, but limited by the carrying amount at the date on which the decision to dispose of the asset is made.

Debt and Equity Securities

Until March 2009, under Peruvian GAAP, investments in debt and equity securities were recognized at cost (which do not include any related acquisition cost as part of the initial cost) and were afterwards valued according to SBS Resolution No. 1914-2004 according to their respective classification (trading and available-for-sale at fair value, and held-to-maturity at historical cost). Since March 2009, as per SBS Resolution No. 10639-2008, investments at fair value through profit or loss (formerly recorded as trading securities) are initially recognized at cost (excluding acquisitions costs, which are recorded as expenses) and subsequently re-measured at fair value. Available-for-sale investments and held-to-maturity investments are initially recognized at cost including acquisition costs and subsequently re-measured at fair value, while held-to-maturity investments are valued at amortized cost using the effective interest rate method. Additionally, Resolution No. 10639-2008 established an additional category: Investments in Subsidiaries and Associates for equity instruments acquired with the purpose of having: (i) an equity participation, (ii) control, as defined by IAS 27, and/or (iii) significant influence, as defined by IAS 28. Their initial recognition is at acquisition cost, including transaction costs that are directly attributable to the acquisition, and thereafter, are recorded following the equity participation method.

IFRS 9 “Financial Instruments” was issued in November 2009. An entity must adopt IFRS 9 for annual periods beginning on or after January 1, 2013; early adoption is permitted. Prior to adoption of IFRS 9, under IFRS (IAS 32 and 39) and U.S. GAAP (ASC 320), all investments in securities are initially recognized at cost including all related acquisition costs as part of the initial cost, being the fair value of the consideration given and including acquisition costs associated with the investment. Subsequent measurement of investments is based upon the valuation principles of the portfolios they are classified in at the time of purchase, as described below:

- Trading securities, in all cases, are re-measured at fair value and all related realized and unrealized gains or losses are recognized in income.

- Held-to-maturity securities are carried at amortized cost using the effective yield method less any impairment in value. Gains or losses are recognized in income when the investments are derecognized or impaired, as well as through the amortization of premiums and accretion of discounts. Sale or reclassification of held-to-maturity securities to other categories triggers reclassification of such securities outside the held-to-maturity portfolio.

- Available-for-sale securities (AFS), under IFRS and U.S. GAAP are carried at fair value. Gains or losses on re-measurement to fair value are recognized as a separate component of equity, or other comprehensive income, net of income taxes, until investment is sold, collected or otherwise disposed of or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in income.

Under Peruvian GAAP and IFRS, foreign exchange gains and losses on the amortized cost of all financial instruments are recognized in the income statement. U.S. GAAP (ASC 830) establishes that the foreign exchange gains and losses related to the amortized cost of debt securities classified as available-for-sale must be recognized in equity.

Under U.S. GAAP interest income is recognized on the basis of contractual cash flows, with certain exceptions depending on the specific characteristics of a debt security. Under IFRS, the effective interest method is used to recognize interest income on investments in debt instruments on the basis of the estimated cash flows over the expected life of the instrument.

Impairment of Debt and Equity Securities

Under IFRS, generally only evidence of credit default results in an impairment being recognized in the income statement for an AFS debt instrument. Under Peruvian GAAP credit default is one of the evidence factors that the management should analyze. The impairment loss is measured as the difference between the debt instrument’s amortized cost basis and its fair value. For an AFS equity investment, impairment is recognized in the income statement when there is objective evidence that the AFS equity instrument is impaired, and that the cost of the investment in the equity instrument may not be recovered. The impairment is measured as the difference between the equity instrument’s cost basis and its fair value. A significant and prolonged decline in fair value of an equity investment below its cost is considered objective evidence of impairment. Under Peruvian GAAP and IFRS, impairment losses recognized through the income statement for AFS equity securities cannot be reversed through the income statement for future recoveries. However, impairment losses for debt instruments classified as AFS may be reversed through the income statement if the fair value of the asset increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognized.

Under U.S. GAAP, declines in fair value below cost may result in an impairment loss being recognized in the income statement on an AFS debt instrument due solely to a change in interest rate (risk-free or otherwise) if the entity has the intent to sell the debt instrument or it is more likely than not that it will be required to sell the debt instrument before its anticipated recovery. The impairment loss is measured as the difference between the debt instrument’s amortized cost basis and its fair value. When a credit loss exists, but the entity does not intend to sell the debt instrument, nor is it more likely than not that the entity will be required to sell the debt instrument before the recovery of the remaining cost basis, the impairment is separated into (i) the amount representing the credit loss and (ii) the amount related to all other factors. The amount of the total impairment related to the credit loss is recognized in the income statement and the amount related to all other factors is recognized in other comprehensive income, net of applicable taxes.

Under U.S. GAAP, for an AFS equity instrument, impairment is recognized in the income statement, as the difference between the equity instrument's amortized cost basis and its fair value, if the equity instrument's fair value is not expected to recover sufficiently in the near-term to allow a full recovery of the entity's cost basis. An entity must have the intent and ability to hold an impaired security until such near-term recovery, otherwise an impairment loss must be recognized in the income statement. When an impairment loss is recognized in the income statement, a new cost basis in the investment is established equal to the previous cost basis minus the impairment recognized in earnings. Impairment losses cannot be reversed for any future recoveries.

Under Peruvian GAAP and IFRS, the impairment loss of an HTM investment is measured as the difference between the carrying amount of the investment and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the financial asset is reduced either directly or through the use of a provision account. The amount of impairment loss is recognized in the income statement. However, the carrying amount of an HTM investment or a loan or receivable cannot exceed what the amortized cost of that investment would have been, had the original impairment not been recognized. Under U.S. GAAP, the impairment loss of an HTM investment is measured as the difference between its fair value and amortized cost basis. When the entity does not intend to sell the debt instrument and it is not more likely than not that the entity will be required to sell the debt instrument before recovery of its amortized cost basis, the amount of the total impairment related to the credit loss is recognized in the income statement and the amount related to all other factors is recognized in other comprehensive income.

Under U.S. GAAP, the carrying amount of an HTM investment after the recognition of an impairment is the fair value of the debt instrument at the date of the impairment. The new cost basis of the debt instrument is equal to the previous cost basis minus the impairment recognized in earnings. The impairment recognized in other comprehensive income is accreted to the carrying amount of the HTM instrument over its remaining life.

Provision for Loan Losses

Under Peruvian GAAP, provisions for loan losses are provided for in accordance with SBS Resolution No. 11356- 2008, which replaced SBS Resolution No. 808-2003 in July 2010, as detailed elsewhere in the offering circular.

Under IFRS (IAS 39) and U.S. GAAP (ASC 450), if there is objective evidence that all amounts due (principal and interest) according to original contractual terms of the loan will not be collected, such loans are considered impaired and the amount of the loss is measured as the difference between the loan's carrying amount and the present value of expected future cash flows discounted at the loan's original effective interest rate or as the difference between the carrying value of the loan and fair value of the collateral, if the loan is collateralized and foreclosure is probable. Impairment and uncollectibility are measured and recognized individually for loans and receivables that are individually significant and on a portfolio basis for a group of similar loans and receivables that are not individually identified as impaired if a loss is probable and quantifiable.

Under Peruvian GAAP, recoveries are recorded in the same line of provision for loan losses in the income statement. Charge-offs are recorded directly as loan loss provision in the income statement. Under IFRS and U.S. GAAP, recoveries and charge-offs would be recorded in the provision for loan losses in the balance sheet.

Income Tax

Under Peruvian GAAP, IFRS (IAS 12) and U.S. GAAP (ASC 740), deferred taxes should be recorded for the tax effect of temporary differences between the tax and accounting bases of assets and liabilities as well as tax loss carryforwards. IFRS and Peruvian GAAP measures deferred taxes using the tax rate enacted, or substantially enacted, where U.S. GAAP measures deferred taxes only on the enacted tax rate. Under IFRS and Peruvian GAAP, deferred tax assets are recognized when recovery is probable. Under U.S. GAAP, deferred tax assets are recognized (*i.e.*, no valuation provision) to the extent that they are more likely than not to be recovered. Under U.S. GAAP, IFRS and Peruvian GAAP, deferred tax in respect of temporary differences on subsidiaries, associates and joint ventures is not recognized in some circumstances. Under U.S. GAAP, such differences on equity method investments, other than certain foreign corporate ventures, are recognized in full.

In relation to uncertain tax position, Peruvian GAAP and IFRS do not have specific guidance. IAS 12 indicates tax assets/liabilities should be measured at the amount expected to be paid. In practice, the recognition principles in IAS 37 on provisions and contingencies are frequently applied. U.S. GAAP (ASC 740) requires a two-step process, separating recognition from measurement. A benefit is recognized when it is "more likely than not" to be sustained based on the technical merits of the position. The amount of benefit to be recognized is based on the largest amount of tax benefit that is greater than 50% likely of being realized upon ultimate settlement.

Leasing

Peruvian GAAP and IFRS accounting for leasing are similar. IAS 17 "Leases" sets out the general principles for accounting for all but a few specific categories of leases. ASC 840 "Accounting for Leases" contains detailed rules and thresholds, in contrast to IFRS principles-based approach. There are specific U.S. GAAP rules on various categories of leases, most notably for real estate transactions.

Although the U.S. guidance is much more specific and rule-based than the IFRS approach, the overall approaches of IFRS and U.S. GAAP are in fact similar. Both focus on classifying leases between finance (or capital) leases and operating leases and both deal separately with lessees and lessors.

Derivative Financial Instruments

Under Peruvian GAAP, IFRS (IAS 32 and 39) and U.S. GAAP (principally ASC 320 and 815) derivative financial instruments are initially recognized at fair value. Derivative transactions that do not qualify for hedge accounting are treated as derivatives held for trading and any gains and losses arising from changes in fair value are taken directly to income.

The U.S. GAAP literature is far more detailed than Peruvian GAAP and IFRS as it has been developed over a longer period and, often, in response to specific financial instruments. Consequently, there are many differences in the scope of standards under Peruvian GAAP, IFRS and U.S. GAAP in regards to derivative financial instruments, embedded derivatives and hedge accounting.

As detailed elsewhere in the offering circular, the SBS has approved the Regulations for the Trading and Accounting Recording of Derivative Financial Instruments for Financial Institutions, which establishes accounting criteria for derivative financial instruments under Peruvian GAAP, that are consistent with IAS, Financial Instruments: Recognition, and Measurement effective in Peru. The SBS's requirements for a transaction to be considered as hedge accounting are fewer than those set forth in IAS 39, therefore, under SBS regulation, more transactions are allowed for hedge accounting.

Interest Recognition—Non-Accrual Loans

Under Peruvian GAAP, interest accrued on past due, refinanced, restructured loans, loans under legal collection, and loans classified as doubtful or loss is discontinued and recognized as collected. Under IFRS (IAS 18) and U.S. GAAP (ASC 835), recognition of interest on loans is generally discontinued when, in the opinion of management, there is an assessment that the borrower will likely be unable to meet all contractual payments as they become due. As a general practice, this occurs when loans are 90 days or more overdue. When a loan is placed on non-accrual status, unpaid interest credited to income in the current year is reversed and unpaid interest accrued in prior years is charged against the provision for credit losses.

Loan Origination Fees

Under Peruvian GAAP, certain loan origination fees on consumer loans, such as credit cards, mortgage, pledged and personal loans standby letters of credit and guarantees issued, are recognized when collected and direct origination costs are exempted when incurred. In accordance with IFRS (IAS 18) and U.S. GAAP (ASC 310), loan origination fees and certain direct loan origination costs should be recognized over the life of the related loan as an adjustment of yield or by straight-line method, as appropriate.

Guarantor's Obligations under Guarantees

Under IFRS, a guarantor's obligations under guarantees are disclosed as contingencies and related commissions and premiums received are recognized in income over the term of the guarantee. Under Peruvian GAAP, the commissions and premiums are recognized when collected. Under U.S. GAAP (ASC 460), when a guarantee is issued in a standalone arm's length transaction with an unrelated party, the liability recognized at the inception of the guarantee is the premium received or receivable at fair value by the guarantor. The release from risk is recognized over the term of the guarantee either upon expiration or settlement of the guarantee or by a systematic and rational amortization method.

Provision for Risks and Charges

Under Peruvian GAAP and IFRS (IAS 37), a provision should only be made when: (a) an enterprise has a present obligation (legal or constructive) as a result of a past event, (b) it is probable (more likely than not) that a future outflow of economic benefits will be required to settle the obligation and (c) a reliable estimate of the amount of the obligation can be made. The entity must discount the anticipated cash flows expected to be required to settle the obligation if the impact is material.

The treatment of loss contingencies under U.S. GAAP (ASC 460) is similar to IFRS. However, "Probable" is defined as likely, which is a higher threshold than "more likely than not" and if a range of estimates for the obligation is determined and no amount in the range is more likely than any other amount in the range, the "minimum" (rather than the mid-point as in IFRS) amount must be used to measure the liability. The entity must discount the anticipated cash flows expected to be required to settle the obligation if the impact is material.

Under U.S. GAAP, losses on firmly committed onerous contracts are usually not recognized. Under IFRS, if an entity has a contract that is onerous (e.g., an operating lease), the present obligation under the contract should be recognized as a liability.

Assets Seized

Under Peruvian GAAP, assets seized are initially recorded at the value assigned to them through a legal proceeding, the amount of any out of court settlement or at the unpaid value of the debt, whichever is lower. Simultaneously with the determination of the value, a provision equivalent to 20% of the legal settlement or recoverable asset value should be recorded. For this purpose, the Bank can use the provision for loan losses that was originally provided for the related loan. Subsequent to the seizure date, the Bank must record a provision during a period of time established by the SBS, until the carrying value of assets is zero.

Under IFRS, the assets seized are recorded at the lower of cost or estimated market value. Changes in market value are recorded in the income statement. Under U.S. GAAP, assets seized are recorded at fair value at foreclosure date and subsequently measured at the lower of cost or market with changes recorded in the income statement.

IFRS, as Adopted by the IASB, with Mandatory Adoption Dates beginning on or after January 1, 2013

The following IFRS are not required for Peruvian financial entities:

IFRS 9

IFRS 9 "Financial Instruments" was issued by the IASB in November 2009. In October 2010 the IASB issued an expanded and amended version. IFRS 9 (2010) is required to be applied for annual periods beginning on or after January 1, 2015, with earlier application permitted. IFRS 9 (2010) supersedes the version of IFRS 9 issued in 2009. However, for annual periods beginning before January 1, 2015, an entity may elect to apply IFRS 9 (2009) instead of applying IFRS 9 (2010).

IFRS 9 introduces new requirements for the classification and measurement of financial assets and liabilities. Under IFRS 9, all recognized financial assets and liabilities that are currently in the scope of IAS 39 will be measured at either amortized cost or fair value. A debt instrument that (1) is held within a business model whose objective is to collect the contractual cash flows and (2) has contractual cash flows that are solely payments of principal and interest on the principal on other debt instruments must be measured at Fair Value through Profit and Loss (FVTPL). A fair value option is available (provided that certain specified conditions are met) as an alternative to amortized cost measurement. The concept of bifurcating embedded derivatives from a financial liability host contract remains unchanged. Financial liabilities held for trading would continue to be measured at FVTPL, and all other financial liabilities would be measured at amortized cost unless an entity applies the fair value option under the existing criteria in IAS 39. In addition, all equity investments within the scope of IFRS 9 are to be measured on the statement of financial position at fair value with the default recognition of gains and losses in profit or loss. Only if the equity investment is not held for trading can an irrevocable election be made at initial recognition to measure it at Fair Value through Other Comprehensive Income (FVTOCI), with only dividend income recognized in profit or loss.

Despite the fair value requirement for all equity investments, IFRS 9 contains guidance on when cost may be the best estimate of fair value and also when it might not be representative of fair value. All derivatives within the scope of IFRS 9 are required to be measured at fair value. This includes derivatives that are settled by the delivery of unquoted equity instruments; however, in limited circumstances, cost may be an appropriate estimate of fair value.

In October 2010, the requirements for classifying and measuring financial liabilities were added to IFRS 9. Most of the added requirements were carried forward unchanged from IAS 39. However, the requirements related to the fair value option for financial liabilities were changed to address the issue of own credit risk. The changes are in response to consistent feedback from users of financial statements and others that the effects of changes in a liability's credit risk should not affect profit or loss unless the liability is held for trading. In December 2011, the IASB issued amendments to IFRS 9 that defer the mandatory effective date from annual periods beginning on or after January 1, 2013, to be effective for annual periods beginning on or after January 1, 2015.

IFRS 10

IFRS 10 "Consolidated Financial Statements" was issued in May 2011. An entity must adopt IFRS 10 for annual periods beginning on or after January 1, 2013; early adoption is permitted. IFRS 10 replaces the parts of IAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements. SIC-12 Consolidation – Special Purpose Entities has been withdrawn upon the issuance of IFRS 10. Under IFRS 10, there is only one basis for consolidation, which is control. In addition, IFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns.

An investor must possess all three elements to conclude that it controls an investee. The assessment of control is based on all facts and circumstances, and the conclusion is reassessed if there are changes to at least one of the three elements. IFRS 10 requires an investor to consider potential voting rights held either by itself or by other parties. IFRS 10.B50 indicates that potential voting rights are considered only when they are substantive and "alone, or in combination with other rights, can give an investor the current ability to direct the relevant activities." IFRS 10 also provides guidance on when an investor may have a relationship with another party in which the investor directs the other party to act on the investor's behalf (referred to as a *de facto* agent). IFRS 10.B75 lists the examples of *de facto* agents.

IFRS 11

IFRS 11 "Joint Arrangements" was issued in May 2011. An entity must adopt IFRS 11 for annual periods beginning on or after January 1, 2013; early adoption is permitted. IFRS 11 replaces IAS 31 "Interests in Joint Ventures." IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. SIC-13 "Jointly Controlled Entities – Non-monetary Contributions by Venturers" has been withdrawn upon the issuance of IFRS 11. Under IFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In a joint operation, the parties to the joint arrangement (referred to as "joint operators") have rights to the assets and obligations for the liabilities of the arrangement. By contrast, in a joint venture, the parties to the arrangement (referred to as "joint venturers") have rights to the net assets of the arrangement. IFRS 11 requires that a joint operator recognize its share of the assets, liabilities, revenues, and expenses in accordance with applicable IFRSs; however, a joint venturer would account for its interest by using the equity method of accounting under IAS 28 (2011). The option of proportional consolidation in IAS 31 has not been retained.

In contrast, under IAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under IFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under IAS 31 can be accounted for using the equity method of accounting or proportionate accounting. It is possible that an investment that previously met the definition of a JCE under IAS 31 would be a joint operation under IFRS 11. In addition, upon adopting IFRS 11, an investor that previously accounted for an interest in a joint operation under IFRS 9 (or IAS 39, as applicable) because it did not have joint control would have to recognize directly its share of assets, liabilities, revenues, and expenses associated with the joint operation.

IFRS 12

IFRS 12 "Disclosure of Interests in Other Entities" was issued in May 2011. An entity must adopt IFRS 12 for annual periods beginning on or after January 1, 2013; early adoption is permitted. IFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. The objective of IFRS 12 is to require the disclosure of information that enables users of financial statements to evaluate (i) the nature of, and risks associated with, its interests in other entities and (ii) the effects of those interests on its financial position, financial performance and cash flows.

Where the disclosures required by IFRS 12, together with the disclosures required by other IFRSs, do not meet the above objective, an entity is required to disclose whatever additional information is necessary to meet the objective.

IFRS 13

IFRS 13 "Fair Value Measurement" was issued in May 2011. An entity must adopt IFRS 13 for annual periods beginning on or after January 1, 2013; early adoption is permitted and should be applied prospectively. IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. IFRS 13 applies when other IFRSs require or permit fair value measurements and addresses fair value measurement only — it does not introduce any new requirements to measure an asset or a liability at fair value, change what is measured at fair value in IFRSs, or address how to present changes in fair value. IFRS 13 establishes a single framework for measuring fair value and defines fair value as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price)." A fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either (a) in the principal market for the asset or liability; or (b) in the absence of a principal market, in the most advantageous market for the asset or liability.

In general, the disclosure requirements in IFRS 13 are more extensive than those required in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under IFRS 7 "Financial Instruments: Disclosures" will be extended by IFRS 13 to cover all assets and liabilities within its scope.

INDEX TO FINANCIAL STATEMENTS

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BBVA Banco Continental and Subsidiaries

Independent Auditors' Report

Consolidated Financial Statements
Years ended December 31, 2011 and 2010

Translation of a report originally issued in Spanish

Deloitte.

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INDEPENDENT AUDITORS' REPORT

To the Shareholders and Board of Directors of
BBVA Banco Continental and Subsidiaries

1. We have audited the accompanying consolidated financial statements of **BBVA Banco Continental**, a subsidiary of Holding Continental S.A. and Subsidiaries, which comprise the consolidated balance sheets as of December 31, 2011 and 2010, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

3. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Peru. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

6. In our opinion, the consolidated financial statements referred to above, present fairly, in all material respects, the consolidated financial position of **BBVA Banco Continental and Subsidiaries** as of December 31, 2011 and 2010, and its consolidated financial performance and its consolidated cash flows for years then ended, in accordance with accounting principles generally accepted in Peru for financial entities.

The translation of this report into English has been made solely for the convenience of the readers.

Beltrán, Gris y Asociados S. Civil de R.L.

Countersigned by:

_________________ (Partner)
Eduardo Gris Percovich
CPC Register No.12159

February 10, 2012

BBVA BANCO CONTINENTAL AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2011 AND 2010
(Expressed in thousands of nuevos soles (S/.000))

ASSETS	Notes	2011	2010	LIABILITIES AND SHAREHOLDERS' EQUITY
		S/.000	S/.000	
CASH AND DUE FROM BANKS	4			
Cash and deposits in Peruvian Central Bank		7,963,377	9,578,320	**OBLIGATIONS TO THE PUBLIC**
Deposits in local and foreign banks		462,668	349,722	Demand deposits
Clearing accounts		102,100	114,757	Savings deposits
Other deposits		4,556	4,438	Time deposits
Accrued interest on cash and due from banks		2,152	8,535	Other obligations
				Accrued interest payable
Total		8,534,853	10,055,772	
				Total
INTER-BANK FUNDS	10	241,459	40,009	
				DEPOSITS FROM FINANCIAL INSTITUTIONS
INVESTMENTS AT FAIR VALUE THROUGH PROFIT AND LOSS, AVAILABLE-FOR-SALE AND HELD TO MATURITY, net	5	2,587,154	2,260,555	
				INTER-BANK FUNDS
				DUE TO BANKS AND CORRESPONDENTS
LOANS, net	6	28,922,025	24,004,149	
				SECURITIES, BONDS AND OUTSTANDING OBLIGATIONS
INVESTMENTS IN ASSOCIATED COMPANIES		2,231	1,995	
				OTHER LIABILITIES
DEFERRED INCOME TAX	21	317,577	268,352	
				TOTAL LIABILITIES
PROPERTY, FURNITURE AND EQUIPMENT, net	7	603,600	447,086	
OTHER ASSETS	8	1,033,508	712,403	**SHAREHOLDERS' EQUITY**
				Capital stock
				Legal reserve
				Retained earnings
				Total Shareholders' Equity
TOTAL ASSETS		42,242,407	37,790,321	**TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY**
CONTINGENT AND OFF-BALANCE SHEET ACCOUNTS	15			CONTINGENT AND OFF-BALANCE SHEET ACCOUNTS
Contingent accounts		26,994,897	25,137,764	Contingent accounts
Off-balance sheet accounts		111,537,752	85,113,542	Off-balance sheet accounts
Trusts and administrations		6,405,142	6,567,727	Trusts and administrations
Total		144,937,791	116,819,033	**Total**

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

BBVA BANCO CONTINENTAL AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010
(Expressed in thousands of nuevos soles (S/.000))

	Notas	2011 S/.000	2010 S/.000
FINANCIAL INCOME			
Interest from loans	6 (a)	2,549,276	2,081,645
Income from changes in fair value, revenue, interests and gain on sales of investment	5	130,530	198,347
Interest from deposits in financial institutions	4	64,610	34,794
Foreign exchange difference from various transactions	3	296,298	175,882
Dividends and share profit from associates investments		744	554
Adjustment for indexation		20,418	9,825
Interest and commissions from inter-bank funds		2,094	988
Gain from derivative instruments	15 (b)	-	12,120
Gain from hedging transactions	15 (b) and 11 (a)	9,527	12,156
Other		24,173	9,657
Total		3,097,670	2,535,968
FINANCIAL EXPENSES			
Interest on deposits	9 (b)	(432,210)	(250,402)
Interest on obligations with financial institutions and international financial organizations	11	(175,601)	(101,245)
Premium paid to "Fondo de Seguro de Depósito" (Deposit Insurance Fund)		(33,068)	(27,762)
Interest on securities, bonds and outstanding obligations	12	(85,809)	(81,184)
Loss from derivative instruments	15 (b)	(81,323)	-
Adjustment for indexation		(14,665)	(6,171)
Other		(12,549)	(5,217)
Total		(835,225)	(471,981)
Gross financial margin		2,262,445	2,063,987
PROVISIONS FOR IMPAIRMENT OF LOAN LOSSES			
Loans	6 (d)	(763,613)	(674,348)
Recovery of provisions for loan losses	6 (d)	486,949	392,659
Total		(276,664)	(281,689)
Net Financial margin		1,985,781	1,782,298
INCOME FROM FINANCIAL SERVICES			
Commissions from contingent operations		151,160	136,626
Income from various financial services, net	16	480,839	415,888
Total		631,999	552,514
Operating profit margin		2,617,780	2,334,812

(Continue)

BBVA BANCO CONTINENTAL AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010
(Expressed in thousands of nuevos soles (S/.000))

	Notas	2011 S/.000	2010 S/.000
OTHER EXPENSE AND INCOME			
Employees' and Board of Directors' expenses	17	(507,131)	(438,742)
Administrative expenses	18	(471,824)	(412,077)
Provisions for accounts receivable		(37,543)	(26,345)
Recovery for assets seized and recovered through legal actions		(10)	(1,053)
Provisions for contingent operations	15	(44,323)	(48,694)
Other provisions		(2,601)	(6,375)
Depreciation and amortization	7	(65,705)	(59,487)
Income from recovery of loan portfolio previously writen-off		20,582	15,503
Other expenses and income, net	19	(67)	6,407
Total		(1,108,622)	(970,863)
Income before Income Taxes		1,509,158	1,363,949
Income Taxes	20 (c)	(380,170)	(357,640)
Net income		1,128,988	1,006,309
Weighted average number of outstanding shares (in thousands of shares)		1,944,232	1,944,232
Basic and diluted earning per share in Peruvian nuevos soles	22	0.58	0.52

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

BBVA BANCO CONTINENTAL AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010
(Expressed in thousands of nuevos soles (S/.000))

	Capital Stock S/.000 (Note 13)	Special Reserve S/.000 (Note 13)	Lega Reser S/.0 (Note
Balances as of January 1, 2010	1,471,243	1,180	41
Capitalization of reserves and retained earnings	372,184	(1,180)	
Transfer of retained earnings to legal reserve	-	-	9
Cash dividends	-	-	
Unrealized gain and losses and transfers to the statements of income for available-for-sale investments	-	-	
Net income for the year	-	-	
Balances as of December 31, 2010	1,843,427	-	50
Capitalization of retained earnings	100,805	-	
Transfer of retained earnings to legal reserve	-	-	10
Cash dividends	-	-	
Unrealized gains and losses and transfers to the statement of income for available-for-sale investments	-	-	
Net income for the year	-	-	
Balances as of December 31, 2011	1,944,232	-	60

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

BBVA BANCO CONTINENTAL AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010
(Expressed in thousands of nuevos soles (S/.000))

	2011 S/.000	2010 S/.000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	1,128,988	1,006,309
Adjustments to reconcile net income to cash provided by operating activities:		
Provisions for loan losses	276,664	281,689
Depreciation and amortization	65,705	59,487
Provision for seized and recovered through legal actions assets	10	1,053
Provision for accounts receivable	37,543	26,345
Provision for contingent operations	44,323	48,694
Other provisions, net of recoveries	2,601	6,375
Deferred income taxes	(50,047)	(24,364)
Net gain from sale of securities	(15,758)	(9,918)
Net gain from sale of seized, recovered through legal actions and fixed assets	(1,816)	(3,012)
Changes in assets and liabilities:		
Net (increase) decrease in other assets	(360,009)	30,124
Net decrease in other liabilities	(9,198)	(49,213)
Cash and cash equivalents provided by operating activities	1,119,006	1,373,569
CASH FLOWS FROM INVESTING ACTIVITIES		
Property, furniture and equipment	(233,196)	(132,250)
Intangible assets	(7,875)	-
Sale of assets seized and recovered through legal actions	22,019	23,568
Cash and cash equivalents used in investing activities	(219,052)	(108,682)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase in obligations to the public, deposits from financial institutions and inter-bank funds	4,220,741	4,248,354
Net (decrease) increase in due to Banks and correspondents	(242,995)	2,886,204
Net increase in securities, bonds and outstanding obligations	115,530	97,403
Net (increase) in loan portfolio	(5,194,540)	(4,479,308)
Net (increase) decrease in investments	(312,497)	1,625,532
Cash dividends	(805,662)	(463,503)
Cash and cash equivalents provided by (used in) financing activities	(2,219,423)	3,914,682
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1,319,469)	5,179,569
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	10,095,781	4,916,212
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	8,776,312	10,095,781

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

1. CONSTITUTION, ECONOMIC ACTIVITY AND APPROVAL OF FINANCIAL STATEMENTS

(a) Constitution and economic activity

BBVA Banco Continental (formerly Banco Continental) (hereinafter, the Bank) is a subsidiary of Holding Continental S.A. which owns 92.24% of the capital stock of the Bank. 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.

By General Shareholders' Meeting on March 31, 2011, was agreed to amend the corporate name to BBVA Banco Continental, may also be identified with the abbreviated name BBVA Continental. The agreement stated in the deed of amendment of bylaws dated June 16, 2011, registered in the Public Registry on August 18, 2011.

The Bank's operations primarily include 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.

The Bank performs its activities through a national network of 275 and 246 offices as of December 31, 2011 and 2010. The total number of employees of the Bank as of December 31, 2011 and 2010 was 4,740 and 4,686, respectively.

As of December 31, 2011 and 2010 the Bank has ownership and voting rights of 100% over the subsidiaries Continental Bolsa - Sociedad de Agente de Bolsa S.A., BBVA Asset Management Continental S.A. Sociedad Administradora de Fondos (formerly Continental S.A. Sociedad Administradora de Fondos), Continental Sociedad Titulizadora S.A. and Inmuebles y Recuperaciones Continental S.A. While the Bank does not participate in the ownership or voting rights of Continental DPR Finance Company (hereinafter, DPR), given the characteristics of its activity and their relationship with the Bank, accounting standards require DPR´s financial statements be included in a consolidated basis with the Bank (hereinafter Grupo Continental).

(b) Approval of financial statements

Consolidated financial statements for the year ended December 31, 2011 have been approved by the Bank's Management. These financial statements will be submitted to the Board of Directors and General Shareholder’s Meeting to be held within the terms established by the Law, for their approval. The consolidated financial statements for the year ended December 31, 2010 were approved at the General Shareholder´s Meeting on March 31, 2011.

2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation and presentation of Grupo Continental’s consolidated financial statements are set out below. These policies were consistently applied to all of the years presented, unless otherwise stated.

(a) Statement of compliance, basis for preparation, presentation and accounting change

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

Consolidated Financial statements have been prepared and presented in conformity with legal regulations and accounting principles generally accepted in Peru for financial entities, which comprise accounting standards and practices authorized by the SBS by virtue of the authority conferred in accordance with 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 as well as supplemental standards and amendments.

The SBS has established that in the event of situations not addressed by such standards, regulations set forth in Generally Accepted Accounting Principles in Peru (GAAP in Peru) shall be applied.

GAAP in Peru is composed of: the standards and interpretations issued or adopted by the International Accounting Standards Board (hereinafter, IASB) which include 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 the Peruvian Accounting Board (hereinafter, CNC, for its Spanish acronym) for its application in Peru.

In the preparation and presentation of these consolidated financial statements, the Bank's Management has followed the compliance with the SBS regulations in force in Peru as of December 31, 2011 and 2010.

(a-2) Harmonization with International Financial Reporting Standards (IFRS)

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

There is a normative project that includes changes to the Accounting Manual in order to harmonize the accounting standards issued by the SBS to IFRS. Management believes that the implementation of this project will have no material impact on the financial and economic situation of the Bank.

(a-3) Standards and interpretations approved by the CNC which will be adopted in Peru during 2012 and 2013

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

CNC, through Resolution N° 048-2011-EF/30 dated January 6, 2012, formalized the application from January 1, 2012 to the current versions of 2011 of IFRS 1 to 13, the IAS 1 to 41, the statements 7 to 32 of the Standing Interpretations Committee (SIC) and Interpretations of Financial Reporting Standards (IFRIC) 1 to 19, and the changes to October 2011 to the IAS, IFRS and IFRIC issued internationally by the IASB.

Grupo Continental´s management is considering how these standards might have an impact on the preparation and presentation of financial statements from 2012 onwards.

(a-4) New Accounting Pronouncements approved internationally which application is not mandatory in Peru

The following standards and interpretations have been issued internationally as of December 31, 2011, and until the date of this report have not been approved yet by the CNC:

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

- **IFRS 9 "Financial Instruments"**. Effective for annual periods beginning on or after January 1, 2013.

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

- **IFRS 11 "Joint Agreements"**. Effective for annual periods beginning on or after January 1, 2013.

- **IFRS 12 "Disclosure of Interests in Other Entities"**. Effective for annual periods beginning on or after January 1, 2013.

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

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

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

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

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

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

(a-5) Change in accounting policy made in 2010

According to the clarifications of the Standing Interpretations Committee of the International Financial Reporting Standards (IFRIC) made in September and November 2010, they concluded, among others, that the employees’ profit sharing must be registered in accordance with IAS 19 Employee benefits and not by analogy with IAS 12 Income Taxes and IAS 37 Provisions, Contingent Liabilities and Contingent Assets. Accordingly, the recognition of employee’ profit sharing should be recorded only for the compensation for services rendered in the fiscal year, and consequently should not be registered an asset or deferred liability for temporary differences as referred to the IAS 12.

The Bank, as a result of the above and applying the option of Multiple Official Letter N° 4049-2011 SBS and given the low materiality of the effect of the change, decided to recognize the deferred employee’ profit sharing, which is considered a change in accounting policy and adjusted the accumulated balance as of December 31, 2009 in the statement of income of 2010.

(b) Consolidation basis

Grupo Continental is composed of controlled entities and a special purpose entity.

Subsidiaries and Special Purpose Entity

Controlled entities are all entities over which the Bank has the power to control the financial and operating policies generally owning more than half of its voting shares. The consolidated financial statements include the assets, liabilities, and income and expenses of Grupo Continental. Inter-company transactions between the entities composing Grupo Continental, including balances and unrealized gains are eliminated upon consolidation. The subsidiaries are fully consolidated from the date on which effective control is transferred to the Bank, consolidation is stopped when the Bank no longer exercises control.

Acquisitions of the subsidiaries by the Bank are recorded using the purchase method of accounting. The cost of an acquisition is measured as the fair value of the assets received, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus directly attributable costs.

Continental DPR Finance Company is a special purpose entity created with the objective described in Note 15 (e) (securitization of remittances).

The main balances of the Bank, its subsidiaries, and the special purpose entity as of December 31, are:

	In millions of Peruvian nuevos soles					
	Assets		Liabilities		Equity	
Entity	2011	2010	2011	2010	2011	2010
BBVA Banco Continental	42,254	37,785	38,549	34,401	3,705	3,384
Continental Bolsa - Sociedad Agente de Bolsa S.A.	44	38	14	15	30	23
BBVA Asset Management Continental S.A. - Sociedad Administradora de Fondos	48	39	9	5	39	34
Continental Sociedad Titulizadora S.A.	2	2	-	-	2	2
Inmuebles y Recuperaciones Continental S.A.	25	25	8	5	17	20
Continental DPR Finance Company	1,129	1,317	1,129	1,317	-	-

(c) Responsibility for the information and estimates

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

These estimates are reviewed on an ongoing basis. Changes in accounting estimates are prospectively recognized, by recording the effects of changes in the corresponding consolidated 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 the Grupo Continental consolidated 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 tax
- Financial derivatives instruments

(d) Preparation and presentation currency

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

(e) Allowance for loan losses

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

The SBS has established quantitative criteria (level of sales and borrowing in the financial system) for the classification of the loan portfolio per type and categories of direct and indirect loans. Until June 2010, the segmentation of the loan portfolio was made in four categories (commercial, micro and small business, consumer and mortgage loans). The new segmentation effective from July 1, 2010 is outlined below:

1. Corporate
   In this category will be considered further:
   a. Multilateral Development Banks
   b. Sovereign
   c. Public sector entities
   d. Stock brokers
   e. Financial System Companies
2. Large business
3. Medium business
4. Small Businesses
5. Micro-business
6. Revolving consumer loans
7. Non-revolving consumer loans
8. Mortgage loans

Provisions for indirect loans are calculated from July 2010 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 subparagraphs	100%

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

The allowance for loan losses includes general and specific portion. The specific allowance 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 allowances include those with respect to debtors classified as normal in accordance with requirements of the SBS, as well as general voluntary provisions.

Mandatory general allowances 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 (BCRP).

Voluntary general allowances 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.

In conformity with current standards, 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 entities of the financial system. Additionally, pursuant to SBS Resolution N° 041-2005, Grupo Continental assesses the exposure to credit exchange risks for loans in foreign currency.

The minimum percentages required for loan allowances, are as follows:

Normal Category

Loans	Fixed Component	Variable Component (Procyclical)
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 December 31, 2011 and 2010 the pro-cyclical component for the allowance for loan losses is activated (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%

(f) Financial lease portfolio

Financial lease operations are recorded in accordance with SBS rule and IAS 17, as loans. The initial recording of transactions is made by the gross value of the loan, composed of principal, interest, commission and other financing concepts as agreed with the customer, and the difference between the gross amount of the loan and value of the goods, is recognized as "unearned interest and commission", presented net of loans and recognized as income on an accrual basis.

(g) Derivative financial instruments

In accordance with SBS Resolution N° 1737-2006 and its amendments, derivative financial instruments are initially recognized at trade date.

Trading:

The measurement and initial recognition are made at fair value. Monthly, trading derivative financial instruments are measured at fair value. The gain or loss in valuation or settlement of trading derivative financial instruments is recorded in the statements of income. The nominal value of derivative financial instruments is recorded in their respective committed or agreed currency in off-balance sheet accounts (Note 15 (b)).

Hedge:

A derivative financial instrument that seeks to ensure financial hedge of a given risk is accounted for as hedging purposes if, in its negotiation, it is expected that changes in 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 negotiation 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 the documentation deemed as unsatisfactory or find weaknesses in the methodologies used, it may require the dissolution of the hedging and the recording of the derivative financial instrument, as trading.

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.

If the hedging 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 the statements of income within the term of the hedged item.

(h) Investments at fair value through profit and loss, available for sale investments and held to maturity investments

The investment portfolio is classified and valued in accordance with SBS Resolution N°10639-2008 which approved the "Regulations for Classification and Valuation of Investment of Financial System Companies".

The initial recording is at acquisition cost, excluding acquisition expenses such as taxes, broker fees, rights and other commissions.

(h-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.

(h-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 subsidiaries and associates.

The changes in the fair value of investment in this category are recognized directly in equity until the instrument is disposed, at which the gain or loss previously recognized in equity is transferred and recorded in profit or loss except for the impairment losses that are recorded in the statement of income (Note 2 (m)).

(h-3) Held-to-maturity investments

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

The valuation of these investments is carried at amortized cost using the effective interest rate method. The impairment loss is recorded in the statement of income (Note 2 (m)).

(i) Investments in associates

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

(j) Property, furniture and equipment

Property, furniture 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 through the straight-line method based on the estimated useful life of assets, as follows:

	Years
Buildings	33
Fixed and not-fixed facilities	33-10
Leasehold improvements	10
Furniture and equipments	10-4
Vehicles	5

The disbursements subsequently incurred, related to assets the cost of which can be reliably measured and as to 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.

Grupo Continental requests valuations of its properties in a period no longer than 2 years.

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

(k) Assets seized and recovered through legal actions

Seized assets included in "Other assets" of the consolidated balance sheet are initially recorded at the lower of the market value or the unpaid value of the debt based on the value assigned through legal proceedings or out of court settlements. 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, in accordance with SBS standards, Grupo Continental records the following provisions on seized assets:

- 20% of the value of goods received at 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 shall be constituted.
- For assets other than buildings, the remaining balance is provisioned within a term no longer than 12 months.

(l) 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 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 Grupo Continental which is 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.

(m) Impairment loss

When there are events or circumstantial 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.

(n) 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 and interests earned are recognized in the consolidated statements of income for the period at their effective rate.

Premiums and discounts granted in the placement of bonds are deferred and amortized throughout the bonds lifetime.

(o) Provisions

Provisions are recognized only when Grupo Continental 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 consolidated 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.

(p) Contingent liabilities and assets

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

Items previously treated as contingent liabilities are recognized in the consolidated 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 consolidated financial statements in the period in which it is determined that it is virtually certain to produce an inflow of resources.

(q) Employees' benefits

(q-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.

According to legal regulations, subsidiaries are not required to determine employees' profit sharing when the number of their employees is less than twenty.

(q-2) Employees' vacations and other employees' benefits

Annual vacations of employees, paid absences and other employee 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 balance sheet date.

(q-3) Accrual for seniority indemnities

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

(r) 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, restructured loans, and under legal collection loans, as well as interests of loans classified as doubtful or loss, are recognized in the consolidated 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 expense are recognized on an accrual basis.

(s) Foreign exchange gains (losses)

Foreign currency transactions are translated at the current 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 statement of income for the period during which such gains or losses arise.

(t) Income tax

Current and deferred tax, are recognized in profit or loss included in the 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 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 reserved. 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 Grupo Continental 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 at the income tax rate 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 asset are recovered.

(u) Dividend distribution

Dividend distribution is recognized as a liability in the consolidated financial statements in the year when the dividends are approved by Grupo Continental's shareholders.

(v) Basic and diluted earnings per share

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

(w) Fiduciary activity

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

(x) Reclassifications

By Official Letter SBS N° 4049-2011 dated January 21, 2011 and SBS Resolution N° 2740-2011 of February 25, 2011, SBS instructed that the employees' profit sharing for services rendered during the year should be recorded as payroll expenses and an asset or deferred tax liability should not be generated by this expense.

For comparative purposes as of December 31, 2010 the employees' profit sharing expense amounting to S/.49.9 million corresponding to 2010 was reclassified to Employees and Board of Director´s expenses.

(y) Cash and cash equivalents

Cash and cash equivalents shown in the consolidated statement of cash flow comprises balances in cash and due from banks and inter-bank funds. Based on SBS regulation, Grupo Continental prepares and presents the consolidated cash flow using the indirect method.

Bank overdrafts are reclassified as liabilities.

(z) Pronouncements of SBS

During 2011, the SBS issued, among others, the following rules:

Resolution (R) / Circular (C) SBS N°	**Standard**	**Effective date**
R. 2740 – 2011	Modification of the Accounting Manual: Presentation of Employees' Profit Sharing in the Statement of Income as "Employees and Board of directors expenses", without generating assets or deferred tax liability in this connection.	January 2011
R.3780 - 2011	Regulation of Credit Risk Management	December 2011
R.8425-2011	Regulations for the requirement of additional regulatory capital.	July 2012
R.10454-2011	Limit to the net position in financial derivatives in foreign currency. The absolute value of the net position in financial derivatives in foreign currency, will not exceed thirty percent (30%) of its regulatory capital or three hundred fifty million nuevos soles (S /.350 million), the biggest.	October 2011

3. FOREIGN CURRENCY TRANSACTIONS AND EXPOSURE TO FOREIGN EXCHANGE RISK

The balances of financial assets and liabilities denominated in foreign currency are expressed in the consolidated financial statements in peruvian nuevos soles (S/.) at the weighted average exchange rate published by the SBS, set on at the end of 2011 and 2010, for each currency. These balances are summarized as follows:

	2011 US$000	2010 US$000
Assets:		
Cash and due from banks	2,470,364	1,676,850
Investments at fair value through profit and loss, available-for-sale and hel to maturity, net.	23,882	85,476
Loans, net	5,492,616	4,355,312
Other assets	50,447	19,792
	8,037,309	6,137,430
Liabilities:		
Obligations to the public and deposits from financial institutions	5,652,696	4,120,393
Inter-bank funds and due to banks and correspondents	1,645,567	1,825,027
Securities, bonds and outstanding obligations	335,590	385,621
Other liabilities	68,893	107,406
	7,702,746	6,438,447
Balance sheet position	334,563	(301,017)
Forward contracts and other derivatives, net of sales position	(279,084)	282,042
Net global position	55,479	(18,975)

Most of the assets and liabilities in foreign currency are denominated in U.S. dollars. As of December 31, 2011 the exchange rate established by SBS used to express these amounts in nuevos soles (S/.) was S/.2.696 per US$1.00 (S/.2.809 as of December 31, 2010).

In 2011, Grupo Continental recorded foreign exchange gains amounting to S/.296.3 million (S/.175.9 million in 2010), which are presented net in the “Foreign Exchange difference from various transactions” item in the statements of income.

The revaluation percentages of the Peruvian Nuevo Sol as compared to the US dollar, calculated on the buying and selling exchange rate published by the SBS, were 4.02% and 2.84% for 2011 and 2010, respectively; the inflation percentages, in accordance with the

Domestic Wholesale Price Index (IPM for its Spanish acronym), were 6.26% and 4.57% for 2011 and 2010, respectively.

4. CASH AND DUE FROM BANKS

	2011 S/.000	2010 S/.000
Cash	1,392,647	1,099,948
Peruvian Central Bank - BCRP	6,570,730	8,478,372
Local Banks and other local financial entities	120,521	98,378
Foreign Banks and other foreign financial entities	342,147	251,344
Clearing	102,100	114,757
Other deposits	4,556	4,438
Accrued interest	2,152	8,535
Total	8,534,853	10,055,772

As of December 31, 2011, cash and due from banks includes approximately US$2,214.2 million and S/.1,832.7 million (US$1,567.3 million and S/.1,288.9 million in 2010) 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 the Peruvian Central Bank (BCRP for its Spanish acronym).

As of December 31, 2010, Grupo Continental maintained deposits with the Central Bank by S/.3,734 million which have current maturity and accrue annual interests in local currency from 2.95% to 3.19%.

As of December 31, 2011 and 2010, legal reserve in local and foreign currencies has a legal minimum reserve of 9%. Total obligations subject to legal reserve requirements (TOSE for its Spanish acronym) in local and foreign currency according to the regulations as of December 31, 2011, are affected to an implicit rate in local currency of 13.0245% and 37.31% in foreign currency, based on information of February 2011 (as of December 31, 2010, a rate of 33.17% of liabilities based on TOSE dated on July 2010); additionally excess deposits in local currency are subject to an additional reserve of 25% and 55% foreign currency. Debt to international financial institutions and financial organisms in foreign currency, with maturity less than 2 years, are subject to a special rate of 60% (35%, 40%, 50%, 65% and 75% depending on the date of the agreement as of December 31, 2010).

The legal minimum reserve funds are not interest-bearing. The legal additional reserve amount in foreign currency accrues interest at annual nominal rate established by the BCRP. As of December 31, 2011, interest income on reserves amounted to S/.20.8 million (S/.6.4 million as of December 31, 2010), and were included in the "Interest from deposits in financial institutions", in the statements of income. According to effective legal provisions, legal reserves cannot be seized.

As of December 31, 2011, cash and due from banks includes restricted funds for S/.1.2 million (S/.2.1 million as of December 31, 2010) required in connection with legal proceedings against Grupo Continental to guarantee any potential liabilities generated by these lawsuits.

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

	2011 S/.000	2010 S/.000
Investments at fair value through profit and loss	84,598	263,558
Available-for-sale investments (Note 13 (c))	2,071,277	1,589,246
Held to maturity investments	431,279	419,530
Impairment provision	-	(11,779)
Total	2,587,154	2,260,555

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

	2011 S/.000	2010 S/.000
Investments at fair value through profit and loss		
Mutual funds (a)	43,461	34,143
Peruvian Treasury Bonds (b)	24,694	34,089
US Treasury Bonds (c)	10,903	-
Local Stock	5,540	21,504
Peruvian Global Treasury Bonds (d)	-	170,754
Foreign Stock	-	3,068
	84,598	263,558
Available-for-sale investments		
BCRP certificates of deposits (e)	1,421,368	606,458
Peruvian Treasury Bonds (b)	580,946	887,867
Local Stock (f)	31,192	28,497
Peruvian Global Treasury Bonds (d)	24,736	37,222
Foreign Stock	12,979	12,308
Asset backet securities	-	8,461
Corporate Bonds	-	8,237
Other investment	56	196
	2,071,277	1,589,246
Held-to-maturity investments		
Peruvian Treasury Bonds (b)	431,279	419,530

(a) As of December 31, 2011 and 2010, mutual fund investments correspond to participation quotes held by Grupo Continental with various mutual funds managed by the subsidiary BBVA Asset Management Continental S.A. Sociedad Administradora de Fondos.

(b) Treasury bonds are issued by the Peruvian Government. As of December 31, 2011 those bonds accrued annual interest at rates between 2.10% and 6.64% (1.48% and 6.8% in 2010) in local currency and between 2.10% and 2.98% (3.20% and 4.08% in 2010) in foreign currency, and terms up to 30 years.

(c) US Treasury Bonds accrued annual interest at rate of 1.88% and a term up to 10 years.

(d) Peruvian Treasury Global bonds, issued by the Peruvian Government, accrued annual interest at rate of 4.82% in foreign currency (between 2.89% and 6.14% for 2010) and a term up to 22 years.

(e) BCRP certificates of deposits are trading securities with maturities due within one year acquired in public auctions or secondary markets, based on prices offered by the financial institutions. As of December 31, 2011 annual interest rates on local currency range between 4.05% and 4.17% (0.09% and 3.02% in 2010) and with terms of up to 360 days.

(f) As of December 31, 2011 local stock includes Lima Stock Exchange Securities (BVL) amounting to S/.19.8 million. As of December 31, 2010, part of this investment in BVL amounting S/.17.7 million was pledged to the Securities Exchange Superintendency (SMV) by Continental Bolsa Sociedad Agente de Bolsa in compliance with the article N° 136 of the Compiled Text of the Securities Markets Law, which established the obligation to provide guarantees in favor of the SMV in any of the following forms: Cash Deposits, Collateral Securities or Letter of Guarantee. As of December 31, 2011, Grupo Continental decided to provide a Letter of Guarantee to fill this requirement.

As of December 31, 2011 and 2010, the investment portfolio has the following terms to maturity:

	2011		**2010**	
	S/.000		**S/.000**	
Up to 1 month	367,944	14%	182,002	8%
More than 1 month and up to 3 months	460,088	18%	183,746	8%
More than 3 months and up to 6 months	241,113	9%	257,407	12%
More than 6 months and up to 1 year	352,223	13%	205,203	9%
More than 1 year and up to 5 years	224,019	9%	339,891	15%
More than 5 years	848,595	33%	1,004,565	44%
No contractual maturity	93,172	4%	87,741	4%
Total	2,587,154	100%	2,260,555	100%

6. LOANS, NET

(a) The balances comprises:

	2011 S/.000		2010 S/.000	
Direct credits:				
Loans	11,023,578	38%	9,562,760	40%
Mortgage loans	5,842,095	20%	4,695,209	20%
Leasing transactions	4,601,173	16%	3,794,109	16%
Consumer loans	2,766,925	10%	2,257,613	9%
Loans for foreign trade	2,375,187	8%	2,260,669	9%
Discounted notes	968,416	3%	791,280	3%
Other	2,939,218	10%	2,001,027	9%
	30,516,592	105%	25,362,667	106%
Plus:				
Accrued interest	226,464	1%	160,994	1%
Less:	30,743,056	106%	25,523,661	107%
Deferred income from leasing transactions	(544,133)	(2%)	(447,649)	(2%)
	30,198,923	104%	25,076,012	105%
Deferred income from loans	(26,964)	-	(22,511)	(1%)
Allowance for loan losses	(1,249,934)	(4%)	(1,049,352)	(4%)
	28,922,025	100%	24,004,149	100%
Indirect loans (Note 15)	8,687,388		7,721,418	

Loans are collateralized with guarantees granted by customers, principally comprising mortgages, deposits, letter of guarantee, warrants and finance leasing operations, which as of December 31, 2011 and 2010 amounted to S/.23,836 million and S/.13,491 million, respectively.

As of December 31, 2011, a debt with Fondo Mi Vivienda – Mi Hogar was secured by a loan portfolio up to S/.336.1 million (S/.201.8 million as of December, 2010) (Note 11 (d)).

The annual weighted average rates for the main products were as follows:

	2011		2010	
	S/.	US$	S/.	US$
Loans and discounts	9.34%	7.35%	7.68%	6.68%
Mortgage	9.85%	8.98%	9.88%	9.37%
Consumer	23.40%	16.20%	21.91%	16.83%
Credit cards	37.97%	31.30%	40.36%	31.60%
Loans	16.00%	11.19%	14.68%	11.39%

(b) The loan portfolio under the segmentation established by SBS Resolution N° 11356-2008 is as follows (Note 2 (d)):

	2011		2010	
	S/.000		S/.000	
Medium business	8,207,285	27%	6,375,605	25%
Large business	6,425,048	21%	5,594,678	22%
Mortgage	5,913,334	19%	4,757,799	19%
Corporate	4,537,883	15%	3,959,563	16%
Consumer	2,873,116	9%	2,344,116	9%
Small business	1,403,849	5%	1,261,794	5%
Stock brokers	393,293	1%	319,865	1%
Public sector entities	293,693	1%	275,608	1%
Micro business	230,918	1%	208,556	1%
Financial system companies	190,555	1%	188,708	1%
Other	47,618	-	76,375	-
Total	30,516,592	100%	25,362,667	100%

(c) The credit risk classification of the Bank´s loan portfolio made by the Management, according to SBS standards is as follows:

	2011						2010					
	Direct loans		Indirect loans		Total		Direct loans		Indirect loans		Total	
	S/.000		S/.000		S/.000		S/.000		S/.000		S/.000	
Normal	28,488,684	95%	8,575,045	99%	37,063,729	96%	23,572,919	95%	7,650,361	99%	31,223,280	96%
With potential problems	580,981	2%	66,037	1%	647,018	2%	522,388	2%	46,550	1%	568,938	2%
Substandard	321,139	1%	31,769	-	352,908	1%	297,897	1%	11,082	-	308,979	1%
Doubtful	293,888	1%	10,005	-	303,893	1%	323,724	1%	5,802	-	329,526	1%
Loss	260,803	1%	4,532	-	265,335	1%	175,579	1%	7,623	-	183,202	-
Total	29,945,495	100%	8,687,388	100%	38,632,883	100%	24,892,507	100%	7,721,418	100%	32,613,925	100%
Deferred income from leasing transactions	544,133		-		544,133		447,649		-		447,649	
Deferred income from loan transactions	26,964		-		26,964		22,511		-		22,511	
Total	30,516,592		8,687,388		39,203,980		25,362,667		7,721,418		33,084,085	

Grupo Continental has identified borrowers exposed to exchange rate risk and considers that their risk level is appropriate. Therefore, no additional provision has been recorded for this concept.

During 2011, Grupo Continental wrote off non-accrual interest of S/.11 million (S/.5 million in 2010) relating to interest for past due loans or loans in legal collection.

The loan portfolio was distributed in the following economic sectors:

	2011		2010	
	S/.000		S/.000	
Mortgage and consumer loans	8,786,449	29%	7,101,915	28%
Manufacturing	5,577,385	18%	5,091,480	20%
Commerce	5,190,967	17%	4,124,824	16%
Real estate	2,363,157	8%	1,841,812	7%
Transport, storage and communications	2,115,384	7%	2,233,474	9%
Construction	966,620	3%	656,396	3%
Mining	883,776	3%	516,357	2%
Agriculture and livestock	860,912	3%	608,252	2%
Utilities	857,404	3%	715,967	3%
Hotels and restaurants	627,120	2%	490,020	2%
Other	2,287,418	7%	1,982,170	8%
Total	30,516,592	100%	25,362,667	100%

(d) The change in the allowance for loan losses is shown below:

	2011	2010
	S/.000	S/.000
Balances as of January 1	1,049,352	882,358
Provision	763,613	674,348
Recoveries and reversals	(443,836)	(327,563)
Write-offs	(2,051)	(21,034)
Sale of portfolio	(102,942)	(148,733)
Foreing Exchange differences and other adjustments	(14,202)	(10,024)
Balances as of December 31	1,249,934	1,049,352

The level of the allowance for loan losses is adequate to cover potential losses in the portfolio as of the balance sheet date. As of December 31, 2011 the general provision of loan portfolio of S/.815.1 million (S/.655.5 million as of December, 2010) includes pro-cyclical of S/.129.7 million (S/.100.5 million as of December, 2010). Grupo Continental also maintains voluntary provisions for S/.453 million and S/.364 million as of December 31, 2011 and 2010, respectively.

During 2011, Grupo Continental entered into agreements to sale certain loans and the related rights over that portfolio of approximately S/.301.4 million (S/.191.5 million in

2010). Proceeds from these sales of S/.23.7 million (S/.11.6 million in 2010) were recognized as "Other income and expenses, net" in the consolidated statements of income.

The loan portfolio had the following maturities schedule:

	2011		2010	
	S/.000		S/.000	
Up to 1 month	3,340,867	11%	2,696,317	11%
More than 1 month and up to 3 months	4,481,635	15%	3,740,449	15%
More than 3 months and up to 6 months	3,361,886	11%	2,763,354	11%
More than 6 months and up to 1 year	3,982,563	13%	3,060,340	12%
More than 1 year and up to 5 years	10,105,495	33%	8,673,105	34%
More than 5 years	4,964,436	16%	4,164,467	16%
Past due and in legal collection loans	279,710	1%	264,635	1%
Total	30,516,592	100%	25,362,667	100%

7. PROPERTY, FURNITURE AND EQUIPMENT, NET

The change in cost and accumulated depreciation of property, furniture and equipment in 2011 and 2010 were as follows:

	Land S/.000	Buildings and facilities S/.000	Furniture and equipment S/.000	Vehicles S/.000	Facilities and leasehold improvements S/.000
Cost:					
As of January 1, 2010	55,378	413,529	141,439	4,560	52,651
Additions	27,965	29,583	39,062	2	19,538
Disposal	-	(1,246)	(6,712)	-	(700)
Adjustments or other	8,304	3,937	25,170	-	8,189
As of December 31, 2010	91,647	445,803	198,959	4,562	79,678
Additions	6,788	36,633	86,813	-	14,214
Disposal	-	-	(4)	-	-
Adjustments or other	1,858	16,395	(1,013)	(178)	7,302
As of December 31, 2011	100,293	498,831	284,755	4,384	101,194
Accumulated depreciation:					
As of January 1, 2010	-	260,071	71,870	1,714	12,209
Additions	-	20,079	32,112	890	6,406
Disposal	-	(1,205)	(6,376)	-	(636)
Adjustments or other	-	(889)	(1,084)	-	302
As of December 31, 2010	-	278,056	96,522	2,604	18,281
Additions	-	22,883	33,523	789	8,510
Disposal	-	-	(4)	-	-
Adjustments or other	-	467	(2,164)	(170)	(539)
As of December 31, 2011	-	301,406	127,877	3,223	26,252
Net cost					
As of December 31, 2011	100,293	197,425	156,878	1,161	74,942
As of December 31, 2010	91,647	167,747	102,437	1,958	61,397

Grupo Continental maintains current insurance coverage for its main assets, according to policies established by management.

8. OTHER ASSETS AND LIABILITIES

	2011 S/.000	2010 S/.000
Other assets:		
Accounts receivable from derivatives (Note 15 (b))	446,160	301,121
Tax credit from General Sales Tax (a)	353,410	260,827
Prepaid expenses, deffered charges and intangible assets (b)	159,486	80,815
Transactions in process (c)	39,578	27,802
Assets seized and recovered through legal actions, net	15,773	24,023
Other accounts receivable (d)	17,758	16,502
Other assets	1,343	1,313
Total	1,033,508	712,403
Other liabilities:		
Other provisions (e)	398,492	405,788
Accounts payable from derivatives (Note 15 (b))	326,129	287,036
Suppliers (f)	195,340	200,332
Other accounts payable	59,530	53,009
Allowance for contingent credits (Note 15 (a))	60,457	55,322
Transactions in process (c)	21,834	42,396
Deferred income	14,653	15,995
Dividends and employees' profit sharing	77,949	58,337
Other	8,912	7,220
Total	1,163,296	1,125,435

(a) Corresponds to the tax credit on the acquisition of assets for leasing.

(b) As of December 31, 2011, the balance is mainly comprised of deferred charges by S/.64.3 million (S/.77.6 million as of December 31, 2010), S/.86.8 million (S/.2.6 million as of December 31, 2010) of prepaid income tax and intangible assets by S/.8.2 million (S/.0.4 million as of December 31, 2010).

(c) Transactions in process primarily refer to transactions carried out during the last days of the month, which are reclassified in the next month to their specific accounts in the balance sheet. These transactions do not affect the net income of Grupo Continental.

(d) Other accounts receivable are net of accumulated provision of S/.81.9 million and S/.77.7 million, respectively.

(e) Other provisions mainly include among others, provisions for litigation, claims, and provisions for staff. As of December 31, 2011, the Bank has several pending lawsuits, litigation and other processes that are related to the activities carried out, which in management and legal counsel´s opinion no additional provisions are needed. Therefore, Management has not considered necessary a higher provision than there recorded for these contingencies and processes in "Other liabilities" on the consolidated balance sheet, which amounted to S/.207.5 million (S/.213.7 million as of December 31, 2010).

(f) Includes provisions for services of Grupo Continental's ordinary activities.

9. OBLIGATIONS TO THE PUBLIC AND DEPOSITS FROM FINANCIAL INSTITUTIONS

	2011 S/.000	2010 S/.000
Obligations to the public	30,185,437	25,558,208
Deposits from financial institutions	307,034	359,232
Total	30,492,471	25,917,440

Deposits include accounts that have been pledged in favor of the Bank to secure credit operations of S/.540.2 million and US$111 million as of December 31, 2011 (S/.400.5 million and US$71.5 million as of December 31, 2010).

(a) Obligations to the public and deposits from financial institutions have the following maturities:

	2011 S/.000		2010 S/.000	
Up to 1 month	9,765,343	32%	9,375,337	36%
More than 1 month and up to 3 months	5,859,745	19%	4,826,214	19%
More than 3 months and up to 6 months	2,171,311	7%	1,891,998	7%
More than 6 months and up to 1 year	2,034,700	7%	1,716,840	7%
More than 1 year and up to 5 years	8,848,155	29%	6,641,975	26%
More than 5 years	1,813,217	6%	1,465,076	5%
Total	30,492,471	100%	25,917,440	100%

(b) Interest rates on deposits and other obligations accounts are established by Grupo Continental, based on current market interest rates. The prevailing annual interest rates were as follows:

	2011 Accounts in		2010 Accounts in	
	S/.	US$	S/.	US$
	%	%	%	%
Checking accounts	0.00 - 1.20	0.00 - 0.60	0.00 - 1.20	0.00 - 0.60
Saving deposits	0.25 - 2.00	0.125 - 1.00	0.25 - 2.00	0.125 - 1.00
Time deposits and CBME	0.50 - 1.35	0.10 - 1.15	0.50 - 1.35	0.10 - 1.15
Superdeposits	1.00 - 1.35	0.45 - 1.00	1.00 - 1.35	0.45 - 1.00
Severance deposits	2.75 - 4.00	0.50 - 3.50	2.75 - 4.00	0.50 - 3.50

10. INTER-BANK FUNDS

Inter-bank funds' assets have current maturities, accrue interest at an average annual interest rate of 0.25% in foreign currency (3% in local currency as of December 31, 2010) and are unsecured.

Inter-bank funds liabilities have current maturities, accrue interest at an average annual interest rate of 0.25% in foreign currency, 4.25% in local currency (3% as of December 31, 2010) and are unsecured.

11. DUE TO BANKS AND CORRESPONDENTS

	2011	2010
	S/.000	S/.000
Foreign Financial Institutions (a)	2,545,968	2,715,691
International Financial Organizations (b)	1,287,790	1,473,650
Private debt contract (c)	539,200	561,800
Programa Mi Vivienda - Mi Hogar (My Housing - My Home program) (d)	336,126	201,785
Corporación Financiera de Desarrollo - COFIDE	30,000	30,000
Accrued interest payable	31,119	30,272
Total	4,770,203	5,013,198

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 December 31, 2011 and 2010, Grupo Continental's Management believes it is compliance with these covenants.

(a) Foreign financial institutions

As of December 31, 2011, the loan balance with foreign financial institutions accrued interest based on market rates between 1% and 7.4% (0.6% and 7.4% as of December 31, 2010). The breakdown of these transactions is as follows:

Name of creditor	Balances as of December 31, 2011 US$000	Balances as of December 31, 2011 S/.000	Balances as of December 31, 2010 US$000	Balances as of December 31, 2010 S/.000	Due dates
Deutsche Bank (i)	366,077	986,944	325,984	915,689	November 2020
Credit Suisse (ii)	200,000	539,200	200,000	561,800	October 2040
Wells Fargo Bank	110,000	296,560	40,000	112,360	January 2012 and October 2013
Syndicated loan (iii)	100,000	269,600	100,000	280,900	October 2012
DEG Deutsche Investitions (iv)	60,000	161,760	65,000	182,585	October 2017 y June 2018
Standard Chartered	58,000	156,368	-	-	October 2013
China Development Bank	50,000	134,800	-	-	December 2016
JP Morgan Chase Bank	-	-	70,000	196,630	January 2011
Citibank NA	-	-	70,000	196,630	January 2011
Bank of America	-	-	46,000	129,214	January 2011
Sumitomo Bank	-	-	30,000	84,270	January 2011
HSBC Bank PLC	-	-	15,000	42,135	February 2011
Other	273	736	4,798	13,478	January 2012
Total	944,350	2,545,968	966,782	2,715,691	

(i) Loan for an amount of US$350 million, fixed rate of 5.5% and maturity in November 2020, which is recorded at fair value. The change in fair value is hedged by an Interest Rate Swap (IRS) (Note 15 (b)). As of December 31, 2011, Grupo Continental has recorded losses of S/.109.1 million corresponding to the change in fair value, which is included in the "Gains from hedging transactions" item, of the statements of income (as of December 31, 2010 recorded a gain of S/.56.9 million).

(ii) Corresponds to subordinated debt, and it is considered as part of TIER 1 Regulatory Capital to the limit permitted by General Law.

(iii) In September 2010, the Bank entered into a syndicated loan for US$100 million with the participation of the following foreign financial entities: Standard Chartered Bank, Wells Fargo Bank, Banco de Chile, Bank of Taiwan, Banco Monte Dei Paschi di Siena S.p.A. and Mizuho Corporate Bank Ltd. The applicable rate is Libor plus a spread. The term of the loan is 25 months with settlement of principal at maturity. Interest will be paid every six months.

(iv) Corresponds to subordinated debt for an amount of US$30 million approved by the SBS. It is considered part of TIER 2 Regulatory Capital.

(b) International financial organizations

Debts to international financial organizations accrued interest at international market rates between 1.5% and 6.4% as of December 31, 2011 (1.4% and 6.4% as of December 31, 2010), and are unsecured. The breakdown is as follows:

Name of creditor	Balances as of December 31, 2011 US$000	Balances as of December 31, 2011 S/.000	Balances as of December 31, 2010 US$000	Balances as of December 31, 2010 S/.000	Due Dates
Banco Interamericano de Desarrollo (i)	275,000	741,400	275,000	772,476	February 2012/2014/2017/2019 and August 2015
Internacional Finance Corporation	112,667	303,750	165,333	464,420	December 2012/2018
Corporación Andina de Fomento	50,000	134,800	50,000	140,450	December 2012
Corporación Interamericana de Inversiones	40,000	107,840	34,284	96,304	June 2013/August 2014
	477,667	1,287,790	524,617	1,473,650	

(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.

(c) Debt private contract

As of December 31, 2011, due to banks and correspondents include a debt private contract from a securitization of remittances (Note 15 (e)) for an amount of US$200 million.

(d) Programa Mi Vivienda - Mi Hogar (My Housing – My home Program)

Resources obtained for the social housing program “Mi Vivienda” in local currency for S/.283.2 million and foreign currency for US$12.1 million. This loan amortizes through December 2031 and accrues 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/.336.1 million as of December 31, 2011 (S/.201.8 million as of December 31, 2010) is collateralized by a portion of the mortgage loan portfolio up to that amount (Note 6). Loans include specific agreements about how these funds must be used, financial conditions that the borrower must have, as well as administrative terms.

As of December 31, 2011 and 2010, the financial obligations have the following maturities:

	2011		2010	
	S/.000		S/.000	
Up to 1 month	164,656	3%	733,582	15%
More than 1 month and up to 3 months	285,274	6%	42,823	1%
More than 3 months and up to 6 months	32,981	-	47,432	1%
More than 6 months and up to 1 year	555,642	12%	5,731	-
More than 1 year and up to 5 years	934,741	20%	890,796	18%
More than 5 years	2,796,909	59%	3,292,834	65%
Total	4,770,203	100%	5,013,198	100%

Some of the loans in US dollars are associated with "IRS" contracts to reduce the interest rate risk (Note 15 (b)).

12. SECURITIES, BONDS AND OUTSTANDING OBLIGATIONS

	2011	2010
	S/.000	S/.000
Corporate Bonds	830,761	556,242
Notes (debt instruments) - Note 15 (e)	539,200	702,250
Subordinated Bonds	459,866	455,128
Leasing Bonds	137,400	140,225
Accrued expenses payable	18,632	16,484
Total	1,985,859	1,870,329

Securities, bonds and outstanding obligations have the following maturities:

	2011		2010	
	S/.000		S/.000	
Up to 1 month	717	-	21,372	1%
More than 1 month and up to 3 months	50,641	3%	9,033	-
More than 3 months and up to 6 months	7,273	-	6,079	-
More than 6 months and up to 1 year	217,756	11%	-	-
More than 1 year and up to 5 years	819,605	41%	1,128,492	60%
More than 5 years	889,867	45%	705,353	39%
Total	1,985,859	100%	1,870,329	100%

The detail of issued bonds and notes is as follows:

Program	Authorized amount	Issuance	Series	Currency	Amount of Disbursed Currency	2011 S/.000	2010 S/.000	Maturity Date
Corporate Bonds								
Second	US$50 million or S/.160 million	First	A	PEN	70,000	70,000	70,000	October 2012
		First	B	PEN	23,000	23,000	23,000	March 2013
		First	C	PEN	30,000	30,000	30,000	April 2013
		First	D	PEN	17,000	17,000	17,000	May 2013
		Second	A	PEN	20,000	-	20,000	January 2011
Third	US$100 million or S/.315 million	First	A	PEN	40,000	40,000	40,000	December 2012
		Second	A	PEN	40,000	40,000	40,000	March 2012
		Third	A	USD	9,969	26,876	28,003	September 2012
		Fourth	A	USD	8,533	23,005	23,969	September 2014
		Sixth	A	USD	30,000	80,880	84,270	October 2012
		Seventh	Only	PEN	60,000	60,000	60,000	May 2018
Fourth	US$ 100 million	First	Only	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	-	August 2018
Fifth	USD250 millones	Fisrt	A	PEN	50,000	50,000	-	December 2016
		Second	A	PEN	150,000	150,000	-	December 2026
						830,761	556,242	
Subordinated Bonds								
First	US$50 million or S/.158.30 million	First	A	PEN	40,000	39,793	39,773	May 2022
		Second	A	USD	20,000	53,661	55,892	May 2027
		Third	A	PEN	55,000	64,453	61,594	June 2032
Second	US$100 million	First	A	USD	20,000	53,920	56,180	September 2017
		Second	A	PEN	50,000	57,384	54,839	November 2032
		Third	A	USD	20,000	53,920	56,180	February 2028
		Fourth	Only	PEN	45,000	49,840	47,629	July 2023
		Fifth	Only	PEN	50,000	54,663	52,238	September 2023
		Sixth	A	PEN	30,000	32,232	30,803	December 2033
						459,866	455,128	
Leasing Bonds								
First	US$200 million	First	A	USD	25,000	67,400	70,225	April 2016
		Second	A	PEN	30,000	30,000	30,000	September 2014
		Third	A	PEN	40,000	40,000	40,000	November 2014
						137,400	140,225	
Notes								
First	US$250 million	First	A	USD	250,000	539,200	702,250	December 2015

Corporate bonds are unsecured and accrued annual interest at rates between 5.8% and 7.9% for local currency and between 6.2% and 6.4% for foreign currency as of December 31, 2011 and 2010, respectively.

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 are secured by the same assets financed by the Bank with interest at a nominal annual rate of 6.3% for local currency and 7.2% for foreign currency.

13. SHAREHOLDERS' EQUITY

(a) Capital stock

As of December 31, 2011, the authorized, issued and fully paid capital stock of the Bank consisted of 1,944,231,963 outstanding ordinary shares with a face value of S/.1 each, (1,843,427,288 shares as of December 31, 2010).

The Bank General Shareholders' Annual Meetings held on March 31, 2011 and March 30, 2010, authorized an increase of the capital stock of S/.100.8 million and S/.372.2 million, respectively, by means of the capitalization of special reserve and retained earnings.

The Bank's common stock is listed on the Lima Stock Exchange (hereinafter, BVL for its Spanish acronym). As of December 31, 2011 and 2010, the stock market quotation value of the Bank's stock was S/.5.51 and S/.7.70 per share, respectively, with a negotiation frequency of 100% in both years.

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

Percentage of individual interest %	Number of shareholders	Total interest %
Up to 1	4,226	6.62%
1.01 to 5	1	1.14%
More than 80.01 to 100	1	92.24%
	4,228	100%

(b) Legal and special reserve

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.

Legal reserve for net income for 2011 will be recognized upon the approval of the financial statements of that year at the next General Meeting of Shareholders to be held in 2012.

The General Shareholders' Annual Meetings held on March 31, 2011 and March 30, 2010 approved an allocation to the legal reserve for equivalent of 10% of net income for year 2010 (S/.100.7 million) and year 2009 (S/.92.8 million), respectively..

The Special reserve has been established by appropriation of Retained earnings and is considered freely available.

The General Shareholders' Annual Meeting held on March 30, 2010 approved the capitalization of special reserves by S/.1.2 million.

(c) Retained earnings

General Shareholders' Annual Meetings held on March 31, 2011 and March 30, 2010, agreed to distribute dividends for S/.805.8 and S/.463.8 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.

Retained earnings include S/.19.3 million of unrealized loss of the available-for-sale investments (S/.21.4 million of unrealized gains as of December 31, 2010), S/.3 million corresponding to unrealized gain of held to maturity investments (S/.3.1 million as of December 31, 2010).

The General Shareholders' Annual Meeting held on March 31, 2011 and March 30, 2010, approved the capitalization of retained earnings by S/.100.8 million and S/.371 million, respectively.

14. REGULATORY CAPITAL AND LEGAL LIMITS

As of December 31, 2011, Bank's regulatory capital calculated following SBS regulations was S/.4,043 million (S/.3,807 million as of December 31, 2010). This amount is used to calculate certain limits and restrictions applicable to all financial entities in Peru. In the Bank's Management opinion, such limits and restrictions are fully met by the Bank.

According to the General Law, as of December, 31, 2011, the regulatory capital amount cannot be less than 10% of credit, market and operational risk average weighted assets and contingent loans (9.8% as of December 31, 2010).

SBS Resolution N° 14354-2009 "Rules for Regulatory Capital Requirement for Credit Risk" entered into effect on July 1, 2010, and provides that financial institutions can calculate their regulatory capital requirement for credit risk using the standard or the internal ratings based methods.

(i) In the standard method, SBS establishes the methodology for calculating the exposure, the acceptable mitigating, the weighting factors for credit risk depending on the type of exposure, type of debtor and its external rating of credit risk.

(ii) In the internal ratings based methods, its use is subject to compliance with the minimum requirements of the regulations and the approval of the SBS. Under these methods, organizations can calculate their regulatory capital requirements using internal estimates of risk components: probability of default (PD), loss given default (LGD), exposure at default (EAD) and maturity (M).

The Bank uses the standard method for calculating regulatory capital requirement for credit risk.

Credit, market and operational risk average weighted assets calculated in accordance with applicable regulations amount to S/.32,455 million as of December 31, 2011 (S/.25,984 million as of December 31, 2010).

As of December 31, 2011 and 2010, the Bank´s capital adequacy ratio is 12.46% and 14.65%, respectively.

15. CONTINGENT AND OFF-BALANCE SHEET ACCOUNTS

	2011 S/.000	2010 S/.000
Contingent transactions:		
Indirect loans: (a)		
Guarantees and Letter of Guarantee	8,037,821	6,899,642
Letters of credit and bank acceptances	649,567	821,776
Total	8,687,388	7,721,418
Derivative financial instruments (b)	12,165,881	13,282,062
Unused lines of credits	6,141,628	4,134,284
Total	26,994,897	25,137,764
Off-balance sheet accounts:		
Collateral for loans given (c)	53,635,462	28,249,049
Securities and assets received in custody	23,822,059	24,715,309
Owned securities and assets in custody	3,219,133	2,996,907
Securities received as collection	1,919,660	1,603,977
Letter of credit	321,570	594,120
Securities and assets as a collateral	173,487	220,881
Non-accrual interest	319,042	189,596
Loans written-off	61,914	161,622
Consignments received	338	418
Securities in custody of CAVALI (f)	5,727,039	5,734,033
Interest rate derivatives (b)	5,033,665	5,620,084
Other debtors	8,516,316	6,195,179
Other creditors (e)	8,788,067	8,832,367
Total	111,537,752	85,113,542
Trusts and administrations (d)	6,405,142	6,567,727
Total	144,937,791	116,819,033

(a) Indirect loans

Grupo Continental participates in transactions with off-balance sheet risk in the normal course of business. These transactions expose Grupo Continental to credit risk in addition to the amounts recognized in the consolidated balance sheet.

The credit risk in contingent operations is related to the possibility that one of the counterparties does not comply with the established terms. The corresponding contracts reflect amounts that would be assumed by Grupo Continental for loan losses in contingent operations.

Grupo Continental uses similar credit policies in evaluating and granting direct loans and contingent loans. In management's opinion, contingent transactions do not represent an exceptional credit risk, since it is expected that a portion of these contingent loans expire without being called and the total amounts of contingent loans do not represent necessarily future cash disbursements for Grupo Continental.

Grupo Continental´s management does not expect significant losses for contingent operations in force as of December 31, 2011.

The change of allowance for contingent operations (indirect loans) included in "Other liabilities" on the balance sheet was as follows:

	2011 **S/.000**	**2010** **S/.000**
Balances as of January 1	55,322	70,680
Provision	44,323	48,694
Recoveries and reversals	(38,582)	(63,143)
Exchange rate differences and other adjustments	(606)	(909)
Balances as of December 31	60,457	55,322

As of December 31, 2011, the general provision of indirect loan portfolio of S/.53.8 million (S/.49.3 million as of December 31, 2010) includes pro-cyclical provisions of S/.17.3 million (S/.16.2 million as of December 31, 2010).

(b) Derivative Financial Instruments

The Bank enters into forward agreements for the purchase and sale of foreign currency (Forwards), interest rates swaps (IRS), cross currency swaps (CCS), and purchase and sale of options on several underlying (exchange rate, index, commodities, etc.).

Forward contracts for buying and selling foreign currency are agreements to deliver a currency at a future date at a pre-established price.

IRS operations are agreements in which the exchange of periodic cash flows are calculated on the basis of the application of either a variable or fixed interest rate according to the terms and conditions based on the definitions and regulations developed by the International Swaps and Derivatives Association, Inc. (ISDA) for foreign clients, and a Frame Contract for local clients. The cross currency swaps are agreements in which the exchange amount is agreed in one currency for amounts in another currency, setting the exchange rate at the end of the operation.

Options are agreements whereby the holder has the option -rather than the obligation- to purchase or sell an underlying by prices defined at the day of closing, for which pays a premium to the seller of the options, calculated in accordance with market conditions.

The risk arises from the possibility that counterparties do not comply (Risk of Counterparty) with agreed terms and the fluctuations of the risk factors involved in this transaction (exchange rate and interest rate risks).

Derivative financial instruments are valued according to the financial theories recognized by the market. The inputs (exchange rates, interest rate curves, implied volatility, swap points, etc.) are captured from public sources of information if the data is quotable, or built, in the case of no quotations available.

The notional amount equivalent in nuevos soles and the fair value of derivative financial instruments were as follows:

	2011		
	Nominal Value	**Asset**	**Liability**
	S/.000	**S/.000**	**S/.000**
Trading Derivatives			
Currency Forward	5,721,589	55,937	54,083
Options	2,420,116	65,796	65,796
CCS - Cross Currency Swap	4,024,176	218,756	69,250
Interest Rate Swap	4,090,065	32,974	137,000
Hedging Derivatives			
Interest Rate Swap (i)	943,600	72,697	-
	17,199,546	446,160	326,129

	2010		
	Nominal Value	**Asset**	**Liability**
	S/.000	**S/.000**	**S/.000**
Trading Derivatives			
Currency Forward	9,131,591	61,788	34,593
Options	527,824	13,335	13,270
CCS - Cross Currency Swap	3,622,647	183,820	53,853
Interest Rate Swap	4,636,934	42,178	140,503
Hedging Derivatives			
Interest Rate Swap (i)	983,150	-	44,817
	18,902,146	301,121	287,036

(i) As of December 31, 2011, the Bank entered into an IRS to hedge the exposure to changes in fair value of the loan from Deutsche Bank for US$350 million, which was agreed at a fixed rate of 5.50% and maturity in November 2020 (Note 11 (a)). Through interest rate swap, the Bank receives a fixed rate in U.S. dollars and delivers a variable interest rate in that currency. As of December 31, 2011, the fair value of interest rate swap has been increased in S/.118.7 million (gain), which is recorded under "Gain from hedging transactions" of the consolidated statements of income. As of December 31, 2010, the fair value of IRS was S/.44.8 million (loss).

Interest rate derivatives are recorded in off-balance sheet accounts, amounting to S/.5,034 million as of December 31, 2011 (S/.5,620 million as of December 31, 2010), other derivatives are recorded in contingent accounts amounting to S/.12,166 million as of December 31, 2011 (S/.13,282 as of December 31, 2010).

Accounts receivable and payable from derivative financial instruments transactions on the consolidated balance sheet consisted mainly of accrued amounts corresponding to the fluctuations resulting from derivative financial instruments valuations (exchange and interest rate); these are presented in the line Gain/Loss from derivative instruments, net in the consolidated statements of income.

(c) Guarantees received for loans given

Collateral is reflected at the agreed value on the date of the loan contract. This amount does not necessarily represent the market value of collateral held by Grupo Continental.

(d) Trusts and administrations

Grupo Continental renders asset management services to third parties such that Grupo Continental is involved in the selection and decisions of purchases and sales of investments on behalf of third parties. These assets which are maintained in trusts are not included in the consolidated financial statements.

As of December 31, 2011 the equity of mutual fund investment and of securitations managed by Grupo Continental amounts S/.3,037 million and S/.129 million, respectively (S/.3,342 million and S/.271 million, respectively, as of December 31, 2010).

(e) Other creditors

In 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$250 million. 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 12).

During April 2010, Continental DPR Finance Company, entered into a debt through a private contract totaling US$200 million (Series 2010-A). 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 11 (c)).

The debt and the issuance of the Note are secured by present and future flows generated by electronic payment orders of clients (Diversified Payments Rights - DPR) sent to the Bank using the SWIFT (Society for Worldwide Interbank Financial Telecommunications Network) system.

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. Grupo Continental management believes it was in compliance with such conditions as of December 31, 2011.

(f) Securities in custody in CAVALI S.A.

Corresponds to the face value of investments negotiated by Grupo Continental on behalf of clients of Continental Bolsa - Sociedad Agente de Bolsa S.A. which are in the custody of Cavali S.A. ICLV.

16. INCOME FROM VARIOUS FINANCIAL SERVICES, NET

Other income for years ended December 31, 2011 and 2010 comprises commissions for credit and debit cards renewals, maintenance fees for savings accounts, collection, transferences, bank drafts, checking accounts operations and clearing, financial advisory and other services related to credit or intermediation activities.

17. EMPLOYEES' AND BOARD OF DIRECTORS' EXPENSES

	2011 S/.000	2010 S/.000
Salaries	182,873	162,552
Bonuses	223,774	186,507
Social contributions and other	44,336	38,929
Accrual for seniority indemnities	25,549	22,155
Vacations	15,032	14,401
Other	15,567	14,198
Total	507,131	438,742

18. ADMINISTRATIVE EXPENSES

Administrative expenses for 2011 and 2010 mainly comprised expenses for technology services fees and transport of money, taxes, advertising and promotions, insurances, general services expenses, security and surveillance, among others.

19. OTHER EXPENSES AND INCOME, NET

	2011 S/.000	2010 S/.000
Gain from sales of seized and recovered assets	1,198	1,879
Administrative penalties	(2,342)	(809)
Uninsured losses	(3,476)	(4,616)
Other income	4,553	9,953
Total	(67)	6,407

20. TAX SITUATION

(a) Income tax regime

(i) Income tax rates

The income tax rate for domiciled legal entities is 30%.

Legal entities are subject to an additional rate of 4.1% on any amount that may be considered indirect income, including, among others, amounts charged to expenses and unreported income, expenses which may have benefited the shareholders, outside business expenses or shareholders, which are assumed by the legal entity.

(ii) Transfer Pricing

For the purposes of income tax calculation and General Tax on Sales in Peru, legal entities engaged in transactions with related companies or with companies resident in territories with low or no taxation, shall: (a) file an annual affidavit for transfer pricing information when the amount of their transactions with related parties being greater than S/.200,000 (b) have a Transfer Pricing Technical Study, including the supporting documentation for this study. This formal obligation arises when the amount of accrued income exceeds S/.6,000,000 and the entity has conducted transactions with related companies for an amount over S/.1,000,000.

Both formal obligations will also be required in the event that at least one transaction to, from or through countries with low or no taxation had been made.

Based on the analysis of Grupo Continental operations, management and internal legal advisors believe that as a result of the implementation of these standards will not contingencies relevant to the Bank as of December 31, 2011.

(b) Significant changes to income tax

As of December 31, 2011, no new regulations significantly amending income taxes effective January 1, 2012 have been enacted.

(c) The income tax expense is comprised as follows:

	2011 S/.000	2010 S/.000
Current income taxes	466,654	383,954
Deferred income taxes	(50,047)	(26,314)
Income tax (recovery provision)	(36,437)	-
Total	380,170	357,640

(d) Tax situation

Income tax returns of Grupo Continental which are pending for review by the tax administration are as follows:

Companies	Years subject to review
BBVA Banco Continental	2007 to 2011
Continental Bolsa Sociedad Agente de Bolsa S.A.	2007 to 2011
BBVA Asset Management Continental S.A. Sociedad Administradora de Fondos	2007 to 2011
Continental Sociedad Titulizadora S.A.	2007 to 2011
Inmuebles y Recuperaciones Continental S.A.	2008 to 2011

The Tax Administration is authorized to perform reviews within four years following the year of submittal of the corresponding income tax return. Management considers that no significant liabilities will arise resulting from pending reviews. As of today, the tax administration is reviewing the income tax for 2007 of BBVA Banco Continental and the income tax for 2010 of Continental Bolsa – Sociedad Agente de Bolsa S.A. Management considers that no significant liabilities will arise from pending reviews.

Due to possible interpretations that tax authorities may make on legal regulations in force, it is not possible to determine whether liabilities for Grupo Continental will result from future reviews, so that any eventual higher tax or charge that might result from fiscal reviews will be charged to the statements of income for the year in which they are determined. However, management considers that no potential additional settlement of taxes would be significant for the consolidated financial statements as of December 31, 2011.

21. DEFERRED INCOME TAXES

The change in the net income taxes asset in 2011 and 2010 and the description of related temporary differences were as follows:

2011		**Additions/Recoveries**		
	Beginning Balances S/.000	**Equity S/.000**	**Net income S/.000**	**Ending Balances S/.000**
Assets:				
General allowance for loans	198,734	-	45,793	244,527
Allowance for contingent loans - general	14,774	-	1,369	16,143
Allowance for seized assets	6,938	-	10	6,948
Allowance for contingent credits - specific	1,838	-	303	2,141
Allowance for suppliers	33,318	-	(3,494)	29,824
Labor allowance	24,558	-	(389)	24,169
Advancement of depreciation	810	-	(245)	565
Non-accrual interest	1,129	-	4,680	5,809
Total asset	282,099	-	48,027	330,126
Liabilities:				
Investments available for sale	7,059	822	-	7,881
Other	4,848	-	(4,848)	-
Leveling of assets and liabilities	1,840	-	2,828	4,668
Total liabilities	13,747	822	(2,020)	12,549
Deffered income tax, net asset	268,352	(822)	50,047	317,577

2010		**Additions/Recoveries**		
	Beginning Balances S/.000	**Equity S/.000**	**Net income S/.000**	**Ending Balances S/.000**
Assets:				
General allowance for loans	178,348	-	20,386	198,734
Allowance for contingent loans - general	20,386	-	(5,612)	14,774
Allowance for seized assets	6,704	-	234	6,938
Allowance for contingent credits - specific	2,535	-	(697)	1,838
Allowance for suppliers	35,582	-	(2,264)	33,318
Labor allowance	7,556	-	17,002	24,558
Advancement of depreciation	3,049	-	(2,239)	810
Non-accrual interest	-	-	1,129	1,129
Total asset	254,160	-	27,939	282,099
Liabilities:				
Investment available for sale	5,109	1,950	-	7,059
Other	-	-	4,848	4,848
Leveling of assets and liabilities	5,063	-	(3,223)	1,840
Total liabilities	10,172	1,950	1,625	13,747
Deffered income tax, net asset	243,988	(1,950)	26,314	268,352

According to Note 2 (a-5), Grupo Continental adjusted the effect of modification of treatment of deferred employees' profit sharing, which represented a lower balance in the net income for the year 2010, for an amount of S/.25.4 million.

During 2010, Grupo Continental recorded temporary items of deferred income tax related to labor liabilities and securitization of remittances for previous years. The effect of this situation resulted in a greater balance of the net income for 2010 for an amount of S/.14.7 million.

Changes in deferred income tax assets were as follows:

	2011 S/.000	2010 S/.000
Deferred taxes recognized:		
Deferred taxes at the beginning of the year	268,352	243,988
Debit to equity (Note 2 (t))	(822)	(1,950)
Credit to income of the year	50,047	26,314
Deferred income taxes asset at end of the year	317,577	268,352

22. BASIC AND DILUTED EARNINGS PER SHARE

	Quantity of shares (in million)	
	2011	2010
Outstanding at beginning of the year	1,843.4	1,471.2
Special reserve capitalization	-	1.2
Retained earnings capitalization	100.8	471.8
Outstanding at end of the year	1,944.2	1,944.2
Net income for the year (in thousands of nuevos soles)	1,128,988	1,006,309
Basic and diluted earnings per share	0.58	0.52

23. TRANSACTIONS WITH RELATED PARTIES

The main transactions with related companies and subsidiaries for credits, financial services and corresponding relationships recorded at nominal values, among others, were as follows:

	2011 S/.000	2010 S/.000
Assets:		
Cash and due from banks	47,727	25,482
Loans, net	4,174	135
Other assets	122,082	77,144
Liabilities:		
Deposits and Obligations to the public	106,657	429,495
Other liabilities	140,327	129,165
Contingent and off-balance sheet accounts:		
Contingent accounts	4,029,834	4,927,095
Off-balance sheet accounts	1,826,948	1,724,479

Transactions of Grupo Continental with related parties have been carried out in the normal course of operations and in conditions that could have been granted to third parties.

Operations carried out with related parties, included in the consolidated statements of income for 2011 and 2010 were the following:

	2011 S/.000	2010 S/.000
Financial income	52	9
Financial expenses	(9,686)	(4,580)
Other income (expenses), net	(57,388)	(47,442)

Personnel Loans

Directors, executives and employees of the Bank maintain permitted operations with the Bank in accordance with General Law, which regulates and establishes certain limits on transactions with directors, executives and employees of banks in Peru. As of December 31, 2011 and 2010, direct loans to employees, directors, executives and key personnel were S/.265.7 million and S/.232.8 million, respectively.

As of December 31, 2011, key staff salaries and director salaries amounted to S/.9 million (S/.7.7 million as of December 31, 2010).

24. FINANCIAL RISK MANAGEMENT

Management, based on the Bank's policies and on its knowledge of the market and experience in the sector, establishes policies for the control of business risks to minimize potential adverse effects.

Market risks

The Bank is exposed to market risks during the normal performance of its transactions. Market risk consists of the risk of loss due to future negative movements regarding prices of the products in financial markets where the Bank has open positions.

The Bank uses Value at Risk (hereinafter VaR) as a methodological tool to estimate market risks based on a series of assumptions for certain changes in the general conditions of financial markets, showed in distortions of, for instance, interest rates or exchange rates, under the assumption that the portfolio would remain unchanged during a temporary period. This tool follows a parametric model to reach a 99% level of reliability and a 1-day time horizon.

In this context, the Bank establishes a policy of limits whose axis is the VaR and are daily followed to control that consumption does not exceed the established limits and/or alerts.

The Bank has established a pattern of weekly backtesting and limits within which the VaR is accepted (up to 4 negative exceptions), which are monitored on a weekly basis with daily information.

In addition, the Bank has Stress Testing scenarios, which have been established based on the historical series to establish the Stress Testing scenarios, which are monitored on a daily basis.

Liquidity risk

Liquidity risk closely related to banking business. Liquidity risk management is the possibility that an entity may not meet its payment commitments or that, in order to meet them; it may have to obtain funds under unfavorable conditions.

The liquidity risk management is based on a series of principles and policies described below: the self-financing of investment activity by business segments themselves, long-term management through adequate financial policy that seeks to anticipate possible tensions on procurement of funds markets, an adequate segregation of duties which allows to assign clear responsibilities and objectives and the establishment of an adequate system of transfer pricing.

Through a system of limits and alerts is constantly monitored that the liquidity Management is according with the policies of the entity. In this scheme, the Bank has limits on the funding structure which are measured as a minimum percentage of stable clients to finance loans, limit liquidity management that seeks to measure the ability to react to market's tensions. This capacity is understood as the existence of explicit sufficient assets to use in case of failure to renew deposits collected by Global Markets payments or dealing with wholesale counterparties. The Bank also has alerts for qualitative indicators of liquidity; these reflect early warnings of future worsening liquidity conditions and general market's own entity.

In addition to measuring liquidity risks, the Bank has a Contingency Plan of Liquidity, which considers scenarios of very low liquidity and the role that would correspond to each area of the Bank.

Interest rate risk

Structural Interest Risk refers to the impact that variations in interest rates may have over the finance margin and the economic value of an entity. The starting point of this methodology is the analysis of temporary gaps of repricing of assets and liabilities of the balance (Bank book) as per currency and length of the term.

Exposure to interest rate risk is measured under a triple perspective: effect in net income, economical value and economical capital. From the effect in net income perspective, the analysis is limited to a 12-month time horizon, where incidence of variations in the interest rates over the annual finance margin is evaluated. Under the perspective of the economic value, the horizon analysis goes over the whole balance through the evaluation of the effect of movements in the market curves in the value of assets and liabilities. According to the criteria of the economical capital, 105 rate scenarios are built, which are used to calculate the same number of economical values and, with a given level of reliability, to determine maximum expected loss.

There is also active and permanent follow-up of limits and alerts for these indicators, which allows active management of the balance sheet by the Bank.

Exchange rate risk

Exchange rate risk is the risk that the value of positions on the balance sheet could be negatively affected by the fluctuations of exchange rates. Value of positions issued in foreign currency could decrease due to movements of exchange rates. This risk depends on the position of the currency and the volatility of exchange rates.

An important part of the assets and liabilities are denominated in US dollars. The Bank minimizes the exchange rate risk by matching assets and liabilities.

Credit risk

Credit risk consists of the probability of incurring losses due to non-compliance with credit obligations by counterparty.

Management of credit risk of the Bank is based on an integral approach at all stages of the process: analysis, admission, follow-up and recovery, which strengthen tools designed for risk management.

Regarding the follow-up stage, a permanent activity is the monitoring of portfolio quality at the Bank level, segments of businesses and their geographic distribution, evaluating their behavior according to different indicators which include ratios of delayed and weighted portfolio, as well as entries and exits of delay in payment, evaluating in the former ones, profiles of delay per product and to which group they correspond, the activity that has the objective of providing guidelines of admission of credit risk, establishing corrective measures.

Also, credit risk is monitored through evaluation and analysis of individual transactions such as credit concentration of economic groups, individual limits to grant credits, evaluation of economic sectors, expected portfolio losses, preferred guarantees and requirement of working capital.

Financial assets that potentially present credit risk mainly consist of cash and cash equivalents, deposits banks accruing interests, investments in securities, loans and other assets. Cash and cash equivalents, as well as time deposits are placed in prestigious financial institutions.

Information related to interest rates applicable to credits, maturities and levels of loan concentrations are presented in Note 6.

Operational risk

Operational risk is defined as the risk of having losses as a consequence of failures in processes, systems, human errors or due to external circumstances. The general policy of the Bank regarding the operating risk is based on the good governance concept. The Bank understands that good management of operating risk needs to establish methodologies and procedures allowing identification, evaluation and follow-up of this type of risks in order to establish measures to mitigate according to appetite and tolerance of it, reducing their impact on the organization.

25. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments are contracts that give rise simultaneously to a financial asset in a company and a financial liability or equity instrument in another company. In the case of Grupo Continental, the financial instruments are generally primary instruments such as accounts receivable, accounts payable and capital shares in other companies and derivative instruments (forward and swaps contracts).

Financial instruments are classified as of liability or as capital according to the nature of contractual agreement which originated it. Interests, dividends, the gains and losses generated by a financial instrument classified as a liability, are registered as expenses or income in the statements of income. Payments to holders of financial instruments recorded as capital are recorded directly in stockholders´ equity. Financial instruments are settled when Grupo Continental has legal right to liquidate them and management has the intention to cancel them over a net basis, or to realize the asset and cancel the liability, simultaneously.

Fair value is the amount by which an asset could be exchanged between a well-informed buyer and seller, or an obligation which can be settled between a debtor and creditor with sufficient information, when conducted in an open market.

In cases where a quoted value is not available, fair value is estimated based on a quoted value of a financial instrument with similar characteristics, the present value of expected cash flows or other valuation techniques, which are significantly affected by different assumptions. Even though management uses its best criteria to estimate fair value of its financial instruments, there are weaknesses inherent to any technical valuation. As a consequence, fair value might not be an approximate estimation of net realizable value or value of liquidation.

The fair value measurements of Grupo Continental financial instrument have the following considerations:

(i) Cash and due from the Bank and inter-bank funds represent cash or short-termed deposits which do not represent significant credit risks.

(ii) Fair value of investments has been determined based on quotations of the market or quotations of underlying (sovereign risk rate) to the date of financial statements. Debt instruments investments accrue interests at market rates.

(iii) The loan portfolio is net of their corresponding allowance for the losses, which allows management to consider it as an estimated amount of recovery as of the dates of financial statements. In addition, short term credit portfolio mainly accrues interest at current market rates and long-term credit portfolio at fixed interest rate is affected by the variations of the market value.

(iv) Market value of obligations to the public and deposits from financial entities and inter-bank funds corresponds to its respective book value mainly due to its current nature and to the fact that rates of interest are comparable to that of other similar liabilities.

(v) Debts and financial obligations and outstanding securities, bonds and obligations generate interests at fixed and variable rates and have maturities of short and long-term. Securities with variable rates represent its market value and those with fixed rates are subject to variations of the market interest rates.

(vi) As described on Note 15, Grupo Continental granted guarantees, letters of guarantees and letters of credits and has received guarantees backing-up credits granted. Based on the level of commissions currently charged for granting those contingent loans and considering due dates and interest rates, together with current solvency of counterparts, the difference between book value and fair value is not considered as significant by management.

(vii) Foreign currency and interest rate derivative financial instruments are recorded at their estimated market value. The Bank values the derivatives operations discounting respective flows into present value using the market curves, which are calculated on a daily basis for it. These curves are built using inputs that are observable public contributors (price vendors) or trading systems (Datatec, Bloomberg, Reuters, etc.).

26. SUBSEQUENT EVENTS

We are not aware of any subsequent events, having occurred from the consolidated 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 January 18, 2012, the Bank received a loan from Goldman Sachs Bank USA amounting to US$500 million with maturity within five years at a 5.75% fixed interest rate. Payment of principal of the loan will be made in full at maturity.

Banco Continental S.A. and Subsidiaries

Independent Auditors' Report

Consolidated Financial Statements
Years ended December 31, 2010 and 2009

Translation of a report originally issued in Spanish

Deloitte.

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INDEPENDENT AUDITORS' REPORT

To the Shareholders and Board of Directors of
Banco Continental S.A.

1. We have audited the accompanying consolidated financial statements of Banco Continental S.A ("The Bank", a subsidiary of Holding Continental S.A.) and Subsidiaries, which comprise the consolidated balance sheets as of December 31, 2010 and 2009, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

2. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Peru for financial entities. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error, selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable under the circumstances.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Peru. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

6. In our opinion, the consolidated financial statements referred to above, present fairly, in all material respects, the consolidated financial position of Banco Continental S.A. and Subsidiaries as of December 31, 2010 and 2009, and its consolidated financial performance and its consolidated cash flows for years then ended, in accordance with accounting principles generally accepted in Peru for financial entities.

Emphasis of matters

7. As described in Notes 2 (e) and 2 (x) to the accompanying consolidated financial statements, pursuant to SBS Resolution N° 11356-2008, on July 2010 the Bank changed the segmentation of the loan portfolio and their loan losses requirements, which affects the comparability of the composition of the portfolio.

8. As explained in Notes 2 (a-2) and 21 to the accompanying consolidated financial statements, as of December 31, 2010, the Bank applied the option of Multiple Official Letter N° 4049-2011 of the SBS, which determines that deferred workers' profit sharing should not be longer recognized. The accumulated balance as of December 31, 2009 in the amount of S/.25.4 million was adjusted against income of the year 2010.

9. The accompanying consolidated financial statements have been translated into English for convenience of the readers.

Beltrán, Gris y Asociados S. Civil de R.L.

Countersigned by:

__________________(Partner)

Eduardo Gris Percovich

CPC Register No.12159

February 11, 2011

BANCO CONTINENTAL S.A. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2010 AND 2009

ASSETS	Notes	2010 S/.000	2009 S/.000	LIABILITIES AND SHAREHOLDERS' EQUITY
CASH AND DUE FROM BANKS:	4			OBLIGATIONS TO THE PUBLIC
Cash and deposits in Peruvian Central Bank		9,578,320	4,474,145	Demand deposits
Deposits in local and foreign banks		349,722	332,499	Savings deposits
Clearing accounts		114,757	51,786	Time deposits
Other deposits		4,438	8,434	Other obligations
Accrued interest on cash and due from banks		8,535	345	Accrued interest payable
Total		10,055,772	4,867,209	Total
INTERBANK FUNDS		40,009	49,003	DEPOSITS FROM FINANCIAL INSTITUTIONS
INVESTMENTS AT FAIR VALUE THROUGH PROFIT AND LOSS AVAILABLE-FOR-SALE AND HELD TO MATURITY, net	5	2,260,555	3,923,508	INTERBANK FUNDS
				DUE TO BANKS AND CORRESPONDENTS
LOANS, net	6	24,004,149	19,806,530	
				SECURITIES, BONDS AND OUTSTANDING OBLIGATIO
INVESTMENTS IN ASSOCIATED COMPANIES		1,995	1,908	
				OTHER LIABILITIES
PROPERTY, FURNITURE AND EQUIPMENT, net	7	447,086	388,674	
				TOTAL LIABILITIES
OTHER ASSETS	8	980,755	1,020,118	
				SHAREHOLDERS' EQUITY:
				Capital stock
				Special reserve
				Legal reserve
				Retained earnings
				Total
				TAX SITUATION
				TRANSACTIONS WITH RELATED PARTIES
TOTAL ASSETS		37,790,321	30,056,950	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY
CONTINGENT AND OFF-BALANCE SHEET ACCOUNTS	15			CONTINGENT AND OFF-BALANCE SHEET ACCOUNTS
Contingent accounts		25,137,764	19,815,202	Contingent accounts
Off-balance sheet accounts		85,113,542	90,041,844	Off-balance sheet accounts
Trusts and administrations		6,567,727	6,247,897	Trusts and administrations
Total		116,819,033	116,104,943	Total

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

BANCO CONTINENTAL S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	Notes	2010 S/.000	2009 S/.000
FINANCIAL INCOME			
Interest from loans	6 (a)	2,081,645	2,143,341
Income from changes in fair value, revenue, interests and gain on sales of investment in securities	5	198,347	347,341
Interest from deposits in financial institutions	4	34,794	7,276
Exchange difference from various transactions	3	175,882	247,348
Dividends and share profit from associates investments		554	370
Adjustment for indexation		9,825	1,191
Interest and commissions from inter-bank funds		988	663
Gain from derivative instruments, net	15 (b) and 11 (a)	12,120	-
Gain from hedging transactions	15 (b)	12,156	-
Other		9,657	5,812
Total		2,535,968	2,753,342
FINANCIAL EXPENSES			
Interest on deposits	9 (b)	(250,402)	(379,584)
Interest on obligations with financial institutions and international financial organizations	11	(101,245)	(177,906)
Premium paid to the "Fondo de Seguro de Depósito" (Deposit Insurance Fund)		(27,762)	(25,757)
Interest on securities and obligations outstanding	12	(81,184)	(79,945)
Loss from derivative instruments, net	15 (b)	-	(25,988)
Adjustment for indexation		(6,171)	(691)
Other		(5,217)	(8,990)
Total		(471,981)	(698,861)
Gross financial margin		2,063,987	2,054,481
PROVISIONS FOR IMPAIRMENT OF LOAN LOSSES			
Loans	6 (d)	(674,348)	(523,531)
Recovery of provisions for loan losses	6(d) and 15 (a)	392,659	192,120
Total		(281,689)	(331,411)
Net Financial margin		1,782,298	1,723,070
INCOME FROM FINANCIAL SERVICES			
Commissions from contingent operations		136,626	104,996
Other income from various financial services	16	415,888	375,938
Total		552,514	480,934
Operating profit margin		2,334,812	2,204,004

(Continue)

BBVA BANCO CONTINENTAL S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	Notes	2010 S/.000	2009 S/.000
OTHER EXPENSE AND INCOME			
Employees and Board of Directors' expenses	17	(388,851)	(379,674)
Administrative expenses	18	(412,077)	(358,841)
Provisions for accounts receivable		(26,345)	(42,182)
Recovery for assets seized and recovered through legal actions		(1,053)	(2,970)
Provisions for contingent operations	15	(48,694)	(23,885)
Other provisions		(6,375)	(6,187)
Depreciation and amortization	7	(59,487)	(60,529)
Income from recovery of loan portfolio previously writen-off		15,503	11,097
Other income and expenses, net	19	6,407	8,377
Total		(920,972)	(854,794)
Income before workers´ profit sharing and Income Taxes		1,413,840	1,349,210
Workers' profit sharing and Income Taxes	20 (c)	(407,531)	(421,441)
Net income		1,006,309	927,769
Weighted average number of outstanding shares (in thousands of shares)		1,843,427	1,843,427
Basic and diluted earning per share in Peruvian nuevos soles	22	0.55	0.50

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

BANCO CONTINENTAL S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	Capital Stock S/.000	Special Reserve S/.000	Legal Reserve S/.000	Reta Earn S/.
Balances as of January 1, 2009	1,109,301	59,324	343,478	7
Capitalization of reserves and retained earnings	361,942	(59,325)	-	(3
Transfer of retained earnings to legal reserve	-	-	72,411	(
Cash dividends	-	-	-	(3
Others	-	1,181	-	
Unrealized gain and losses and transfers to the statements of income for available-for-sale investments	-	-	-	
Net income for the year	-	-	-	9
Balances as of December 31, 2009	1,471,243	1,180	415,889	1,0
Capitalization of reserves and retained earnings	372,184	(1,180)	-	(3
Transfer of retained earnings to legal reserve	-	-	92,751	(
Cash dividends	-	-	-	(4
Unrealized gain and losses and transfers to the statements of income for available-for-sale investments	-	-	-	(
Net income for the year	-	-	-	1,0
Balances as of December 31, 2010	1,843,427	-	508,640	1,0

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

BANCO CONTINENTAL S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010	2009
	S/.000	S/.000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	1,006,309	927,769
Adjustments to reconcile net income to cash provided by operating activities:		
Provisions for loan losses, net of recoveries	281,689	331,411
Depreciation and amortization	59,487	60,529
Provisions for seized and recovered through legal actions assets, net of recoveries	1,053	2,970
Provisions for accounts receivable	26,345	42,182
Provisions for contingent operations, net of recoveries	48,694	23,885
Other provisions, net of recoveries	6,375	6,127
Deferred income taxes	(24,364)	(63,302)
Net gain from sale of securities	(9,918)	(7,694)
Net gain from sale of seized, recovered through legal actions and fixed assets	(3,012)	(4,697)
Changes in assets and liabilities:		
Net decrease in other assets	30,124	296,481
Net decrease in other liabilities	(49,213)	(228,953)
Cash and cash equivalents provided by operating activities	1,373,569	1,386,708
CASH FLOWS FROM INVESTING ACTIVITIES		
Property, furniture and equipment	(132,250)	(100,068)
Sale of assets seized and recovered through legal actions	23,568	14,044
Cash and cash equivalents applied in investing activities	(108,682)	(86,024)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase in obligations to the public, deposits from financial institutions and interbank funds	4,248,354	1,086,938
Net increase (decrease) in due to banks and correspondents	2,886,204	(4,859,743)
Net increase (decrease) in securities, bonds and outstanding obligations	97,403	(70,547)
Net (increase) decrease in loan portfolio	(4,479,308)	433,403
Net decrease in investments	1,625,532	422,276
Cash dividends	(463,503)	(362,055)
other	-	1,180
Cash and cash equivalents provided by (applied in) financing activities	3,914,682	(3,348,548)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	5,179,569	(2,047,864)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	4,916,212	6,964,076
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	10,095,781	4,916,212

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

1. BANK´S IDENTIFICATION AND ITS ECONOMIC ACTIVITIES

Background

Banco Continental S.A. (hereinafter, the Bank) is a subsidiary of Holding Continental S.A. which owns 92.24% of the capital stock of the Bank (92.08% as of December 31, 2009). 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 No. 3055 San Isidro, Lima.

Business activity

The Bank´s operations primarily include 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, restrictions and other conditions that legal entities operating in the financial and insurance system are subject to.

The Bank performs its activities through a national network of 246 offices as of December 31, 2010 (243 as of December 31, 2008). The total number of employees of the Bank and its subsidiaries as of December 31, 2010 and 2009 was 4,686 and 4, 376, respectively.

At December 31, 2010 and 2009 the Bank has ownership and voting rights of 100% over the subsidiaries Continental Bolsa Sociedad de Agente de Bolsa S.A., Continental S.A. Sociedad Administradora de Fondos, Continental Sociedad Titulizadora S.A. and Inmuebles y Recuperaciones Continental S.A. While the Bank does not participate in the ownership or voting rights of Continental DPR Finance Company (hereinafter, DPR), given the characteristics of its activity and their relationship with the Bank, accounting standards require DPR´s financial statements be included in a consolidated basis with the Bank.

2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of Grupo Continental’s consolidated financial statements are set out below and were consistently applied to all of the years presented, unless otherwise stated.

(a) Basis for preparation, presentation and accounting change

(a-1) Basis for preparation and presentation

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

The SBS has established that in the event of situations not addressed by such standards, provisions set forth in Generally Accepted Accounting Principles in Peru (GAAP in Peru) shall be applied.

Peru GAAP is composed of: (a) the standards and interpretations issued or adopted by the International Accounting Standards Board (hereinafter, IASB) which include 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 the Peruvian Accounting Board (hereinafter, CNC, for its Spanish acronym) for its application in Peru and, (b) the application in Peru of the equity method for the valuation of investment in subsidiaries.

The standards official in Peru by the CNC as of December 31, 2010, are the international current versions as of the date of approval by CNC, which corresponds from IFRS 1 to 8, IAS 1 to 41, IFRIC 1 to 14, and SIC 1 to 32 (except repealed).

Full adoption of International Financial Reporting Standards (IFRS)

By means of Resolution No. 102-2010-EF/94.01.1 issued on October 14, 2010, CONASEV ruled that all companies under the scope of its supervision, are required to prepare financial statements with full observance of the International Financial Reporting Standards (IFRS) issued by the IASB in force internationally, showing in the notes to the financial statements an explicit statement and without reservation on compliance with those standards. The resolution states that the preparation and presentation of the first financial statements of full implementation of IFRS, will be the annual audited financial information as of December 31, 2011, and shall be in accordance with IFRS 1 "First Time Adoption of International Financial Reporting Standards".

The aforementioned standards and interpretations will be applicable to Grupo Continental as stated by the SBS or for situations not addressed in the Accounting Manual or through the process of IFRS harmonization that SBS is developing, through guidelines in such Manual.

In the preparation and presentation of the accompanying financial statements, Grupo Continental´s management complied with the standards issued by the SBS as of December 31, 2010 and 2009.

It has been published internationally the following standards and amendments to existing standards and interpretations issued or adopted by the IASB, which could impact 2012 financial statements for entities supervised by the SBS:

Framework (revised September 2010)
IFRS 1 "First-time Adoption of IFRS" (revised May 2010)
IFRS 2 "Share-Based Payment" (revised June 2009)
IFRS 3 "Business Combinations" (revised May 2010)
IFRS 5 "Non-current assets held for sale and discontinued operations" (revised April 2009)
IFRS 7 Financial Instruments: Disclosures "(revised May 2010)
IFRS 8 "Operating Segments" (revised April 2009)
IAS 1 "Presentation of Financial Statements" (revised May 2010)
IAS 7 "Statement of Cash Flows" (revised April 2009)
IAS 16 "Property, Plant and Equipment" (revised May 2008)
IAS 17 “Leases” (revised April 2009)
IAS 18 "Revenue" (revised April 2009)
IAS 19 "Employee Benefits" (revised May 2008)
IAS 23 "Borrowing Costs" (revised May 2008)
IAS 24 "Related Party Disclosures" (revised November 2009)
IAS 27 "Consolidated and Separate Financial Statements" (revised May 2010)
IAS 28 “Investments in Associates” (revised May 2008)
IAS 29 "Financial reporting in hyperinflationary economies" (revised May 2008)
IAS 31 "Interests in Joint Ventures" (revised May 2008)
IAS 32 "Financial Instruments: Presentation" (revised October 2009)
IAS 34 "Interim Financial Reporting" (revised May 2010)
IAS 36 "Impairment of Assets" (revised April 2009)
IAS 38 "Intangible Assets" (revised April 2009)
IAS 39 “Financial Instruments: Recognition and Measurement "(revised April 2009)
IFRIC 8 "Scope of IFRS 2" (reviewed June 2009)
IFRIC 9 “Reassessment of Embedded Derivatives "(revised April 2009)
IFRIC 11 "IFRS 2 - Group and Treasury Share Transactions" (revised June 2009)
IFRIC 13 "Customer Loyalty Programmes" (revised May 2010)
IFRIC 14 "IAS 19 - The limit on a defined benefit asset, Minimum Funding Requirements and their Interaction" (revised November 2009)
IFRIC 15 Agreements for the construction of Real Estate"(issued July 2008)
IFRIC 17 " Distributions of Non-cash Assets to Owners" (issued in November 2008)
IFRIC 18 "Transfer of assets from customers" (issued in January 2009)
IFRIC 19 "Extinguishing financial liabilities with equity instruments" (issued in November 2009)

New Accounting Pronouncements approved internationally to be applied after 2011

IFRS 1 “First-time Adoption of International Financial Reporting Standards” (revised December 2010)
IFRS 7 “Financial Instruments: Disclosures” (revised October 2010)
IFRS 9 “Financial Instruments” (revised November 2009)
IAS 12 “Income Taxes” (revised December 2010)

(a-2) Change in accounting policy

According to the clarification of the International Financial Reporting Interpretations Committee (IFRIC) of September and November 2010, they concluded, among other issues, that statutory workers' profit sharing must be recorded in accordance with IAS 19 Employee Benefits and not by analogy with IAS 12 Income Taxes nor IAS 37 Provisions, Contingent Liabilities and Contingent Assets. In consequence, the recognition of statutory workers' profit sharing should be made only for the compensation for services rendered in the year, and consequently no deferred asset or deferred liability should be recorded for temporary differences referred to in IAS 12.

The Bank as a result of the above, being the only consolidated entity affected by it, and applying the option of Multiple Office Letter No. 4049-2011 of SBS, has decided not to recognize deferred workers´ profit sharing, which is considered a change in accounting policy, and adjusted the balance accumulated as of December 31, 2009 against income for the year 2010 given the low materiality of the effect of the change; maintaining as of December 31, 2010 the presentation of current workers´ profit sharing, as indicated by the SBS.

(b) Consolidation basis

Grupo Continental is composed of controlled entities and a special purpose entity.

Subsidiaries and Special Purpose Entity

Controlled entities are all entities over which the Bank has the power to control the financial and operating policies generally owning more than half of its voting shares. The consolidated financial statements include the assets, liabilities, and income and expenses of Grupo Continental. Inter-company transactions between the entities composing Grupo Continental, including balances and unrealized gains are eliminated upon consolidation. The subsidiaries are fully consolidated from the date on which effective control is transferred to the Bank and are no longer consolidated from the date control ceases.

Acquisitions of the subsidiaries by the Bank are recorded using the purchase method of accounting. The cost of an acquisition is measured as the fair value of the assets received, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus directly attributable costs.

Continental DPR Finance Company is a special purpose entity created with the objective described in Note 15 (e) (securitization of remittances).

The main balances of the Bank, its subsidiaries, and the special purpose entity as of December 31, 2010 and 2009, are the following:

	In millions of Peruvian nuevos soles					
	Assets		Liabilities		Equity	
Entity	2010	2009	2010	2009	2010	2009
Banco Continental S.A.	37,785	30,047	34,401	27,159	3,384	2,888
Continental Bolsa - Sociedad Agente de Bolsa S.A.	38	35	15	17	23	18
Continental S.A. - Sociedad Administradora de Fondos	39	29	5	4	34	25
Continental Sociedad Titulizadora S.A.	2	2	-	-	2	2
Inmuebles y Recuperaciones Continental S.A.	25	24	5	17	20	7
Continental DPR Finance Company	1,317	733	1,317	733	-	-

(c) Functional and presentation currency

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

(d) Use of estimates

The preparation of the consolidated financial statements requires management to make estimates and assumptions for determining assets and liabilities balances and the amounts of income and expenses, and disclosing contingent assets and liabilities, to date of consolidated financial statements. Should any changes subsequently occur to the estimates or assumptions due to variations in the circumstances they were based on, the effect of change should be included in the determination of the net gain or loss for the year of the change, and future periods if applicable. The significant estimates related to the consolidated financial statements correspond to the determination of the fair value through profit and losses for available-for-sale and associates investments, provision for loan losses, other assets and contingent loan portfolio, provision for other accounts receivable included in other assets, provision for seized assets, useful lives assigned to property, furniture and equipment, contingent liabilities, deferred income taxes, and derivative financial instruments.

(e) Allowance for loan losses

The Allowance for loan losses is determined in accordance with the criteria and percentages established by the SBS Resolution Nº 11356-2008 “Regulations for the Evaluation and Classification of a Debtor and the Required Provision”.

The SBS has established quantitative criteria (level of sales and borrowing in the financial system) for the classification of the loan portfolio per type and categories of direct and indirect loans. Until June 2010, the segmentation of the loan portfolio was made in four categories (commercial, micro and small business, consumer and mortgage loans). The new segmentation effective since July 1, 2010 is outlined below:

1. Corporate
   In this category will be considered further:
   a. Multilateral Development Banks
   b. Sovereign
   c. Public sector entities
   d. Stock brokers
   e. Financial System Companies
2. Large business
3. Medium business
4. Small businesses
5. Micro-business
6. Revolving consumer loans
7. Non-revolving consumer loans
8. Mortgage loans

Provisions for indirect loans are calculated from July 2010, 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 stand by letters 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 subparagraphs	100%

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

The allowance for loan losses includes general and specific portion. The specific allowance 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 allowances include those with respect to debtors classified as normal in accordance with requirements of the SBS, as well as general voluntary provisions.

Mandatory general allowances 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 Perú (BCRP).

Voluntary general allowances have been determined by Grupo Continental 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.

In conformity with current standards, 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 entities of the financial system. Additionally, pursuant to SBS Resolution No. 041-2005 SBS, Grupo Continental assesses the exposure to credit exchange risks for loans in foreign currency

The minimum percentages required for credit allowances, are as follows:

Normal Category

Loans	Fixed Component	Variable Component (Procyclical)
Commercial loans	0.70%	0.40%
Commercial 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 December 31, 2010 the pro-cyclical component for the allowance for loan losses was activated (Multiple Official Letter No. B-2193-2010-SBS). As of December 31, 2009, this pro-cyclical factor was deactivated (Multiple Official Letter N° 40755-2009-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%

(f) Financial lease portfolio

Financial lease operations are recorded in accordance with SBS rule and IAS 17, as loans. The initial recording of transactions is made by the gross value of the loan, composed of principal, interest, commission and other financing concepts as agreed with the customer, and the difference between the gross amount of the loan and value of the goods, is recognized as “unearned interest and commission”, presented net of loans and recognized as income on an accrual basis.

(g) Derivative financial instruments

In accordance with SBS Resolution No 1737-2006 and its amendments, derivative financial instruments are initially recognized at trade date.

Trading

The measurement and initial recognition are made at fair value. Monthly, trading derivative financial instruments are measured at fair value. The gain or loss in valuation or settlement of trading derivative financial instruments is recorded in the statements of income. The nominal value of derivative financial instruments is recorded in their respective committed or agreed currency in off-balance sheet accounts (Note 15 (b)).

Hedge

A derivative financial instrument that seeks to ensure financial hedge of a given risk is accounted for as hedging purposes if, in its negotiation, it is expected that changes in 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 negotiation 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 the documentation deemed as unsatisfactory or find weaknesses in the methodologies used, it may require the dissolution of the hedging and the recording of the derivative financial instrument, as trading.

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.

If the hedging 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 balances recorded in the balance sheet are transferred to the statements of income within the term of the hedged item.

(h) Investments at fair value through profit and loss, available for sale investments and held to maturity investments

The investments in securities of Grupo Continental are classified and valued, since March 2009, in accordance with SBS Resolution N° 10639-2008 through the new "Regulation for the Classification and Valuation of Investments of Financial System Companies".

Among others, the changes introduced by SBS Resolution No. 10639-2008 include:

- The unrealized gain or loss generated by changes in the fair value of the available-for-sale investment is directly recognized in equity; which previously was only allowed for the recognition of unrealized losses on the basis of the total portfolio.

- It also provides that in case of debt instruments prior to valuation at fair value, entities must update the amortized cost using the effective interest rate methodology and then, recognize the gains and losses that arose from the comparison with their fair value.

- The exchange difference of capital instruments for available-for-sale investments shall be recognized in the equity accounts, provided that they do not relate to hedging operations.

- It eliminates the classification of long-term investments, which shall be reclassified to the corresponding investment category.

- The investment in subsidiaries and associates category is created.

Investment in securities are initially recognized at acquisition cost, without considering acquisition expenses such as taxes, brokers fees, rights and other commissions.

(h-1) Investments at fair value through profit and loss

Investments maintained for sale in the short-term, having a pattern of making short-term gains or having been designated by Grupo Continental 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.

(h-2) Available-for-sale investments

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

The changes in fair value of these investments are recognized directly in equity, except for impairment losses that are recorded in the consolidated statements of income (Note 2 (l)). Gain or losses realized on disposal of available-for-sale investments, which had been previously recognized in equity, is transferred and recorded in the consolidated net income (loss) for the year.

(h-3) Held-to-maturity investments

This category includes the investment instruments that meet the following requirements: (i) were acquired or reclassified with the intent to hold to their maturity date and for which Grupo Continental must have the financial capacity to maintain the instrument investment until maturity, and (ii) shall be classified by at least two local or foreign risk credit rating and they must be within the parameters set by the SBS.

The valuation of these investments is carried at amortized cost using the effective interest rate method. The impairment loss is recorded in the statements of income (Note 2 (m)).

(i) Investments in associates

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

(j) Property, furniture and equipment

Property, furniture 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 through the straight-line method based on the estimated useful life of assets, as follows:

Buildings	33 years
Fixed and not-fixed facilities	33-10 years
Leasehold improvements	10 years
Furniture and fixtures	10 years
Vehicles	5 years
Computer equipment	4 years

The disbursements subsequently incurred, related to assets the cost of which can be reliably measured and as to 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 statements of income.

Grupo Continental requests valuations of its properties in a period no longer than 2 years. Furthermore, management periodically reviews the estimated useful life of assets and corresponding residual value, on the basis of anticipated profits for the components of property, furniture and equipment.

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

(k) Assets seized and recovered through legal actions

Seized assets included in "other assets" of the consolidated balance sheet are initially recorded at the lower of the market value or the unpaid value of the debt based on the value assigned through legal proceedings or out of court settlements. 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, in accordance with SBS standards, Grupo Continental records the following provisions on seized assets:

- 20% of the value of goods received at acquisition date.
- For assets other than buildings, the remaining balance is provisioned within a term no longer than 18 months.
- Additionally, for buildings, a monthly impairment allowance is recorded effective from the 18th 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 18th 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 shall be constituted.

(l) Intangible assets

Software licenses are recorded at acquisition cost or useful cost. The amortization is determined under the straight-line method based on the estimated useful life of the assets between one and five years.

Software maintenance related costs are expensed as incurred. Costs directly related to unique and identifiable software products, controlled by Grupo Continental 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.

(m) Impairment loss

When there are events or circumstantial 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.

(n) Due to banks and correspondents – Outstanding securities, bonds and obligations

Due to banks and correspondents and securities´ issuances (corporate, subordinate and leasing bonds) are recorded at their nominal value and interests earned are recognized in the consolidated statements of income for the period at their effective rate.

Premiums and discounts granted in the placement of bonds are deferred and amortized throughout the bonds lifetime.

(o) Provisions

Provisions are recognized only when Grupo Continental 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 consolidated 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.

(p) Contingent liabilities and assets

Contingent liabilities are not recognized in the consolidated financial statements but are disclosed in a note to the consolidated financial statements, unless their occurrence is considered remote.

Contingent assets are not recognized in the consolidated financial statements, they are disclosed in a note to the consolidated financial statements only when it is likely that an inflow of resources will take place.

Items previously treated as contingent assets or liabilities are recognized in the consolidated 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 inflow or outflow of resources will take place, respectively.

(q) Employee benefits

Workers´ profit Sharing

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

According to legal regulations, subsidiaries are not required to determine workers' profit sharing when the number of their workers is less than twenty.

Workers´ vacations and other workers´ benefits

Annual vacations of employees, paid absences and other employee 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 balance sheet date.

Accrual for seniority indemnities

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

(r) 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, restructured loans, and under legal collection loans, as well as interests of loans classified as doubtful or loss, are recognized in the consolidated 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 expense are recognized in the period in which they fall due.

(s) Exchange gains (losses)

Foreign currency transactions are translated at the current 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 statement of income for the period during which such gains or losses arise.

(t) Deferred income taxes and workers' profit sharing

(t-1) Deferred income taxes

A liability for deferred income taxes is 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. An asset for deferred income taxes is 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

Grupo Continental 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 at the income tax rate 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.

The income tax is recognized as expense or income for the year or recorded in equity when the related transaction affects an equity account.

(t-2) Workers´ profit sharing

Until December 31, 2009, deferred workers´ profit sharing were recognized (asset or liability), applying to taxable and deductible temporary differences the percentage of existing workers´ profit sharing in effect at the related balance sheet date. Effective 2010, the Bank stopped this recognition based on Multiple Official Letter N° 4049-2011 SBS (Note 2 (a-2)).

(u) Dividend distribution

Dividend distribution is recognized as a liability in the consolidated financial statements in the year when the dividends are approved by the Bank's shareholders.

(v) Basic and diluted earnings per share

Basic earnings per share were computed by dividing net consolidated 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.

(w) Fiduciary activity

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

(x) Reclassifications

Certain reclassifications to the consolidated financial statements as of December 31, 2009 have been made to make the presentation comparative with financial statements as of December 31, 2010. These reclassifications arise as a result of the SBS Resolutions N° 11356-2008 and N° 914-2010. The following is a summary of the main reclassifications to the consolidated financial statements of 2009:

- Leasing contracts settled, recorded as accounts receivable for a net amount of S/.8.9 million have been reclassified from "Other Assets" to "Loans, net".

- Financial expenses of S/.1.3 million (recorded in "Other income, net") were reclassified to "Other Financial Expenses."
- Miscellaneous income of previous years by S/.10.7 million (recorded in "Other income, net") was reclassified to "Administrative Expenses."
- "Provision for Accounts Receivable" of S/. 8.7 million was reclassified to "Provisions for loan losses."
- "Administrative Expenses" of S/.1.9 million were reclassified to "Recovery of provisions for loan losses."

(y) Cash and cash equivalents

Cash and cash equivalents shown in the consolidated statement of cash flow comprises balances in cash and due from banks and interbank funds. Based on SBS regulation, Grupo Continental prepares and presents the consolidated cash flow using the indirect method.

Bank overdrafts are reclassified as liabilities.

(z) Pronouncements of SBS

During 2010, the SBS issued, among others, the following rules:

Resolution (R) / Circular (C) SBS N°	Standard	Effective date
C. B-2186-2010	Requirements regarding the relevant information to be available for inssuance of financial instruments in series.	January, 2010
R. 6884-2010	Modification of the Single Text of Administrative Procedures of the SBS. It incorporates the procedure No. 148, "Authorization to use internal ratings based methods for calculating the requirement of regulatory capital for credit risk.	July, 2010
C. B-2184-2010	Establishes rules relating to the minimum information that the companies supervised by the SBS should require their customers both for granting, monitoring, controlling, evaluating and classification of loans as well as for measuring risk.	July, 2010
R. 13525-2010	Minimum scope for the independent review of operational risk management to be performed by external audit firms.	October, 2010

Resolution (R) / Circular (C) SBS N°	Standard	Effective date
R. 15536-2010	Amends the limits on foreign currency position: The overall position of oversold of companies may not exceed fifteen percent (15%) of regulatory capital. The overall position of overbought of companies may not exceed sixty percent (60%) of regulatory capital.	November, 2010
R. 17025-2010	Create in the Superintendency of Banking, Insurance and Private Pension Funds Companies, the Registry of External Audit Firms, which will be briefly called RESA.	December, 2010
R. 18400-2010	Approves the Regulations for the classification of financial and insurance companies.	December, 2010
R. 17026-2010	Approves the Regulation of External Audit.	January, 2011
R. 18441-2010	Amends Reports N° 2-C1 "Regulatory Capital Requirement for Operational Risk - Basic Indicator Method" and No. 2-C2 " Regulatory Capital Requirement for Operational Risk - Standard Alternative Method " to add a row in which record additional regulatory capital for operational risk.	January, 2011
R. 11823-2010	Approves the Regulation for Consolidated Supervision of Financial and Mix Conglomerates.	January, 2011

3. FOREIGN CURRENCY TRANSACTIONS AND EXPOSURE TO FOREIGN EXCHANGE RISK

As of December 31, 2010 and 2009, the balances of financial assets and liabilities denominated in foreign currency are expressed in Peruvian Nuevos soles at the weighted average buying and selling exchange rate market published by the SBS, set on that date for each currency. These balances are summarized as follows:

	2010 US$000	2009 US$000
Assets:		
Cash and due from banks	1,676,850	1,384,895
Investments in securities, net	85,476	173,321
Loans, net	4,355,312	3,389,682
Other assets	19,792	40,771
	6,137,430	4,988,669
Liabilities:		
Obligations to the public and deposits of financial institutions	4,120,393	3,748,692
Due to banks and correspondents	1,825,027	916,744
Outstanding securities, bonds and obligations	385,621	385,621
Other liabilities	107,406	101,408
	6,438,447	5,152,465
Balance sheet position	(301,017)	(163,796)
Forward contracts and other derivatives, net of sales position	282,042	109,133
Net global position	(18,975)	(54,663)

Most of the assets and liabilities of Grupo Continental in foreign currency are denominated in U.S. dollars. As of December 31, 2010, the exchange rate established by SBS used to express these amounts in Nuevos soles was S/.2.809 per US$1.00 (S/.2.89 as of December 31, 2009).

Local operations in foreign currency and international trade operations are channeled through the free banking market. As of December 31, 2010, the weighted average exchange rate of the free banking market published by the SBS for purchase and sale transactions in U.S. dollars were S/.2.808 and S/.2.809 per US$1.00, respectively (S/.2.888 and S/.2.891 per US$1.00, respectively, as of December 31, 2009).

As of December 31, 2010; Grupo Continental recorded foreign exchange gains amounting to S/.175.9 million (S/.247.4 million as of December 31, 2009), which are presented net in the “Exchange difference from various transactions” item in the financial income or financial expenses of the statements of income.

The revaluation percentages of the Peruvian Nuevo sol as compared to the U.S. dollar, calculated on the buying and selling exchange rate published by the SBS, were 2.84% and 7.99% as of December 31, 2010 and 2009, respectively; the inflation (deflation) percentages, in accordance with the Domestic Wholesale Price Index (IPM for its Spanish acronym), were 4.57% and 5.05%, respectively.

4. CASH AND DUE FROM BANKS

The balance comprises:

	2010 S/.000	2009 S/.000
Cash	1,099,948	881,371
Peruvian Central Bank - BCRP	8,478,372	3,592,774
Local Banks and other local financial entities	98,378	58,535
Foreign Banks and other foreign financial entities	251,344	273,964
Clearing	114,757	51,786
Other deposits	4,438	8,434
Accrued interest	8,535	345
Total	10,055,772	4,867,209

As of December 31, 2010, cash and due from banks include approximately US$1,567.3 million and S/.1,288.9 million (US$1,265.1 million and S/.616.5 million as of December 31, 2009) 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 the Peruvian Central Bank (BCRP for its Spanish acronym).

As of December 31, 2010, Grupo Continental maintained deposits with the Central Bank by S/.3,734 million which have current maturity and accrue annual interests in local currency from 2.95% to 3.19%.

Obligations subject to legal reserve in local and foreign currencies according to the regulations in force at December 31, 2010 have a legal minimum reserve of 9% on a basis calculated on information of July, 2010; additionally excess deposits in local and foreign currency are subject to an additional reserve of 25% and 55%, respectively. Debt to international financial institutions and financial organisms in foreign currency, with maturity less than 2 years, are subject to a special rate of 35%, 40%, 50%, 65% and 75% depending on the date of the agreement.

The legal minimum reserve funds are not interest-bearing. The legal additional reserve amount in foreign currency accrues interest at annual nominal rate established by the BCRP. As of December 31, 2010, interest income on reserves amounted to S/.6.4 million

(S/.5.6 million as of December 31, 2009), and were included in the interest on cash and due from banks, in the consolidated statements of income. According to effective legal provisions, legal reserves are not seizable.

Cash and due from Banks as of December 31, 2010 includes funds subject to restriction for S/.2.1 million (S/.5.8 million as of December 31, 2009) required in connection with legal proceedings against the Bank to guarantee any potential liabilities generated by these lawsuits.

As of December 31, 2009, cash and due from banks also includes S/.228 million relating to an overnight operation deposited in the BCRP with a maturity date of January 4, 2010.

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

As of December 31, 2010 and 2009, investments in securities are classified by the Bank as follows:

	2010 S/.000	2009 S/.000
Investments at fair value through profit and loss	263,558	147,839
Available-for-sale investments (Note 13 (c))	1,577,467	3,358,039
Held to maturity investments	419,530	417,630
Total	2,260,555	3,923,508

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

	2010 S/.000	2009 S/.000
Bonds		
Peruvian Treasury	1,341,486	1,364,571
Peruvian Global Treasury	207,976	471,053
Asset Backed Securities	8,461	10,032
Corporate	8,237	8,789
BCRP certificates of deposits	606,458	2,022,131
Stock	50,850	193
Participation in mutual funds	34,143	23,910
Other investments	2,944	22,829
Total	2,260,555	3,923,508

Bonds have been mainly acquired at market rates and prices as of the purchase date. As of December 31, 2010, Peruvian Treasury bonds in local currency accrued annual interest at rates between 1.48% and 6.80% (between 1.02% and 6.26% as of December 31, 2009) and in foreign currency at rates between 3.20% and 4.08% (between 4.35% and 5.24% as of December 31, 2009), with maturities through February 2042.

BCRP certificates of deposits are trading securities with maturities due within one year acquired in public auctions or secondary markets, based on prices offered by the financial institutions. As of December 31, 2010, annual interest rates on local currency range between 0.09% and 3.02% (between 1.20% and 1.29% as of December 31, 2009) and have maturities until June, 2011.

As of December 31, 2010 and 2009, mutual fund investments correspond to participation quotes held by Grupo Continental with various mutual funds managed by Continental Fondos S.A. Sociedad Administradora de Fondos.

As of December 31, 2010, other investments include Lima Stock Exchange securities of S/.17.7 million (S/.13.8 million as of December 31, 2009) pledged to CONASEV by Continental Bolsa - Sociedad Agente de Bolsa in compliance with the article N°136 of the Compiled Text of the Securities Markets Law.

As of December 31, 2010 and 2009, the investment portfolio has the following terms to maturity:

	2010		2009	
	S/.000	%	S/.000	%
Up to 1 month	182,002	8	667,201	17
More than 1 month and less than 3 months	183,746	8	486,612	13
More than 3 months and less than 6 months	257,407	12	879,759	22
More than 6 months and less than 1 year	205,203	9	125,318	3
More than 1 year and less than 5 years	339,891	15	585,896	15
More than 5 years	1,004,565	44	1,132,287	29
No contractual maturity	87,741	4	46,435	1
Total	2,260,555	100	3,923,508	100

As of December 31, 2010 the provision for impairment of investment securities portfolio amounts to S/.11.8 million (S/.14 million as of December 31, 2009). Grupo Continental´s management estimates that the provision is sufficient to cover potential losses in the investments in securities portfolio.

6. LOANS, NET

a) The balances comprises:

	2010 S/.000	%	2009 S/.000	%
Direct credits				
Loans	9,562,760	40	8,140,799	41
Mortgage loans	4,695,209	20	3,819,087	19
Leasing transactions	3,794,109	16	3,524,291	18
Consumer loans	2,257,613	9	1,956,460	10
Loans for foreign trade	2,260,669	9	1,284,922	6
Discounted notes	791,280	3	712,859	4
Overdrafts and advance accounts	288,645	1	257,319	1
Loans to financial institutions	183,294	1	235,756	1
Credit cards	114,336	1	90,058	1
Loans to foreign financial institutions	81,110	1	89,500	1
Credits to be settled	14,848	-	8,645	-
Factoring transactions	9,102	-	30,244	-
Other	733,256	3	349,679	2
Refinanced and restructured loans	311,801	1	282,683	1
Past due accounts and in legal collection	264,635	1	236,482	1
	25,362,667	106	21,018,784	106
Plus:				
Accrued interest	160,994	1	144,731	1
Less:	25,523,661	107	21,163,515	107
Unearned interest on leasing transactions	(447,649)	(2)	(449,299)	(2)
	25,076,012	105	20,714,216	105
Deferred income from loans	(22,511)	(1)	(25,328)	(1)
Allowance for loan losses	(1,049,352)	(4)	(882,358)	(4)
	24,004,149	100	19,806,530	100
Indirect loans (Note 15)	7,721,418		5,455,395	

Loans are collateralized with guarantees granted by customers, principally comprising mortgages, deposits, stand-by letters, warrants and finance leasing operations amounting to S/.13,491 million and S/.12,314 million, as of December 31, 2010 and 2009, respectively.

As of December 31, 2010, a debt with Fondo Mi Vivienda - Mi Hogar was secured by a loan portfolio up to S/.201.8 million (S/.116.4 million as of December 31, 2009) (Note 11 (d)).

As of December 31, 2010 and 2009, the annual effective weighted average rates for the main products were as follows:

	2010		2009	
	S/. %	US$ %	S/. %	US$ %
Loans and discounts	7.68	6.68	7.67	8.00
Mortgage	9.88	9.37	10.17	9.74
Consumer	21.91	16.83	20.22	15.09
Credit cards	40.36	31.60	45.45	35.31
Loans	14.68	11.39	15.12	11.99

b) The balances as of December 31, 2010 of the loan portfolio under the new segmentation settled by SBS Resolution N° 11356-2008 are as follows (Note 2 (e)):

	2010	
	S/.000	%
Medium business	6,375,605	25
Large business	5,594,678	22
Mortgage	4,757,799	19
Corporate	3,959,563	16
Consumer	2,344,116	9
Small business	1,261,794	5
Stock brokers	319,865	1
Public sector entities	275,608	1
Micro business	208,556	1
Financial system companies	188,708	1
Other	76,375	-
Total	25,362,667	100

c) The credit risk classification of the Bank´s loan portfolio, according to SBS standards is as follows:

	2010						2009					
	Direct loans		Indirect loans		Total		Direct loans		Indirect loans		Total	
	S/.000	%	S/.000	%	S/.000	%	S/.000	%	S/.000	%	S/.000	%
Normal	23,572,919	95	7,650,361	99	31,223,280	96	19,046,770	93	5,401,577	99	24,448,347	94
With potential problems	522,388	2	46,550	1	568,938	2	785,999	4	32,740	1	818,739	3
Substandard	297,897	1	11,082	-	308,979	1	286,734	1	10,300	-	297,034	1
Doubtful	323,724	1	5,802	-	329,526	1	279,567	1	2,617	-	282,184	1
Loss	175,579	1	7,623	-	183,202	-	145,087	1	8,161	-	153,248	1
Total	24,892,507	100	7,721,418	100	32,613,925	100	20,544,157	100	5,455,395	100	25,999,552	100
Unearned interest on leasing transactions	447,649		-		447,649		449,299		-		449,299	
Unearned interest on loan transactions	22,511		-		22,511		25,328		-		25,328	
Total	25,362,667		7,721,418		33,084,085		21,018,784		5,455,395		26,474,179	

As of December 31, 2010 and 2009 Grupo Continental has identified borrowers exposed to exchange rate risk and considers that their risk level is appropriate. Therefore, no additional provision has been recorded for this concept.

During 2010, Grupo Continental wrote off non-accrual interest of S/.5 million (S/.8 million as of December 31, 2009) relating to interest for past due loans or loans in legal collection.

As of December 31, 2010 and 2009, the loan portfolio was distributed in the following economic sectors:

	2010		2009	
	S/.000	%	S/.000	%
Mortgage and consumer loans	7,101,915	28	5,907,888	28
Manufacturing	5,091,480	20	4,016,091	19
Commerce	4,124,824	16	3,327,558	16
Transport, storage and communications	2,233,474	9	1,670,399	8
Real estate	1,841,812	7	1,304,475	6
Utilities	715,967	3	740,298	3
Construction	656,396	3	503,403	3
Agriculture and livestock	608,252	2	557,686	3
Mining	516,357	2	644,839	3
Hotels and restaurants	490,020	2	456,199	2
Financial Intermediation	443,765	2	620,654	2
Other activities for community services	395,300	2	262,686	2
Education	373,772	1	337,750	1
Fishing	234,422	1	213,666	1
Public administration and defense	225,102	1	213,446	1
Social and health services	158,225	1	124,053	1
Other	151,584	-	117,693	1
Total	25,362,667	100	21,018,784	100

d) As of December 31, 2010 and 2009, the change in the allowance for loan losses is shown below:

	2010	2009
	S/.000	S/.000
Balances as of January 1	882,358	775,928
Provision	674,348	523,531
Recoveries and reversals	(327,563)	(173,468)
Write-offs	(21,034)	(31,637)
Sale of portfolio	(148,733)	(187,460)
Foreing Exchange differences and other adjustments	(10,024)	(24,536)
Balances as of December 31	1,049,352	882,358

Management considers that the level of the allowance for loan losses is adequate to cover potential losses in the portfolio as of the balance sheet date. As of December 31, 2010 the general provision of loan portfolio of S/.655.5 million (S/.532.4 million as of December 31, 2009) includes pro-cyclical provisions of S/.100.5 million (S/.96.5 million as of December 31, 2009). Grupo Continental also maintains voluntary provisions for S/.364 million and S/.297 million as of December 31, 2010 and 2009, respectively.

As of July 31, 2010, the adoption of SBS Resolution N°11356-2008 had net impact of lower provisions requirement of S/.0.9 million, which is the net between the increase of provisions of S/.25.5 million for direct loans, and the decrease of provisions of S/.26.3 million for indirect loans.

During 2010 Grupo Continental entered into agreements to sale certain loans and the related rights over that portfolio of approximately S/.191.5 million (S/.318.1 million as of December 31, 2009). These loans were in legal collection status. Proceeds from these sales of S/.11.6 million (S/.5.3 million as of December 31, 2009) were recognized as other income, net in the consolidated statements of income.

e) As of December 31, 2010 and 2009, the loan portfolio, had the following maturities schedule:

	2010		2009	
	S/.000	%	S/.000	%
Up to 1 month	2,696,317	11	2,923,495	14
More than 1 month and less than 3 months	3,740,449	15	3,157,951	15
More than 3 months and less than 6 months	2,763,354	11	1,770,129	8
More than 6 months and less than 1 year	3,060,340	12	2,493,299	12
More than 1 year and less than 5 years	8,673,105	34	7,229,950	35
More than 5 years	4,164,467	16	3,207,478	15
Past due and in legal collection loans	264,635	1	236,482	1
Total	25,362,667	100	21,018,784	100

7. PROPERTY, FURNITURE AND EQUIPMENT, NET

The change in cost and accumulated depreciation of property, furniture and equipment in 2010 and 2009 were as follows:

2010	Beginning Balances S/.000	Additions S/.000	Disposals S/.000	Adjustments or other S/.000	Ending Balances S/.000
Cost:					
Land	55,378	27,965	-	8,304	91,647
Buildings and installations	413,529	29,583	(1,246)	3,937	445,803
Furniture and equipment	141,439	39,062	(6,712)	25,170	198,959
Vehicles	4,560	2	-	-	4,562
Installations and improvements in leased property	52,651	19,538	(700)	8,189	79,678
Work in progress	33,314	12,129	-	(23,698)	21,745
Units to receive	33,667	3,971	-	(37,483)	155
Total	734,538	132,250	(8,658)	(15,581)	842,549
Accumulated depreciation:					
Buildings and installations	260,071	20,079	(1,205)	(889)	278,056
Furniture and equipment	71,870	32,112	(6,376)	(1,084)	96,522
Vehicles	1,714	890	-	-	2,604
Installations and improvements in leased property	12,209	6,406	(636)	302	18,281
Total	345,864	59,487	(8,217)	(1,671)	395,463
Net	388,674				447,086

2009	Beginning Balances S/.000	Additions S/.000	Disposals S/.000	Adjustments or other S/.000	Ending Balances S/.000
Cost:					
Land	56,160	109	(891)	-	55,378
Buildings and installations	413,375	8,780	(19,173)	10,547	413,529
Furniture and equipment	116,567	24,980	(24,327)	24,219	141,439
Vehicles	3,169	1,639	(248)	-	4,560
Installations and improvements in leased property	41,519	6,850	(2,313)	6,595	52,651
Work in progress	22,690	25,890	-	(15,266)	33,314
Units to receive	21,539	31,820	-	(19,692)	33,667
Total	675,019	100,068	(46,952)	6,403	734,538
Accumulated depreciation:					
Buildings and installations	256,815	18,898	(16,331)	689	260,071
Furniture and equipment	53,437	36,095	(23,657)	5,995	71,870
Vehicles	1,155	787	(228)	-	1,714
Installations and improvements in leased property	10,331	4,749	(2,313)	(558)	12,209
Total	321,738	60,529	(42,529)	6,126	345,864
Net	353,281				388,674

Management periodically reviews projections for the remaining years of useful lives of fixed assets. In management's opinion, recoverable values of property, furniture and equipment as of December 31, 2010 and 2009, are reasonable, so it was not considered necessary to record any provision for impairment losses for those assets.

Grupo Continental maintains current insurance coverage for its main assets, according to policies established by management.

Grupo Continental has still in use fully depreciated assets for S/.86.2 million and S/.61.3 million as of December 31, 2010 and 2009, respectively.

8. OTHER ASSETS AND LIABILITIES

The balance comprises:

	2010 S/.000	2009 S/.000
Other assets:		
Accounts receivable from derivatives (Note 15 (b))	301,121	338,142
Tax credit from General Sales Tax (a)	260,827	279,660
Deferred income tax (b) (Note 21)	268,352	218,610
Deferred workers´ profit sharing (Note 21)	-	25,378
Prepaid expenses, deffered charges and intangible assets	80,815	70,559
Transactions in process (c)	27,802	50,354
Assets seized and recovered through legal actions, net	24,023	19,434
Other accounts receivable (d)	16,502	16,668
Other assets	1,313	1,313
Total	980,755	1,020,118
Other liabilities:		
Other provisions (e)	405,788	419,755
Accounts payable from derivatives (Note 15 (b))	287,036	242,432
Suppliers (f)	200,332	217,468
Other accounts payable	53,009	67,781
Allowance for contingent credits (Note 15 (a))	55,322	70,680
Transactions in process (c)	42,396	25,064
Deferred income	15,995	18,187
Dividends and workers´ profit sharing	58,337	52,901
Other	7,220	5,059
Total	1,125,435	1,119,327

(a) Corresponds to the tax credit on the acquisition of assets for leasing.

(b) Deferred income tax asset is mainly related to general provisions for loans.

(c) Transactions in process primarily refer to transactions carried out during the last days of the month, which are reclassified in the next month to their specific accounts in the balance sheet. These transactions do not affect the results of Grupo Continental.

(d) As of December 31, 2010 and 2009, other accounts receivable are net of accumulated provision of S/.77.7 million and S/.96.6 million, respectively.

(e) Other provisions mainly includes, among others, provisions for taxes, lawsuits (Note 15(g)), bonuses for staff and health insurance.

(f) It includes provisions for services of Grupo Continental's ordinary activities.

9. OBLIGATIONS TO THE PUBLIC AND DEPOSITS FROM FINANCIAL INSTITUTIONS

As of December 31, the balances comprise:

	2010 S/.000	2009 S/.000
Deposits and other obligations	25,558,208	20,903,240
Deposits from financial institutions	359,232	610,450
Total	25,917,440	21,513,690

Deposits include accounts that have been pledged in favor of Grupo Continental to secure credit operations of S/.400.5 million and US$71.5 million as of December 31, 2010 (S/.287.2 million and US$68.3 million as of December 31, 2009).

(a) As of December 31, 2010 and 2009, deposits and other obligations have the following maturities:

	2010 S/.000	%	2009 S/.000	%
Up to 1 month	9,375,337	36	6,215,936	29
More than 1 month and less than 3 months	4,826,214	19	4,678,388	22
More than 3 months and less than 6 months	1,891,998	7	2,029,562	9
More than 6 months and less than 1 year	1,716,840	7	1,687,220	8
More than 1 year and less than 5 years	6,641,975	26	5,724,564	27
More than 5 years	1,465,076	5	1,178,020	5
Total	25,917,440	100	21,513,690	100

(b) Interest rates on deposits and other obligations accounts are established by Grupo Continental based on current market interest rates. During 2010 and 2009 prevailing effective annual interest rates were as follows:

	2010 Accounts in		2009 Accounts in	
	S/. %	US$ %	S/. %	US$ %
Checking accounts	0.00 - 1.20	0.00 - 0.60	0.00 - 1.55	0.00 - 0.65
Saving deposits	0.25 - 2.00	0.125 - 1.00	0.25 - 2.00	0.25 - 1.25
Time deposits and CBME	0.50 - 1.35	0.10 - 1.15	0.50 - 1.35	0.20 - 1.50
Superdeposits	1.00 - 1.35	0.45 - 1.00	1.00 - 1.35	0.45 - 1.00
Severance deposits	2.75 - 4.00	0.50 - 3.50	2.75 - 4.00	0.50 - 3.50

10. INTERBANK FUNDS

Interbank funds with local financial institutions, as of December 31, 2010 and 2009, have current maturities (within 30 days), accrue interest at an average effective annual interest rate of 3% in local currency and 0.25% in foreign currency (1.25% in local currency and 0.34% in foreign currency in 2009).

11. DUE TO BANKS AND CORRESPONDENTS

The balances were as follows:

	2010 S/.000	2009 S/.000
Foreign Financial Institutions (a)	2,715,691	498,662
International Financial Organizations (b)	1,473,650	1,465,643
Private debt contract (c)	561,800	-
Programa Mi Vivienda - Mi Hogar (My Housing - My Home program) (d)	201,785	116,404
Corporación Financiera de Desarrollo - COFIDE	30,000	32,507
Accrued interest payable	30,272	13,778
Total	5,013,198	2,126,994

Loan agreements signed with certain foreign financial institutions and International Financial Organizations include covenants that require compliance with financial ratios and other specific conditions. Grupo Continental´s management believes it is in compliance with these covenants as of December 31, 2010 and 2009.

(a) Foreign Financial institutions

As of December 31, 2010, the loan balance with foreign financial institutions accrued interest based on market rates between 0.6% and 7.4% (1.8% and 3.1% as of December 31, 2009). The breakdown of these transactions is as follows:

Name of creditor	Balances as of December 31, 2010		Balances as of December 31, 2009		Due dates
	US$000	S/.000	US$000	S/.000	
Deutsche Bank (i)	325,984	915,689	-	-	November 2020
Credit Suisse (ii)	200,000	561,800	-	-	October 2040
Syndicated loan (iii)	100,000	280,900	100,000	289,000	October 2012
JP Morgan Chase Bank	70,000	196,630	-	-	January 2011
Citibank NA	70,000	196,630	-	-	January 2011
DEG Deutsche Investitions (iv)	65,000	182,585	70,000	202,300	October 2017 and June 2018
Bank of America	46,000	129,214	-	-	January 2011
Wells Fargo Bank	40,000	112,360	-	-	January 2011
Sumimoto Bank	30,000	84,270	-		January 2011
HSBC Bank PLC	15,000	42,135	-		February 2011
Other	4,798	13,478	2,547	7,362	January 2011
Total	966,782	2,715,691	172,547	498,662	

(i) Loan for an amount of US$350 million, fixed rate of 5.5% and maturity in November 2020, which is recorded at fair value. The change in fair value is hedged by an IRS (Note 15 (b)). As of December 31, 2010, Grupo Continental has recorded gain for S/.56.9 million corresponding to the change in fair value, which is included in the "Gain from hedge transactions" item, of the statements of income.

(ii) Corresponds to subordinated debt, approved by the SBS and it is considered as part of TIER 1 Regulatory Capital.

(iii) In September 2010, the Bank entered into a syndicated loan for US$ 100 million with the participation of the following foreign financial entities: Standard Chartered Bank, Wells Fargo Bank, Banco de Chile, Bank of Taiwan, Banco Monte Dei Paschi di Siena S.p.A. and Mizuho Corporate Bank Ltd. The applicable rate is Libor plus a spread. The term of the loan is 25 months with settlement of principal at maturity. Interest will be paid every six months.

As of December 31, 2009, the Bank maintained a syndicated loan for US$100 million, entered into August 2008 with a term of 25 months. Such loan was settled in September, 2010.

(iv) Corresponds to subordinated debt for an amount of US$30 million approved by the SBS. It is considered part of TIER 2 Regulatory Capital.

(b) International financial organizations

Debts to international financial organizations accrued interest at international market rates between 1.4% and 6.4% as of December, 2010 and 2009, and are unsecured.

Name of creditor	Balances as of December 31, 2010 US$000	Balances as of December 31, 2010 S/.000	Balances as of December 31, 2009 US$000	Balances as of December 31, 2009 S/.000	Due Dates
Banco Interamericano de Desarrollo (i)	275,000	772,476	245,000	708,050	February 2012/2014/2017/2019
Internacional Finance Corporation	165,333	464,420	195,000	563,550	December 2012 / 2018
Corporación Andina de Fomento	50,000	140,450	50,000	144,500	December 2012
Corporación Interamericana de Inversiones	34,284	96,304	17,143	49,543	May 2011 / August 2014
Total	524,617	1,473,650	507,143	1,465,643	

(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.

(c) Debt private contract

As of December 2010, due to banks and correspondents include a debt private contract from a securitization of remittances (Note 15 (e)) for an amount of US$200 million.

(d) Programa Mi Vivienda - Mi Hogar (My Housing – My home Program)

Resources obtained for the social housing program "Mi Vivienda" in local currency for S/.141.1 million and foreign currency for US$13.8 million. This loan amortizes through December 2031 and accrues interest at an effective annual rate of 7.75% on the foreign currency portion and 6.25% plus the Constant Value Adjustment Index (hereinafter VAC for its Spanish acronym) on the local currency portion.

The obligation to the Fondo Mi Vivienda - Mi Hogar of S/.201.8 million as of December 31, 2010 (S/.116.4 million as of December 31, 2009) is collateralized by a portion of the mortgage loan portfolio up to that amount (Note 6). Loans include specific agreements about how these funds must be used, financial conditions that the borrower must have, as well as administrative terms.

As of December 31, 2010 and 2009, the financial obligations had the following maturities:

	2010 S/.000	%	2009 S/.000	%
Up to 1 month	733,582	15	8,237	-
More than 1 month and less than 3 months	42,823	1	147	-
More than 3 months and less than 6 months	47,432	1	15,586	-
More than 6 months and less than 1 year	5,731	-	437,884	21
More than 1 year and less than 5 years	890,796	18	1,075,838	51
More than 5 years	3,292,834	65	589,302	28
Total	5,013,198	100	2,126,994	100

As of December 31, 2010 and 2009, some of the loans in U.S. dollars are associated with "swaps" contracts to reduce the interest rate risk (Note 15 (b)).

12. SECURITIES, BONDS AND OUTSTANDING OBLIGATIONS

The balances were as follows:

	2010	2009
	S/.000	S/.000
Notes (debt instruments) - Note 15 (e)	702,250	722,500
Corporate Bonds	556,242	440,171
Subordinated Bonds	455,128	454,581
Leasing Bonds	140,225	142,250
Accrued expenses payable	16,484	13,424
Total	1,870,329	1,772,926

As of December 31, 2010 and 2009, outstanding securities, bonds and obligations had the following maturities:

	2010		2009	
	S/.000	%	S/.000	%
Up to 1 month	21,372	1	1,338	-
More than 1 month and less than 3 months	9,033	-	5,935	-
More than 3 months and less than 6 months	6,079	-	6,151	-
More than 6 months and less than 1 year	-	-	-	-
More than 1 year and less than 5 years	1,128,492	60	450,171	26
More than 5 years	705,353	39	1,309,331	74
Total	1,870,329	100	1,772,926	100

As of December 31, 2010 and 2009 the detail of issued bonds and notes was as follows:

Program	Authorized amount	Issuance	Series		Amount of Disbursed Currency	Balance as of December 31, 2010 S/.000	Balance as of December 31, 2009 S/.000	Maturity Date
Corporate Bonds								
Second	US$50 million or S/.160 million	First	A	S/.	70,000	70,000	70,000	October 2012
		First	B	S/.	23,000	23,000	23,000	March 2013
		First	C	S/.	30,000	30,000	30,000	April 2013
		First	D	S/.	17,000	17,000	17,000	May 2013
		Second	A	S/.	20,000	20,000	20,000	January 2011
Third	US$100 million or S/.315 million	First	A	S/.	40,000	40,000	40,000	December 2012
		Second	A	S/.	40,000	40,000	40,000	March 2012
		Third	A	US$	9,969	28,003	28,811	September 2012
		Fourth	A	US$	8,533	23,969	24,660	September 2014
		Sixth	A	US$	30,000	84,270	86,700	October 2012
		Seventh	Only	S/.	60,000	60,000	60,000	May 2018
Fourth	US$ 100 million	First	Only	S/.	40,000	40,000	-	August 2020
		Second	A	S/.	80,000	80,000	-	August 2020
						556,242	440,171	
Subordinated Bonds								
First	US$50 million or S/.158.30 million	First	A	S/.	40,000	39,773	39,753	May 2022
		Second	A	US$	20,000	55,892	57,486	May 2027
		Third	A	S/.	55,000	61,594	60,258	June 2032
Second	US$100 million	First	A	US$	20,000	56,180	57,800	September 2017
		Second	A	S/.	50,000	54,839	53,649	November 2032
		Third	A	US$	20,000	56,180	57,800	February 2028
		Fourth	Only	S/.	45,000	47,629	46,596	July 2023
		Fifth	Only	S/.	50,000	52,238	51,105	September 2023
		Sixth	A	S/.	30,000	30,803	30,134	December 2033
						455,128	454,581	
Leasing Bonds								
First	US$200 million	First	A	US$	25,000	70,225	72,250	April 2016
		Second	A	S/.	30,000	30,000	30,000	September 2014
		Third	A	S/.	40,000	40,000	40,000	November 2014
						140,225	142,250	
Notes								
First	US$250 million	First	A	US$	250,000	702,250	722,500	December 2015
Total						1,853,845	1,759,502	

Corporate bonds are unsecured and accrued annual interest at rates between 5.8% and 7.9% for local currency and between 6.2% and 6.4% for foreign currency as of December 31, 2010 and 2009.

Subordinated bonds were issued according to General Law requirements and with annual interest rates between 5.9% and VAC plus spread for local currency and between 6% and Libor plus spread for foreign currency.

Leasing bonds are secured by the same assets financed by the Bank with interests at a nominal annual rate of 6.3% for local currency and 7.2% for foreign currency.

13. SHAREHOLDERS' EQUITY

(a) Capital stock

As of December 31, 2010, the authorized, issued and fully paid capital stock of the Bank consisted of 1,843,427,288 outstanding ordinary shares with a face value of S/.1 each, (1,471,242,652 ordinary shares as of December 31, 2009).

The Bank General Shareholders' Annual Meetings held on March 30, 2010 and March 31, 2009, authorized an increase of the capital stock of S/.372.2 and S/.361.9 million, respectively, by means of the capitalization of special reserve and retained earnings.

The Bank's common stock is listed on the Lima Stock Exchange (hereinafter, BVL for its Spanish acronym). As of December 31, 2010 and 2009, the stock market quotation value of the Bank's stock was S/.7.70 and S/.9.05 per share, respectively.

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

Percentage of individual interest %	Number of shareholders	Total interest %
1 or less	8,564	5.46
1.01 to 5	2	2.30
More than 80	1	92.24
	8,567	100.00

(b) Legal and special reserve

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 Meeting held on March 30, 2010 and March 31, 2009, approved an allocation to the legal reserve of S/.92.8 and S/.72.4 million respectively, the equivalent of 10% of net income for each year.

As of December 31, 2009, Special Reserve is considered freely available. The General Shareholders' Annual Meetings held on March 30, 2010 and March 31, 2009 approved the capitalization of special reserves by S/.1.2 million and S/.59.3 million, respectively.

(c) Retained earnings

General Shareholders' Annual Meetings held on March 30, 2010, and March 31, 2009, agreed to distribute dividends for S/.463.8 and S/.362.1 million, respectively and were paid on April 27, 2010 and April 28, 2009, 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.

Retained Earnings include S/.21.4 million for unrealized gain of the available-for-sale investments (S/.68.5 million as of December 31, 2009), S/.3.1 million corresponding to unrealized gains of held to maturity investments (S/.3.3 million as of December 31, 2009).

The General Shareholders' Annual Meetings held on March 30, 2010 and March 31, 2009, approved the capitalization of retained earnings by S/.371 million and S/.302.6 million, respectively.

14. REGULATORY CAPITAL AND LEGAL LIMITS

As of December 31, 2010, Bank's regulatory capital calculated following SBS regulations was S/.3,807.2 million (S/.2,755.2 million, as of December 31, 2009). This amount is used to calculate certain limits and restrictions applicable to all financial entities in Peru. In the Bank's management opinion, such limits and restrictions are fully met by the Bank.

According to the General Law, the regulatory capital amount cannot be less than 9.8% of credit, market and operational risk average weighted assets and contingent loans (9.5% as of December 31, 2009).

SBS Resolution N° 14354-2009 "Rules for Regulatory Capital Requirement for Credit Risk" entered into effect on July 1, 2010, and provides that financial institutions can calculate their regulatory capital requirement for credit risk using the standard or the internal ratings based methods.

i) In the standard method, SBS establishes the methodology for calculating the exposure, the acceptable mitigating, the weighting factors for credit risk depending on the type of exposure, type of debtor and its external rating of credit risk.

ii) In the internal ratings based methods, its use is subject to compliance with the minimum requirements of the regulations and the approval of the SBS. Under these methods, organizations can calculate their regulatory capital requirements using internal estimates of risk components: probability of default (PD), loss given default (LGD), exposure at default (EAD) and maturity (M).

As of December 31, 2010, the Bank uses the standard method for calculating regulatory capital requirement for credit risk.

Credit, market and operational risk average weighted assets calculated in accordance with applicable regulations amount to S/.25,984.8 million as of December 31, 2010 (S/.20,699.6 million as of December 31, 2009). The Bank has estimated that implementation of the new regulation, considering the gradual adjustment in the weighting of certain exposures, has had an additional impact on credit risk weighted assets of 2.71%.

As of December 31, 2010 and 2009, the Bank´s global leverage ratio for credit risk, market and operational risks is 14.65% and 13.31% respectively.

15. CONTINGENT AND OFF-BALANCE SHEET ACCOUNTS

The balances were as follows:

	2010 S/.000	2009 S/.000
Contingent transactions:		
Indirect loans: (a)		
Guarantees and stand by letters	6,899,642	4,878,402
Letters of credit and bank acceptances	821,776	576,993
Total	7,721,418	5,455,395
Derivative financial instruments (b)	13,282,062	11,232,893
Unused lines of credits	4,134,284	3,126,914
Total	25,137,764	19,815,202
Off-balance sheet accounts:		
Guarantees received for loans given (c)	28,249,049	23,660,637
Assets and contingents qualification and credit risk weighting	-	27,027,905
Securities and assets in custody of third parties	24,715,309	10,827,725
Owned securities and assets in custody	2,996,907	4,865,440
Shares received as collection	1,603,977	1,475,582
Letter of credit	594,120	305,036
Securities and goods in guarantee	220,881	245,912
Interest on loans in suspense	189,596	151,904
Loans writen-off	161,622	164,463
Consignments received	418	472
Securities in custody of CAVALI (f)	5,734,033	5,447,706
Other debtors	6,195,179	4,684,328
Other creditors (e)	14,452,451	11,184,734
Total	85,113,542	90,041,844
Trusts and administrations (d)	6,567,727	6,247,897
Total	116,819,033	116,104,943

a) Indirect loans

Grupo Continental participates in transactions with off-balance sheet risk in the normal course of business. These transactions expose Grupo Continental to credit risk in addition to the amounts recognized in the consolidated balance sheet.

The credit risk in contingent operations is related to the possibility that one of the counterparties does not comply with the established terms. The corresponding contracts reflect amounts that would be assumed by Grupo Continental for loan losses in contingent operations.

Grupo Continental uses similar credit policies in evaluating and granting direct loans and contingent loans. In management's opinion, contingent transactions do not represent an exceptional credit risk, since it is expected that a portion of these contingent loans expire without being called and the total amounts of contingent loans do not represent necessarily future cash disbursements for Grupo Continental.

Grupo Continental´s management does not expect significant losses for contingent operations in force as of December 31, 2010.

The change of allowance for contingent operations (indirect loans) included in other liabilities on the balance sheet was as follows:

	2010 S/.000	2009 S/.000
Balances as of January 1	70,680	69,418
Provision	48,694	23,885
Recoveries and reversals	(63,143)	(18,539)
Exchange rate differences and other adjustments	(909)	(4,084)
Balances as of December 31	55,322	70,680

As of December 31, 2010, the general provision of indirect loan portfolio of S/.49.3 million (S/.60.9 million as of December 31, 2009) includes pro-cyclical provisions of S/.16.2 million (S/.22.4 million as of December 31, 2009).

b) Derivative Financial Instruments

The Bank enters into forward agreements for the purchase and sale of foreign currency (Forwards), interest rates swaps (IRS), cross currency swaps (CCS), and purchase and sale of options on several underlying (exchange rate, index, commodities, etc.).

Forward contracts for buying and selling foreign currency are agreements to deliver a currency at a future date at a pre-established price.

IRS operations are agreements in which the exchange of periodic cash flows are calculated on the basis of the application of either a variable or fixed interest rate according to the terms and conditions based on the definitions and regulations developed by the International Swaps and Derivatives Association, Inc. (ISDA) for foreign clients, and a Frame Contract for local clients.

The cross currency swaps are agreements in which the exchange amount is agreed in one currency for amounts in another currency, setting the exchange rate at the end of the operation..

Options are agreements whereby the holder has the option -rather than the obligation- to purchase or sell an underlying by prices defined at the day of closing, for which pays a premium to the seller of the options, calculated in accordance with market conditions.

The risk arises from the possibility that counterparties do not comply (Risk of Counterparty) with agreed terms and the fluctuations of the risk factors involved in this transaction (exchange rate and interest rate risks).

Derivative financial instruments are valued according to the financial theories recognized by the market. The inputs (exchange rates, interest rate curves, implied volatility, swap points, etc.) are captured from public sources of information if the data is quotable, or built, in the case of no quotations available.

As of December 31, 2010 and 2009, the notional amount equivalent in new soles and the fair value of derivative financial instruments were as follows:

	2010		
	Nominal value	Asset	Liability
	S/.000	S/.000	S/.000
Trading Derivatives			
Currency Forward	9,131,591	61,788	34,593
Options	527,824	13,335	13,270
CCS - Cross Currency Swap	3,622,647	183,820	53,853
Interest Rate Swap	4,636,934	42,178	140,503
Hedging Derivatives			
Interest Rate Swap (i)	983,150	-	44,817
	18,902,146	301,121	287,036

	2009		
	Nominal value	Asset	Liability
	S/.000	S/.000	S/.000
Trading Derivatives			
Currency Forward	9,025,764	104,819	71,999
Options	196,218	1,897	1,919
CCS - Cross Currency Swap	2,164,515	168,439	45,089
Interest Rate Swap	4,347,983	62,987	123,425
	15,734,480	338,142	242,432

(i) As of December 31, 2010, the Bank entered into an interest rate swap to hedge the exposure to changes in fair value of the loan from Deutsche Bank for US$350 million, which was agreed at a fixed rate of 5.50% and maturity in November 2020 (Note 11 (a)). Through interest rate swap, the Bank receives a fixed rate in U.S. dollars and delivers a variable interest rate in that currency. As of December 31, 2010, the fair value of interest rate swap has been reduced in S/.44.8 million (loss), which is recorded under "Gain from hedging transactions" of the consolidated statements of income.

Interest rate derivatives are recorded in off-balance sheet accounts, amounting to S/.5,620 million as of December 31, 2010 (S/.4,502 million as of December 31, 2009), other derivatives are recorded in contingent accounts amounting to S/.13,282 million as of December 31, 2010 (S/.11,233 as of December 31, 2009).

Accounts receivable and payable from derivative financial instruments transactions on the consolidated balance sheet consisted mainly of accrued amounts corresponding to the fluctuations resulting from derivative financial instruments valuations (exchange and interest rate); these are presented in the line Gain/Loss from derivative instruments, net in the consolidated statements of income.

c) Collateral for loans given

Collateral is reflected at the agreed value on the date of the loan contract. This amount does not necessarily represent the market value of collateral held by Grupo Continental.

d) Trusts and administrations

Grupo Continental renders asset management services to third parties such that Grupo Continental is involved in the selection and decisions of purchases and sales of investments on behalf of third parties. These assets which are maintained in trusts are not included in the consolidated financial statements.

As of December 31, 2010, the equity of investment mutual funds and of securitizations managed by Grupo Continental, amounts to S/.3,342 million and S/.271 million, respectively (S/.2,965 million and S/.436 million, respectively, as of December 31, 2009).

e) Other creditors

As of December 31, 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$250 million. The maturity date of the notes is December 15, 2015 and they have fixed quarterly coupons with a 2-year grace period. The debt instruments bear interest at Libor rate plus a spread (Note 12).

As of April 30, 2010, Continental DPR Finance Company, entered into a debt through a private contract totaling US$200 million (Series 2010-A). 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 11 (c)).

The debt and the issuance of the Note are secured by present and future flows generated by electronic payment orders of clients (Diversified Payments Rights - DPR) sent to the Bank using the SWIFT (Society for Worldwide Interbank Financial Telecommunications Network) system.

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 December 31, 2010.

f) Securities in custody in CAVALI S.A.

Corresponds to the face value of investments negotiated by Grupo Continental on behalf of clients of Continental Bolsa - Sociedad Agente de Bolsa S.A. which are in the custody of Cavali S.A. ICLV.

g) Lawsuits and legal processes

As of December 31, 2010, Grupo Continental was party to various pending legal complaints and other lawsuits which are related to the general operating activities which, in the opinion of management and its legal advisors, will not give rise to significant liabilities. Therefore, management has not considered necessary a higher provision than that recorded for these contingencies in other liabilities of the consolidated balance sheet, which amounted to S/.213.7 million as of December 31, 2010 and S/.248.9 million as of December 31, 2009).

16. OTHER INCOME

Other income for years ended December 31, 2010 and 2009 comprises commissions for credit and debit cards renewals, maintenance fees for savings accounts, collection, transferences, bank drafts, checking accounts operations and clearing, financial advisory and other services related to credit or intermediation activities.

17. EMPLOYEES´ AND BOARD OF DIRECTORS' EXPENSES

As of December 31, 2010 and 2009, employees´ and Board of Directors' expenses comprises:

	2010 S/.000	2009 S/.000
Salaries	162,552	150,626
Bonuses	136,616	145,257
Social contributions and other	38,929	37,563
Accrual for seniority indemnities	22,155	20,445
Vacations	14,401	13,561
Other	14,198	12,222
Total	388,851	379,674

18. ADMINISTRATIVE EXPENSES

Administrative expenses for 2010 and 2009 mainly comprised expenses for technology services fees and transport of money, taxes, advertising and promotions, insurances, general services expenses, security and surveillance, among others.

19. OTHER INCOME AND EXPENSES, NET

Other income and expenses, net comprises:

	2010 S/.000	2009 S/.000
Gain from sales of seized, recovered assets	1,879	5,245
Administrative penalties	(809)	(710)
Uninsured losses	(4,616)	(3,277)
Other income	9,953	7,119
Total	6,407	8,377

20. TAX SITUATION

(a) Income tax

Under current legislation, the determination of taxes on a consolidated basis is not permitted. The Bank and its subsidiaries have made this determination on an individual basis.

Management believes that the taxable income determined under the general income tax regime under current tax law, which requires adding and deducting from the result, shown in the financial statements, those items recognized as taxable and non taxable, respectively. The tax rate on income from the 2010 and 2009 is 30%.

(b) Income tax regime

(i) Income tax rates

Pursuant to Legislative Decree N° 945, dated December 23, 2003, effective 2004 tax period, the income tax rate for domiciled legal entities is 30%..

Legal entities are subject to an additional rate of 4.1% on any amount that may be considered indirect income, including, among others, amounts charged to expenses and unreported income, expenses which may have benefited the shareholders or workers, among others, outside business expenses or shareholders participation, which are assumed by the legal entity.

Companies not domiciled in Peru, and individual persons will pay a 4.1% tax on dividends distributed.

(ii) Transfer Pricing

For the purposes of income tax calculation and General Sales Tax, legal entities engaged in transactions with related companies or with companies resident in territories with low or no taxation, must have a Transfer Pricing Technical Study, including the supporting documentation for this study. This formal obligation arises when the amount of accrued income exceeds S/.6 million, and the entity has conducted transactions with non-domiciled related companies for an amount over S/.1 million. As per requested by the applicable regulations, companies with transactions in excess of (in thousands) S/.200 must file an annual affidavit to comply with transfer pricing requirements.

Both formal obligations will also be required in the event that at least one transaction to, from or through countries with low or no taxation had been made.

From 2008 onwards, the domiciled taxpayers' transactions that were carried out with domiciled related parties, must be included in the Transfer Pricing Technical Study.

Grupo Continental conducted a Transfer Pricing Technical Study for 2009. The Technical Study for the year 2010 is under development. In management's opinion, no liabilities will arise for financial statements for 2010 and 2009 fiscal years, in connection with transfer pricing.

(c) Significant changes to income tax

Effective January 1, 2011 some changes in the determination of the income tax, applicable to companies subject to Laws 29498 and 29645 entered into effect. Law 29645 was published on December 31, 2010. The following is a brief summary of the most important changes for companies:

- Amounts spent on staff training may be deducted as an expense up to a maximum amount equal to 5% of total expenses of the year. For this purpose, an Annual Training Program must be presented before the Ministry of Labor.

- Interest from foreign loans granted to the National Public Sector will be exempted.

- “Development credits" are defined, for the purposes of applying the exemption to interest thereby, as loan operations that are intended to fund projects or programs for the country's development in public infrastructure works and public services, as well as to finance micro business loans.

- Interest paid by a domiciled company in favor of a non-resident natural person, will be subject to a withholding tax of 4.99% (previously 30%), unless is a related party or if the creditor´s residency is located in a country with not taxation.

- The interests credited by local banks to non-residents’ entities,, shall be subject to a withholding of 4.99% (previously 1%), when the payments are made using their credit lines outside the country.

- Interest paid to non-resident legal entities from bonds or other debt instruments, deposits in the National Financial System, repurchase agreements, securities lending and other interests from credit operations, are subject to a withholding tax of 4.99% (previously 30%).

- In the case of foreign loans with non-compliance on the requirements set out in paragraph a) of Article 56 ° or when the creditor is a related company or when such creditor is used to hide a credit transaction between related parties, the rate of withholding tax on interest will be 30%. In a tax audit, the taxpayer must demonstrate that the operation is truly a loan or credit from an unrelated party.

- Certain special rules have been established for taxation of income derived from repurchase agreements and securities lending, which are considered as financing transactions.

(d) The income tax expense and workers´ profit sharing expenses, comprised the following:

	2010 S/.000	2009 S/.000
Current workers' profit sharing and income taxes	433,845	484,743
Deferred income taxes	(26,314)	(63,302)
Total	407,531	421,441

(e) Tax situation

Income tax returns of Grupo Continental which are pending for review by the tax administration are as follows:

Companies	Years subject to review
Banco Continental	2007 to 2010
Continental Bolsa Sociedad Agente de Bolsa S.A.	2005 to 2010
Continental S.A. Sociedad Administradora de Fondos	2005 to 2010
Continental Sociedad Titulizadora S.A.	2005 to 2010
Inmuebles y Recuperaciones Continental S.A.	2008 to 2010

The Tax Administration is authorized to perform reviews within four years following the year of submittal of the corresponding income tax return. Management considers that no significant liabilities will arise resulting from pending reviews.

Due to possible interpretations that tax authorities may make on legal regulations in force, it is not possible to determine whether liabilities for Grupo Continental will result from future reviews, so that any eventual higher tax or charge that might result from fiscal reviews will be charged to the statements of income for the year in which they are determined. However, management considers that no potential additional settlement of taxes would be significant for the financial statements as of December 31, 2010 and 2009.

21. DEFERRED INCOME TAXES

The change in the net income taxes asset in 2010 and 2009, and workers' profit sharing until December 31, 2009 (Note 2 (a-2)), and the description of related temporary differences were as follows:

2010			Additions/Recoveries in the statements of income		
	Beginning Balances	Equity	Deferred income taxes	Adjustment for deferred workers´ profit sharing	Ending Balances
	S/.000	S/.000	S/.000	S/.000	S/.000
Assets:					
General allowance for loans	178,348	-	39,019	(18,633)	198,734
Allowance for contingent loans - general	20,386	-	(3,482)	(2,130)	14,774
Allowance for seized assets	6,704	-	323	(89)	6,938
Allowance for contingent credits - specific	2,535	-	(432)	(265)	1,838
Allowance for suppliers	35,582	-	(1,377)	(887)	33,318
Labor allowance	7,556	-	20,587	(3,585)	24,558
Advancement of depreciation	3,049	-	(1,920)	(319)	810
Discontinued interest on impaired loans	-	-	1,129	-	1,129
Total asset	254,160	-	53,847	(25,908)	282,099
Liabilities:					
Other	5,109	1,950	4,848	-	11,907
Leveling of assets and liabilities	5,063	-	(2,693)	(530)	1,840
Total liabilities	10,172	1,950	2,155	(530)	13,747
Deffered income tax asset, net	243,988	(1,950)	51,692	(25,378)	268,352

According to Note 2 (a-2), Grupo Continental adjusted the effect of modification of treatment of deferred workers´ profit sharing, which represented a lower balance in the net income for the year 2010, for an amount of S/.25.4 million.

Also, during 2010, Grupo Continental recorded temporary items of deferred income tax related to labor liabilities and securitization of remittances for previous years. The effect of this situation resulted in a greater balance of the net income for 2010 for an amount of S/.14.7 million.

2009	Additions/Recoveries			
	Beginning Balances S/.000	Equity	Net Income	Ending Balances S/.000
Assets:				
General allowance for loans	160,219	-	18,129	178,348
Allowance for contingent loans - general	20,151	-	235	20,386
Allowance for seized assets	5,757	-	947	6,704
Allowance for contingent credits - specific	1,822	-	713	2,535
Allowance for suppliers	6,802	-	28,780	35,582
Allowance for bonuses	-	-	7,556	7,556
Advancement of depreciation	-	-	3,049	3,049
Tax Loss	583	-	(583)	-
Total asset	195,334	-	58,826	254,160
Liabilities:				
Other	4,402	707	-	5,109
Leveling of assets and liabilities	9,539	-	(4,476)	5,063
Total liabilities	13,941	707	(4,476)	10,172
Deffered income tax asset, net	181,393	(707)	63,302	243,988

Changes in deferred income tax assets were as follows:

	2010 S/.000	2009 S/.000
Deferred taxes recognized:		
Deferred taxes at the beginning of the year	243,988	181,393
Debit to equity (Note 2 (t))	(1,950)	(707)
Credit to income of the year	26,314	63,302
Deferred income taxes asset at end of the year	268,352	243,988

22. BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share were as follows:

	Quantity of shares 2010 In thousands	2009 In thousands
Outstanding at beginning of the year	1,471.2	1,109.3
Special reserve capitalization	1.2	60.5
Retained earnings capitalization	371.0	673.6
Outstanding at end of the year	1,843.4	1,843.4
Net income for the year (in thousands of nuevos soles)	1,006,309	927,769
Basic and diluted earnings per share	0.55	0.50

23. TRANSACTIONS WITH RELATED PARTIES

As of December 31, 2010 and 2009, the main transactions with related companies and subsidiaries for credits, financial services and corresponding relationships recorded at nominal values, among others, were as follows:

	2010 S/.000	2009 S/.000
Assets:		
Cash and due from banks	25,482	25,910
Loans, net	135	48
Other assets	77,144	120,735
Liabilities:		
Obligations to the public and deposits from financial institutions	429,495	137,483
Other liabilities	129,165	99,664
Contingent and off-balance sheet accounts:		
Contingent accounts	4,927,095	4,163,548
Off-balance sheet accounts	1,724,479	1,645,700

Transactions of Grupo Continental with related parties have been carried out in the normal course of operations and in conditions that could have been granted to third parties.

Operations carried out with related parties, included in the consolidated statements of income for 2010 and 2009 were the following:

	2010 S/.000	2009 S/.000
Financial income	9	36
Financial expenses	(4,580)	(8,523)
Other income (expenses), net	(47,442)	(41,230)

Personnel Loans

As of December 31, 2010 and 2009, directors, executives and employees of Grupo Continental maintain permitted operations with Grupo Continental in accordance with General Law, which regulates and establishes certain limits on transactions with directors, executives and employees of banks in Peru. As of December 31, 2010 and 2009, direct loans to employees, directors, executives and key personnel were S/.232.8 million and S/.135.2 million, respectively.

For 2010, key staff salaries and director salaries amounted to S/.7.1 million. (S/.6.2 million as of December 31, 2009).

24. FINANCIAL RISK MANAGEMENT

Management, based on Grupo Continental's policies and on its knowledge of the market and experience in the sector, establishes policies for the control of business risks to minimize potential adverse effects.

The analysis of financial risk management has been made considering the significance in the consolidated financial statements of the Bank.

Market risks

Grupo Continental is exposed to market risks during the normal performance of its transactions. Market risk consists of the risk of loss due to future negative movements regarding prices of the products in financial markets where Grupo Continental has open positions.

The Bank uses Value at Risk (hereinafter VaR) as a methodological tool to estimate market risks based on a series of assumptions for certain changes in the general conditions of financial markets, showed in distortions of, for instance, interest rates or exchange rates, under the assumption that the portfolio would remain unchanged during a temporary period. This tool follows a parametric model to reach a 99% level of reliability and a 10-day time horizon.

In this context, the Bank establishes a policy of limits whose axis is the VaR and are daily followed to control that consumption does not exceed the established limits and/or alerts. The Bank has established a pattern of weekly backtesting and limits within which the VaR is accepted (up to 4 negative exceptions), which are monitored on a weekly basis with daily information.

In addition, the Bank has stress testing scenarios, which are monitored on a daily basis.

Liquidity risk

Liquidity risk (illiquidity) is the possibility that an entity may not meet its payment commitments or that, in order to meet them; it may have to obtain funds under unfavorable conditions.

Liquidity risk can be observed from two different perspectives. The first perspective may be caused by instability in the markets, which increases with existing concentration in certain products and currencies. Therefore, it represents the risk of potential loss of value which could be produced due to the lack of transactions of the market at a given time and with a specific product. The second perspective considers the risk of finance liquidity, which could arise from a temporary lag in the cash flows between the assets and liabilities or from unforeseen needs.

Measurement of liquidity risk occurs on a daily basis by short-term internal models which identify available net flows or basic liquidity, potential flows, and liquidity considering funding that can be obtained in order to meet payment commitments. This analysis is carried out both in Nuevos soles and in other currencies and it is complemented with measuring of risk of medium-term liquidity which allows identification of any future gap in liquidity.

In addition to measuring liquidity risks, the Bank has a Contingency Plan of Liquidity, which considers scenarios of very low liquidity and the role that would correspond to each area of the Bank.

Interest rate risk

Structural Interest Risk refers to the impact that variations in interest rates may have over the finance margin and the economic value of an entity. The starting point of this methodology is the analysis of temporary gaps of repricing of assets and liabilities of the balance (Bank book) as per currency and length of the term.

Exposure to interest rate risk is measured under a triple perspective: results, economical value and economical capital. From the results perspective, the analysis is limited to a 12-month time horizon, where incidence of variations in the interest rates over the annual finance margin is evaluated. Under the perspective of the economical value, the horizon analysis goes over the whole balance via the evaluation of the effect of movements in the market curves in the value of assets and liabilities. According to the criteria of the economical capital, 105 rate scenarios are built, which are used to calculate the same number of economical values and, with a given level of reliability, to determine maximum expected loss.

There is also active and permanent follow-up of limits and alerts for these indicators, which allows active management of the balance sheet by Grupo Continental.

Exchange rate risk

Exchange rate risk is the risk that the value of positions on the balance sheet could be negatively affected by the fluctuations of exchange rates. Value of positions issued in foreign currency could decrease due to movements of exchange rates. This risk depends on the position of the currency and the volatility of exchange rates.

Most of the assets and liabilities are denominated in U.S. dollars. Grupo Continental minimizes the exchange rate risk by matching assets and liabilities.

Credit risk

Credit risk consists of the probability of incurring losses due to non-compliance with credit obligations by counterparty.

Management of credit risk of Grupo Continental is based on an integral approach at all stages of the process: analysis, admission, follow-up and recovery, which strengthen tools designed for risk management.

Regarding the follow-up stage, a permanent activity is the monitoring of portfolio quality at Grupo Continental level, segments of businesses and their geographic distribution, evaluating their behavior according to different indicators which include ratios of delayed and weighted portfolio, as well as entries and exits of delay in payment, evaluating in the former ones, profiles of delay per product and to which group they correspond, the activity that has the objective of providing guidelines of admission of credit risk, establishing corrective measures.

Also, credit risk is monitored via evaluation and analysis of individual transactions such as credit concentration of economic groups, individual limits to grant credits, evaluation of economic sectors, expected portfolio losses, preferred guarantees and requirement of working capital.

Financial assets that potentially present credit risk mainly consist of cash and cash equivalents, deposits banks accruing interests, investments in securities, loans and other assets. Cash and cash equivalents, as well as term bank deposits are placed in prestigious financial institutions.

Information related to interest rates applicable to credits, maturities and levels of loan concentrations are presented in Note 6.

Operational risk

Operational risk is defined as the risk of having losses as a consequence of failures in processes, systems, human errors or due to external circumstances. The general policy of Grupo Continental regarding the operating risk is based on the good governance concept.

Grupo Continental understands that good management of operating risk needs to establish methodologies and procedures allowing identification, evaluation and follow-up of this type of risks in order to establish measures to control/mitigate accordingly.

This is done balancing the level of risk assumed and the cost of control/mitigation.

25. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments are contracts that give rise simultaneously to a financial asset in a company and a financial liability or equity instrument in another company. In the case of Grupo Continental, the financial instruments are generally primary instruments such as accounts receivable, accounts payable and capital shares in other companies and derivative instruments (forward and swaps contracts).

Financial instruments are classified as of liability or as capital according to the nature of contractual agreement which originated it. Interests, dividends, the gains and losses generated by a financial instrument classified as a liability, are registered as expenses or income in the statements of income. Payments to holders of financial instruments recorded as capital are recorded directly in stockholders´ equity. Financial instruments are settled when Grupo Continental has legal right to liquidate them and management has the intention to cancel them over a net basis, or to realize the asset and cancel the liability, simultaneously.

Fair value is the amount by which an asset could be exchanged between a well informed buyer and seller, or an obligation which can be settled between a debtor and creditor with sufficient information, when conducted in an open market.

In cases where a quoted value is not available, fair value is estimated based on a quoted value of a financial instrument with similar characteristics, the present value of expected cash flows or other valuation techniques, which are significantly affected by different assumptions. Even though management uses its best criteria to estimate fair value of its financial instruments, there are weaknesses inherent to any technical valuation. As a consequence, fair value might not be an approximate estimation of net realizable value or value of liquidation.

The fair value measurements of Grupo Continental’s financial instrument have the following considerations:

i) Cash and due from Grupo Continentals and inter-bank funds represent cash or short-termed deposits which do not represent significant credit risks.

ii) Fair value of investments has been determined based on quotations of the market or quotations of underlying (sovereign risk rate) to the date of financial statements. Debt instruments investments accrue interests at market rates.

iii) Fair value of loan portfolio is similar to book value, due to fact that they are net of their corresponding allowance for loan losses, which allows management to consider it as an estimated amount of recovery as of the dates of financial statements. In addition, credit portfolio accrues interest at current market rates.

iv) Market value of obligations to the public and deposits from financial entities and interbank funds corresponds to its respective book value mainly due to its current nature and to the fact that rates of interest are comparable to that of other similar liabilities.

v) Debts and financial obligations and outstanding securities, bonds and obligations generate interests at fixed and variable rates and have maturities of short and long-term. Securities with variable rates represent its market value and those with fixed rates are subject to variations of the market interest rates.

vi) As described on Note 15, the Bank granted guarantees, letters of guarantees and letters of credits and has received guarantees backing-up credits granted. Based on the level of commissions currently charged for granting those contingent loans and considering due dates and interest rates, together with current solvency of counterparts, the difference between book value and fair value is not considered as significant by management.

vii) Foreign currency and interest rate derivative financial instruments are recorded at their estimated market value. Grupo Continental values the derivatives operations discounting respective flows into present value using the market curves, which are calculated on a daily basis for it. These curves are built using inputs that are observable public contributors (price vendors) or trading systems (Datatec, Bloomberg, Reuters, etc.).

26. SUBSEQUENT EVENTS

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

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BBVA BANCO CONTINENTAL AND SUBSIDIARIES

As of June 30, 2012 (Unaudited) and as of December 31, 2011 (Audited) and for the six-month periods ended June 30, 2012 and 2011

BBVA BANCO CONTINENTAL AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

AS OF JUNE 30, 2012 (Unaudited) **and as of December 31, 2011 (Audited)**

ASSETS	Notes	June 30, 2012	December 31, 2011	LIABILITIES AND STOCKHOLDERS' EQUITY
		S/. 000	S/. 000	
CASH AND DUE FROM BANKS	3			**OBLIGATIONS TO THE PUBLIC**
Cash and deposits with Peruvian Central Reserve Bank		8,977,845	7,963,377	Demand deposits
Deposits in local and foreign banks		405,751	462,668	Savings deposits
Clearing accounts		151,958	102,100	Time deposits
Other deposits		11,165	4,556	Other obligations
Accrued interest on cash and due from banks		2,963	2,152	Accrued interest payable
		9,549,682	8,534,853	
INTER-BANK FUNDS	9	240,400	241,459	**DEPOSITS FROM FINANCIAL INSTITUTIONS**
INVESTMENTS AT FAIR VALUE THROUGH PROFIT AND LOSS, AVAILABLE-FOR-SALE AND HELD TO MATURITY, NET	4	5,001,540	2,587,154	**INTER-BANK FUNDS**
LOANS, NET	5	30,458,670	28,922,025	**DUE TO BANKS AND CORRESPONDENTS**
INVESTMENT IN ASSOCIATE COMPANIES		1,950	2,231	**SECURITIES, BONDS AND OUTSTANDING OBLIGATIONS**
DEFERRED INCOME TAX		325,193	317,577	**OTHER LIABILITIES**
PROPERTY, FURNITURE AND EQUIPMENT, NET	6	632,706	603,600	**TOTAL LIABILITIES**
OTHER ASSETS	7	1,103,575	1,033,508	**SHAREHOLDERS' EQUITY**
				Capital stock
				Legal reserve
				Retained earnings
TOTAL ASSETS		47,313,716	42,242,407	**TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY**
CONTINGENT AND OFF-BALANCE SHEET ACCOUNTS	16			**Contingent and Off-Balance Sheet Accounts**
Contingent Accounts		29,896,926	26,994,897	Contingent Accounts
Off-Balance Sheet Accounts		122,410,384	111,537,752	Off-Balance Sheet Accounts
Trust and Administrations		6,558,374	6,405,142	Trust and Administrations
		158,865,684	144,937,791	**Total**

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

BBVA BANCO CONTINENTAL AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2012 AND 2011 (Unaudited)

	Notes	June 30, 2012	June 30, 2011
		S/. 000	S/. 000
Financial Income	17	1,788,747	1,425,653
Financial Expenses	18	(512,740)	(355,977)
Gross Financial Margin		1,276,007	1,069,676
Provisions for impairment of direct loan losses	5 (d)	(175,294)	(132,604)
Net Financial Margin		1,100,713	937,072
Miscellaneous Income (Expense)	19	327,148	306,380
Operating Margin		1,427,861	1,243,452
Administrative Expenses	20	(561,378)	(487,220)
Operating Results		866,483	756,232
Other Income and Expenses		(50,710)	(43,882)
Income Before Income Tax		815,773	712,350
Income Tax		(212,173)	(182,361)
Net Income		603,600	529,989
Weighted average number of outstanding shares (in thousands of shares)		2,226,473	2,226,473
Basic and diluted earnings per share in Peruvian Nuevos Soles	14	0.27	0.24

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

BBVA BANCO CONTINENTAL AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE PERIODS ENDED JUNE 30, 2012 AND 2011 (Unaudited)

	Capital Stock	Reserves
	S/. 000 (Note 12)	S/. 000 (Note 12)
Balances as of January 1, 2011	**1,843,427**	**508,640**
Capitalization of Retained Earnings	100,805	-
Transfer of retained earnings to legal reserves	-	100,725
Cash dividends	-	-
Unrealized net results on available-for-sale investments	-	-
Net income for the period	-	-
Balance as of June 30, 2011	**1,944,232**	**609,365**
Balance as of January 1, 2012	**1,944,232**	**609,365**
Capitalization of Retained Earnings	282,241	-
Transfer of retained earnings to legal reserves	-	112,896
Cash dividends	-	-
Unrealized net results on available-for-sale investments	-	-
Net income for the period	-	-
Balances as of June 30, 2012	**2,226,473**	**722,261**

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

BBVA BANCO CONTINENTAL AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE PERIODS ENDED JUNE 30, 2012 AND 2011(Unaudited)

	June 30, 2012	June 30, 2011
	S/. 000	S/. 000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	603,600	529,989
Adjustments to net income:		
Provisions for loan losses	175,294	132,604
Depreciation and amortization	33,904	28,848
Provisions for seized and recovered through legal actions assets	(4,251)	1,259
Provisions for accounts receivable	17,499	22,431
Provisions for contingent operations	36,715	26,679
Other provisions, net of recoveries	3,908	1,956
Deferred income tax	(7,744)	(10,883)
Net (gain) from sale of securities	(6,216)	(6,714)
Net (gain) loss from sale of seized, recovered through legal actions and fixed assets	(1,799)	88
Changes in asset and liability accounts:		
Net (increase) in other assets	(87,210)	(183,002)
Net increase (decrease) in other liabilities	125,173	(91,763)
Cash and cash equivalents provided by operating activities	888,873	451,492
CASH FLOWS FROM INVESTING ACTIVITIES		
Property, furniture and equipment	(65,966)	(89,714)
Intangible assets	(3,098)	-
Sale of assets seized and recovered through legal actions	11,748	7,694
Cash and cash equivalents used in investing activities	(57,316)	(82,020)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase in obligations to the public, deposits from financial institutions and inter-bank funds	1,665,210	857,397
Net increase in due to Banks and correspondents	2,624,082	1,743,809
Net increase (decrease) in securities, bonds and outstanding obligations	732,393	(106,971)
Net (increase) in loan portfolio	(1,711,939)	(3,052,333)
Net (increase) in investments	(2,394,058)	(901,557)
Cash dividends	(733,475)	(805,610)
Cash and cash equivalents provided by (used in) financing activities	182,213	(2,265,265)
NET INCREASE (DECREASE) OF CASH AND CASH EQUIVALENTS	1,013,770	(1,895,793)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	8,776,312	10,095,781
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	9,790,082	8,199,988

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

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 Bank's capital stock. The Bank is a corporation established in 1951, authorized to operate by the Superintendency of Banks, 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.

Business Activity

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

The Bank performed its activities through a national network of 290 and 275 branches as of June 30, 2012 and December 31, 2011, respectively. The number of employees of the Bank and its subsidiaries as of June 30, 2012 and December 31, 2011, was 4,980 and 4,740, respectively.

As of June 30, 2012 and December 31, 2011, the Bank owned a 100% interest in the following 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 and Recuperaciones Continental S.A. While the Bank does not have an ownership stake in Continental DPR Finance Company (hereinafter DPR) given the characteristics of its activity and its relationship with the Bank, accounting standards require financial statements be included in a consolidated basis with the Bank (hereinafter Grupo Continental).

Grupo Continental prepares and presents its financial statements in Peruvian Nuevos Soles (S/.), which is its functional currency. The functional currency is the currency of the main economic environment in which an entity operates.

Subsidiaries and Special Purpose Entity

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

Below are the main balances of the companies forming part of Grupo Continental as of June 30, 2012 and December 31, 2011:

Entity	Assets		Liabilities		Equity	
	In millions of Nuevos Soles					
	June 30, 2012	**December 31, 2011**	**June 30, 2012**	**December 31, 2011**	**June 30, 2012**	**December 31, 2011**
BBVA Banco Continental S.A.	47,328	42,254	43,740	38,549	3,588	3,705
Continental Bolsa - Sociedad Agente de Bolsa S.A.	45	44	13	14	32	30
BBVA Asset Management Continental S.A. Sociedad Administradora de Fondos	45	48	6	9	39	39
Continental Sociedad Titulizadora S.A.	2	2	-	-	2	2
Inmuebles and Recuperaciones Continental S.A.	21	25	13	8	8	17
Continental DPR Finance Company	1,683	1,129	1,683	1,129	-	-

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting principles and practices as of June 30, 2012 remain unchanged with respect to those in the audit report issued on February 10, 2012 by Beltrán, Gris y Asociados S. Civil de R.L., representatives of Deloitte, for the years ended December 31, 2011 and 2010.

3. FUNDS AVAILABLE

As of June 30, 2012, funds available include approximately US$ 2,475.2 million and S/. 2,441.4 million (US$ 2,214.2 million and S/. 1,832.7 million as of December 31, 2011) which represent legal reserves that Peruvian entities must maintain as a guarantee of third party deposits. These funds are deposited in the bank's vaults and at the Peruvian Central Bank (hereinafter BCRP for its Spanish acronym).

As of June 30, 2012 and December 31, 2011, legal reserves in local and foreign currencies were subject to a legal minimum of 9%. Total obligations subject to legal reserve requirements (hereinafter TOSE for its Spanish acronym) in local and foreign currency according to the regulations in effect as of June 30, 2012 are subject to a statutory rate of 14.9990% and 41.1367% in local and foreign currency, respectively. These rates are calculated based on the April 2012 TOSE. As of December 31, 2011, they are subject to a statutory rate of 13.0245% and 37.31% in local and foreign currency, respectively. These rates are based on the February 2011 TOSE. Excess deposits are subject to an additional reserve requirement of 30% and 55% in local and foreign currency, respectively. As of December 31, 2011, the additional reserve requirement was 25% and 55% in local and foreign currency, respectively. As of June 30, 2012, debt to international financial institutions and financial organizations in foreign currency with a maturity of less than three years are subject to a special rate of 60%. As of December 31, 2011, debt to international financial institutions and financial organizations in foreign currency with a maturity of less than two years were subject to the special rate of 60%.

The legal minimum reserve funds are not interest-bearing. The legal additional reserve amount in foreign currency accrues interest at an annual nominal rate established by the BCRP. For the six months ended June 30, 2012, interest income on reserves amounted to S/. 15.4 million (S/. 20.8 million for the year ended December 31, 2011), and were included in "Interest from deposits in financial institutions", in the statement of income. According to existing legislation, legal reserves cannot be seized.

As of June 30, 2012, cash and due from banks included restricted funds of S/. 1.2 million (S/. 1.2 million as of December 31, 2011) required in connection with legal proceedings against the Bank and to guarantee any potential liabilities generated by such lawsuits.

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

Investments in securities have been classified by Grupo Continental as follows:

	June 30, 2012	December 31, 2011
	S/. 000	S/. 000
Investments at fair value through profit and loss	131,874	84,598
Available-for-sale investments (Note 12 (c))	4,433,473	2,071,277
Held to Maturity Investments	436,193	431,279
	5,001,540	**2,587,154**

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

	June 30, 2012	December 31, 2011
Investments at fair value through profit and loss	S/. 000	S/. 000
Mutual Funds (a)	39,440	43,461
Peruvian Treasury Bonds (b)	38,052	24,694
US Treasury Bonds (c)	54,382	10,903
Local Stock	-	5,540
	131,874	84,598
Available-for-sale investments		
BCRP Certificates of Deposits (d)	3,674,966	1,421,368
Peruvian Treasury Bonds (b)	663,912	580,946
Peruvian Global Treasury Bonds (e)	27,914	24,736
US Treasury Bonds (c)	2,719	-
Foreign stock	17,104	12,979
Local stock (f)	46,832	31,192
Other Investments	26	56
	4,433,473	2,071,277
Held-to-Maturity Investments		
Peruvian Treasury Bonds (b)	436,193	431,279

(a) As of June 30, 2012 and December 31, 2011, mutual fund investments related to interests in several mutual funds managed by BBVA Asset Management Continental S.A. Sociedad Administradora de Fondos.

(b) Peruvian Treasury Bonds are issued by the Peruvian government. As of June 30, 2012, such bonds bore interest at annual rates ranging between 1.00% and 6.10% (between 1.00% and 6.55% as of December 31, 2011) in local currency, and 6.57% in foreign currency (between 5.14% and 6.57% as of December 31, 2011), with maturities up to February 2042. (February 2042 as of December 31, 2011).

(c) US Treasury Bonds generated yields at an annual interest rate of 1.64% as of June 30, 2012 (1.94% as of December 31, 2011) in foreign currency, with maturities in May 2022 (November 2021 as of December 31, 2011).

(d) BCRP certificates of deposits are trading securities with maturities due within one year acquired in public auctions or secondary markets, based on prices offered by the financial institutions. As of June 30, 2012, the annual interest rates on local currency ranged between 4.07% and 4.20% (between 3.95% and 4.24% as of December 31, 2011).

(e) Peruvian Treasury Global Bonds, issued by the Peruvian Government, bearing interest between 2.52% and 4.53% in foreign currency as of June 30, 2012 (4.88% as of December 31, 2011), with maturities up to November 2050. (November 2033 as of December 31, 2011).

(f) As of June 30, 2011, local stock included shares listed on the Lima Stock Exchange Securities (BVL) with a total value of S/. S/. 33.3 million (S/. 19.8 million as of December 31, 2011).

5. LOANS, NET

a) The balances included:

	June 30, 2012		December 31, 2011	
	S/. 000	**%**	**S/. 000**	**%**
Direct Credits:				
Loans	11,539,316	39%	11,023,578	38%
Mortgages	6,526,763	20%	5,842,095	20%
Leasing	4,735,491	16%	4,601,173	16%
Consumer	2,997,804	9%	2,766,925	10%
Foreign trade	2,208,948	8%	2,375,187	8%
Discounted Notes	919,833	3%	968,416	3%
Others	3,183,069	10%	2,939,218	10%
	32,111,224	**105%**	**30,516,592**	**105%**
Plus: Accrued Interest	276,581	1%	226,464	1%
	32,387,805	**106%**	**30,743,056**	**106%**
Less: Deferred income from leasing transactions	(540,557)	-2%	(544,133)	-2%
	31,847,248	**104%**	**30,198,923**	**104%**
Deferred income from loans	(27,937)	0%	(26,964)	0%
Allowance for loan losses	(1,360,641)	-4%	(1,249,934)	-4%
	30,458,670	**100%**	**28,922,025**	**100%**
Indirect Loans (Note 16)	**9,339,739**		**8,687,388**	

Secured Loans are collateralized with guarantees granted by customers, principally including mortgages, deposits, letters of guarantee, warrants and finance leasing operations, which as of June 30, 2012 and December 31, 2011 amounted to S/. 25,679 million and S/. 23,836 million, respectively.

As of June 30, 2012, part of the loan portfolio of Fondo Mi Vivienda – Mi Hogar was the guarantee of due to Banks to Fondo Mivivienda up to approximately S/. 392.2 million (S/. 336.1 million as of December 31, 2011) (See Note 10).

As of June 30, 2012 and December 31, 2011, the average annual interest rates for the Bank's main products were as follows:

	June 30, 2012		December 31, 2011	
	Loans in		Loans in	
	S/.	US$	S/.	US$
	%	%	%	%
Loans and discounts	9.48	7.59	9.34	7.35
Mortgage	9.81	8.81	9.85	8.98
Consumer	23.42	15.76	23.40	16.20

b) Below are loan portfolio balances by segment categories in accordance with the classification under SBS Resolution No. 11356-2008 as of June 30, 2012 and December 31, 2011:

	June 30, 2012		December 31, 2011	
	S/. 000	%	S/. 000	%
Medium businesses	8,627,120	27%	8,207,285	27%
Mortgages	6,605,448	20%	5,913,334	19%
Large businesses	6,481,925	20%	6,425,048	21%
Corporate	4,728,263	15%	4,537,883	15%
Consumer	3,125,177	10%	2,873,116	9%
Small businesses	1,552,544	4%	1,403,849	5%
Micro businesses	313,216	1%	230,918	1%
Stock brokers	236,090	1%	393,293	1%
Public sector entities	210,220	1%	293,693	1%
Financial institutions	202,119	1%	190,555	1%
Other	29,102	0%	47,618	0%
	32,111,224	**100%**	**30,516,592**	**100%**

c) As of June 30, 2012 and December 31, 2011, the Bank's loan portfolio was distributed in the following economic sectors:

	June 30, 2012		December 31, 2011	
	S/. 000	%	S/. 000	%
Mortgage and consumer	9,730,625	30%	8,786,449	29%
Manufacturing	5,638,758	18%	5,577,385	18%
Commerce	5,447,345	17%	5,190,967	17%
Real estate	2,331,345	7%	2,363,157	8%
Transportation, storage and communications	2,232,618	7%	2,115,384	7%
Utilities	1,286,633	4%	857,404	3%
Agriculture and livestock	949,620	3%	860,912	3%
Construction	838,053	3%	966,620	3%
Hotels and restaurants	714,906	2%	627,120	2%
Mining	695,545	2%	883,776	3%
Other	2,245,776	7%	2,287,418	7%
	32,111,224	**100%**	**30,516,592**	**100%**

d) The change in allowances for loan losses as of June 30, 2012 and December 31, 2011, was as follows:

	June 30, 2012	December 31, 2011
	S/. 000	S/. 000
Balances as of January 1	1,249,934	1,049,352
Provisions	559,609	763,613
Recoveries and reversals	(351,823)	(443,836)
Write-offs	-	(2,051)
Sale of portfolio	(93,426)	(102,942)
Foreign exchange differences and other adjustments	(3,653)	(14,202)
	1,360,641	**1,249,934**

Management believes that the level of allowances for loan losses is adequate to cover potential loan losses as of the date of the balance sheet. As of June 30, 2012, the general provision of loan portfolio of S/. 867.6 million (S/.815.1 million as of December 31, 2011), includes a pro-cyclical provision of S/.137 million (S/. 129.7 million as of December 31, 2011).

In the six months ended June 30, 2012, Grupo Continental had entered into agreements to sell certain loans and the related rights over that portfolio, of approximately S/. 80.5 million (S/.301.4 million for the year ended December 31, 2011). Proceeds from these sales of S/. 4.9 million (S/. 23.7 million as of December 31, 2011) were recognized as “Other income and expenses, net” in the consolidated statements of income.

6. PROPERTY, FURNITURE AND EQUIPMENT, NET

This item comprises the following:

	Land	Building and Facilities	Furniture and Equipment	Vehicles	Facilities Leasehold improvements	Work in Progress
	S/. 000	S/. 000	S/. 000	S/. 000	S/. 000	S/. 000
Cost:						
Balance as of January 1, 2011	91,647	445,803	198,959	4,562	79,678	21,745
Additions	6,788	36,633	86,813	-	14,214	72,574
Disposal	-	-	(4)	-	-	-
Adjustments or other	1,858	16,395	(1,013)	(178)	7,302	(29,149)
Balance as of December 31, 2011	100,293	498,831	284,755	4,384	101,194	65,170
Additions	1,527	8,742	23,728	555	4,245	25,104
Disposal	-	-	(14)	-	-	-
Adjustments or other	-	8,483	(3,359)	-	12,771	(21,081)
Balance as of June 30, 2012	101,820	516,056	305,110	4,939	118,210	69,193
Accumulated Depreciation :						
Balance as of January 1, 2011	-	278,056	96,522	2,604	18,281	-
Additions	-	22,883	33,523	789	8,510	-
Disposal	-	-	(4)	-	-	-
Adjustments or other	-	467	(2,164)	(170)	(539)	-
Balance as of December 31, 2011	-	301,406	127,877	3,223	26,252	-
Additions	-	12,876	15,279	351	5,154	-
Disposal	-	-	(14)	-	-	-
Adjustments or other	-	(78)	(2,171)	-	(4)	-
Balance as of June 30, 2012	-	314,204	140,971	3,574	31,402	-
Net Cost:						
Balance as of June 30, 2012	101,820	201,852	164,139	1,365	86,808	69,193
As of December 31, 2011	100,293	197,425	156,878	1,161	74,942	65,170

7. OTHER ASSETS AND LIABILITIES

	June 30, 2012	December 31, 2011
	S/. 000	S/. 000
Current Assets		
Accounts Receivable (a)	540,718	463,919
Assets seized and recovered through legal actions, net	15,332	15,773
Other Assets (b)	547,525	553,816
	1,103,575	1,033,508
Current Liabilities		
Accounts Payable (c)	688,269	667,709
Provisions (d)	501,030	458,949
Other Liabilities	140,144	36,638
	1,329,443	1,163,296

(a) Accounts receivable mainly included accounts receivable from derivatives (see Note 16), which, as of June 30, 2012, amounted to S/. 526.2 million (S/. 446.2 million as of December 31, 2011).

(b) Other Assets mainly included value added tax credits, which, as of June 30, 2012, amounted to S/. 346.7 million (S/. 353.4 million as of December 31, 2011), S/. 78 million of deferred charges (S/.64.3 as of December 31, 2011) and S/. 62.7 million corresponding to income tax payments on account (S/.86.8 million as of December 31, 2011), plus intangible assets of S/.11.08 million (S/.8.2 million as of December 31, 2011).

(c) Accounts payable as of June 30, 2012 mainly included payments owed to suppliers, of S/. 239.2 million (S/. 195.3 million as of December 31, 2011) and accounts payable from derivatives (see Note 16), for S/. 379 million (S/. 326.1 million as of December 31, 2011).

(d) As of June 30, 2012, the Bank had various pending litigation matters, as well as other proceedings related to its business activities. Grupo Continental believes no additional provisions are needed with respect to pending litigation. Therefore, we have not considered a higher provision than the one recorded for these contingencies and processes in “Other liabilities” on the consolidated balance sheet necessary. This provision amounted to S/. 210.4 million (S/. 207.5 million as of December 31, 2011).

8. OBLIGATIONS TO THE PUBLIC AND DEPOSITS FROM FINANCIAL INSTITUTIONS

As of June 30, 2012 and December 31, 2011, deposits and obligations were classified as follows:

	June 30, 2012	December 31, 2011
	S/. 000	**S/. 000**
Demand deposits	8,920,146	8,888,960
Savings deposits	7,708,954	7,115,244
Time deposits	14,532,903	13,999,076
Other obligations	134,165	145,065
Accrued interest payable	82,049	37,092
Total Obligations to the Public	**31,378,217**	**30,185,437**
Deposits from financial institutions	545,144	307,034
Total obligations to the public and deposits from financial institutions	**31,923,361**	**30,492,471**

Interest rates are set by Grupo Continental based on prevailing market rates.

9. INTERBANK FUNDS

Interbank assets as of June 30, 2012 and December 31, 2011 had current maturities (July 2012 and January 2012, respectively), bearing interest at an average annual interest rate of 0.50% in foreign currency (0.25% in foreign currency as of December 31, 2011). These credits are unsecured.

Interbank liabilities as of June 30, 2012 and December 31, 2011 had current maturities (July 2012 and January 2012, respectively), bearing interest at an average annual interest rate of 4.25% in local currency (4.25% as of December 31, 2011) and 0.50% in foreign currency (0.25% as of December 31, 2011). These liabilities are unsecured.

10. DUE TO BANKS AND CORRESPONDENTS

	June 30, 2012	December 31, 2011
	S/. 000	**S/. 000**
Foreign financial institutions (a)	5,251,605	2,545,968
International financial organizations (b)	1,140,644	1,287,790
Private Loan Agreement (c)	507,490	539,200
Programa Mi Vivienda - Mi Hogar (My House – My Home Program) (d)	392,232	336,126
Corporación Financiera de Desarrollo – COFIDE	29,370	30,000
Accrued interest payable	72,944	31,119
	7,394,285	**4,770,203**

Loan agreements signed with certain foreign financial institutions and international financial organizations include covenants that require compliance with certain financial ratios and other specific conditions. As of June 30, 2012 and December 31, 2011, Grupo Continental's Management believes it is in compliance with these covenants.

(a) Foreign financial institutions

As of June 30, 2012, the loans with foreign financial institutions bore interest based on market rates between 1% and 7.4% (between 1% and 7.4% as of December 31, 2011). Details are as follows:

Name of Creditor	Balance as of 30.06.12		Balance as of 31.12.11		Due Dates
	US$ 000	S/. 000	US$ 000	S/. 000	
Goldman Sachs Bank (i)	498,570	1,331,680	-	-	January 2017
Deutsche Bank (ii)	373,279	997,028	366,077	986,944	November 2020
Credit Suisse (iii)	200,000	534,200	200,000	539,200	October 2040
JP Morgan Chase Bank	120,000	320,520	-	-	July and August 2012
Syndicated Loan (iv)	100,000	267,100	100,000	269,600	October 2012
Standard Chartered	94,041	251,184	58,000	156,368	July 2012, October 2013 and May 2014
Wells Fargo Bank	80,131	214,031	110,000	296,560	August, September 2012 and October 2013
Citibank NA	70,000	186,970	-	-	August 2012
Commerzbank AG	70,000	186,970			December 2012
DEG Deutsche Investitions (v)	57,500	153,583	60,000	161,760	October 2017 and June 2018
Sumitomo Bank	55,000	146,905			September 2012
China Development Bank	50,000	133,550	50,000	134,800	December 2016
Bank of Nova Scotia	49,000	130,879	-	-	July and August 2012
Bank of America	45,000	120,195	-	-	August 2012
Toronto Dominion Bank	39,000	104,169	-	-	July 2012 and April 2014
Bank of Montreal	25,000	66,775	-	-	March 2014
Commercebank NA	25,000	66,775	-	-	May 2014
Bank of New York	10,000	26,710	-	-	September 2012
Other	4,635	12,381	273	736	July 2012
	1,966,156	**5,251,605**	**944,350**	**2,545,968**	

(i) In January 2012, the Bank entered into a loan for the nominal amount of US$ 500 million, with a fixed rate of 5.75% due January 2017. The payment of principal is due in full at maturity. Likewise, on the same date the bank entered into a contract for an interest rate swap (hereinafter IRS - see Note 16-a) for which as of June 30, 2012, the Bank had recorded profits of S/. 4 million, corresponding to the changes in its fair value, which are recorded under the item "Earnings from Hedging Transactions" of the statement of income.

(ii) Corresponds to a loan for the nominal amount of US$ 350 million, with a fixed rate of 5.5% due in November 2020, recorded at fair value. This loan is hedged by an IRS (see Note 16 (a)). As of June 30, 2012, the Bank had recorded a loss of S/. 18 million, corresponding to the changes in its fair value, which are recorded under the item "Gains from Hedging Transactions" item, of the statement of income (as of December 31, 2011, S/. 109.1 million was recorded as loss).

(iii) Corresponds to subordinated debt approved by the SBS, which is considered part of TIER 1 Regulatory Capital to the limit permitted by applicable law.

(iv) In September 2010, the Bank entered into a syndicated loan for US$ 100 million with the participation of the following foreign banking institutions: Standard Chartered Bank, Wells Fargo Bank, Banco de Chile, Bank of Taiwan, Banca Monte Dei Paschi di Siena S.p.A and Mizuho Corporate Bank Ltd. The applicable rate is Libor plus a spread. The term of the loan is 25 months with settlement of principal at maturity. Interest will be paid every six months.

(v) Corresponds to subordinated debt for US$ 30 million approved by the SBS. It is considered part of TIER 2 Regulatory Capital.

(b) International Financial Organizations

Debts to international financial organizations accrued interest at international market rates between 1.5% and 6.4% as of June 30, 2012 (1.5% and 6.4% as of December 31, 2011). These loans are unsecured.

Name of Creditor	Balances as of June 30, 2012		Balances as of December, 31 2011		Due Dates
	US$ 000	S/. 000	US$ 000	S/. 000	
Inter-American Development Bank - IDB (i)	170,000	454,070	275,000	741,400	February 2014 / 2017 / 2019 and August 2015
Internacional Finance Corporation - IFC	82,047	219,149	112,667	303,750	December 2012 / 2018
Corporación Andina de Fomento – CAF	50,000	133,550	50,000	134,800	December 2012
Inter-American Investment Corporation –IIC	40,000	106,840	40,000	107,840	June 2013 /August 2014
Banco Latinoamericano de Exportación	85,000	227,035	-	-	July 2012
	427,047	**1,140,644**	**477,667**	**1,287,790**	

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

(c) Private Loan Agreement

As of June 30, 2012, due to banks and correspondents included a private loan agreement (Note 16-b) for a total of US$ 190 million.

(d) Programa Mi Vivienda – Mi Hogar (My Housing – My Home Program)

Resources obtained through a loan from the social housing program “Mi Vivienda” in local currency were S/. 342.9 million and foreign currency were US$ 11.2 million. This loan amortizes through July 2032 and accrues 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/. 392.2 million as of June 30, 2012 (S/. 336.1 million as of December 31, 2011) was collateralized by a portion of the mortgage loan portfolio up to that amount (see Note 5). Loans include specific agreements on use of proceeds, financial conditions that the borrower must comply with, and administrative terms.

11. SECURITIES, BONDS AND OUTSTANDING OBLIGATIONS

As of June 30, 2012 and December 31, 2011, this category includes the following:

	June 30, 2012	December 31, 2011
	S/. 000	S/. 000
Notes (debt instruments) – Notes 16-a and 16-b	1,095,110	539,200
Corporate Bonds	1,003,329	830,761
Subordinated Bonds	461,835	459,866
Leasing Bonds	136,775	137,400
Accrued expenses payable	21,203	18,632
	2,718,252	**1,985,859**

The following are details of issued bonds as of June 30, 2012 and December 31, 2011:

Program	Authorized Amount	Issuance	Series	Currency	Original Disbursed Amount	Balance as of 30.06.12	Balance as of 31.12.11	Maturity Date
						S/. 000	S/. 000	
Corporate Bonds								
Second	USD 50 million or S/. 160 million	First	A	PEN	70,000	70,000	70,000	October 2012
		First	B	PEN	23,000	23,000	23,000	March 2013
		First	C	PEN	30,000	30,000	30,000	April 2013
		First	D	PEN	17,000	17,000	17,000	May 2013
Third	USD 100 million or S/. 315 million	First	A	PEN	40,000	40,000	40,000	December 2012
		Second	A	PEN	40,000	-	40,000	March 2012
		Third	A	USD	9,969	26,627	26,876	September 2012
		Fourth	A	USD	8,533	22,792	23,005	September 2014
		Sixth	A	USD	30,000	80,130	80,880	October 2012
		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	213,780	-	October 2019
						1,003,329	**830,761**	
Subordinated Bonds								
First	USD 50 million or S/. 158.30 million	First	A	PEN	40,000	39,710	39,793	May 2022
		Second	A	USD	20,000	53,841	53,661	May 2027
		Third	A	PEN	55,000	64,502	64,453	June 2032
Second	USD 100 million	First	A	USD	20,000	52,665	53,920	September 2017
		Second	A	PEN	50,000	58,442	57,384	November 2032
		Third	A	USD	20,000	53,420	53,920	February 2028
		Fourth	Sole	PEN	45,000	50,758	49,840	July 2023
		Fifth	Sole	PEN	50,000	55,670	54,663	September 2023
		Sixth	A	PEN	30,000	32,827	32,232	December 2033
						461,835	**459,866**	
Lease Bonds								
First	USD 200 million	First	A	USD	25,000	66,775	67,400	April 2016
		Second	A	PEN	30,000	30,000	30,000	September 2014
		Third	A	PEN	40,000	40,000	40,000	November 2014
						136,775	**137,400**	
Notes								
	USD 250 million	First	2008-A	USD	250,000	467,425	539,200	December 2015
	USD 235 million	Third	2012-A, 2012-B, 2012-C and 2012-D	USD	235,000	627,685	-	June 2017 and June 2022
						1,095,110	**539,200**	
						2,697,049	**1,967,227**	

Corporate bonds are unsecured and bore annual interest at rates between 5.8% and 7.9% for local currency as of June 30, 2012 and December 31, 2011 and between 6.2% and 6.4% for foreign currency as of June 30, 2012 and December 31, 2011.

The S/. 200 million corporate bond is hedged by a Cross Currency Swap – CCS – (note 16-a). As of June 30, 2012 the Bank recorded S/. 14 million in losses, relating to the variation in the fair value of this financial obligation which is included in the “Gains from Hedging Transactions” item, of the statement of income.

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

Leasing bonds are secured by the same assets financed by the Bank with interest at a nominal rate of 6.3% for local currency and 7.2% for foreign currency.

12. SHAREHOLDERS' EQUITY

(a) Capital Stock

As of June 30, 2012 and December 31, 2011, the authorized, issued and fully paid capital stock of the Bank consisted of 1,944,231,963 outstanding common shares with a face value of One (1) Nuevo Sol per share. Currently pending registration are 282,240,810 common shares relating to capitalization of accumulated results.

The Bank's General Shareholders' Annual Meetings held on March 29, 2012 and March 31, 2011, resolved to increase capital through the capitalization of retained earnings by S/. 282.2 million and S/. 100.8 million, respectively, through capitalization of accumulated results.

The Bank's common stock is listed on the Lima Stock Exchange (BVL). As of June 30, 2012 and December 31, 2011, the stock market quotation value of the Bank's stock was S/. 6 and S/. 5.51 per share, respectively, with a trading frequency of 100% in both years.

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

Percentage of Individual Interest (%)	Number of Shareholders	Total Interest
Up to 1	8,341	7.76%
1.01 to 5	-	0.00%
80.01 to 100	1	92.24%
	8,342	100.00%

(b) Legal reserve

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 29, 2012 and March 31, 2011 approved an allocation to the legal reserve of the equivalent of 10% of net income for the 2011 fiscal period (S/. 112.9 million) and for the fiscal 2010 period (S/. 100.7 million), respectively.

(c) Retained earnings

At the General Shareholders' Annual Meetings held on March 29, 2012 and March 31, 2011, the Bank agreed to distribute dividends of S/. 733.8 and S/. 805.8 million, respectively.

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

Retained earnings include S/. 33.1 million of unrealized gain of the available-for-sale investments

(S/. 19.3 million as of December 31, 2011), and S/. 3 million corresponding to unrealized gains of held to maturity investments (S/. 3 million as of December 31, 2011).

The General Shareholders' Annual Meetings held on March 29, 2012 and March 31, 2011, approved the capitalization of retained earnings S/. 282.2 million and S/. 100.8 million, respectively.

On June 28, 2012, in exercise of the power conferred upon it by the Shareholders' Annual Meeting held on March 29, 2012, and pursuant to the provisions of Article 184, Item A) Paragraph 2, of the General Law, the Board of Directors unanimously resolved to capitalize 2011 fiscal year profits, amounting to S/. 400 million. This commitment will be formalized in the next shareholders' meeting.

13. 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, 2012, the Bank used the standard method for calculating the regulatory capital requirement for credit risk.

As of June 30, 2012, the Bank's regulatory capital calculated pursuant to SBS regulations was S/. 4,875 million (S/. 4,043 million as of December 31, 2011). This amount is used to calculate certain limits and restrictions applicable to all financial entities in Peru. We believe such limits and restrictions are fully met by the Bank.

Credit, market and operational risk average weighted assets calculated in accordance with applicable regulations amount to S/. 34,950 million as of June 30, 2012 (S/. 32,455 million as of December 31, 2011).

As of June 30, 2012 and December 31, 2011, the Bank´s capital adequacy ratio was 13.95% and 12.46%, respectively.

14. BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per common share was calculated by dividing net income for the period attributable to common shareholders, by the weighted average of the number of outstanding common shares during the period. Since there are no potential diluting common shares, i.e., financial instruments or other agreements which grant rights to obtain common shares, the diluted earnings per common share is equal to the basic earnings per common share.

The basic and diluted earnings per common share are as follows:

	Number of Shares	
	June 30, 2012	December 31, 2011
Outstanding at the beginning of the year	1,944.2	1,843.4
Capitalization of earnings	282.3	383.0
Outstanding at the end of the period	2,226.5	2,226.5
Net Income for the period (in thousands of Peruvian Nuevos Soles)	603,600	529,989
Basic and diluted earnings per share	0.27	0.24

15. TRANSACTIONS WITH RELATED PARTIES

As of June 30, 2012 and December 31, 2011, Grupo Continental had granted loans, provided and requested banking services, maintained correspondent relationships, carried out transactions using derivative financial instruments recorded at face value and performed other transactions with related companies, whose effects in the financial statements are outlined below:

	June 30, 2012	December 31, 2011
	S/. 000	S/. 000
Assets -		
Cash and due from banks	51,826	47,727
Loans, net	96	4,174
Other assets	151,342	122,082
Liabilities -		
Deposits and obligations to the public	325,343	106,657
Obligations	11,098	-
Other Liabilities	167,202	140,327
Contingent and off-balance sheet accounts		
Contingent accounts	4,994,441	4,029,834
Off-balance sheet accounts	1,696,620	1,826,948

Transactions of Grupo Continental with related parties have been carried out in the normal course of operations and in conditions that could have been granted to third parties.

The transactions carried out with related parties, included in the consolidated statement of income for the periods ended June 30, 2012 and June 30, 2011 were the following:

	June 30, 2012	June 30, 2011
	S/. 000	S/. 000
Financial income	7	17
Financial expenses	(4,283)	(4,067)

Other income(expenses), net	(26,407)	(29,691)

Loans to employees

As of June 30, 2012 and December 31, 2011, we extended credit to certain Directors, executives and employees of Grupo Continental 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, 2012 and December 31, 2011, direct loans to employees, directors, executives and key staff amounted to S/. 294.8 million and S/. 265.7 million, respectively.

In addition, for the six months ended June 30, 2012, compensation paid to key staff and per diem allowances for the Board of Directors totaled S/. 4.8 million (S/. 4.4 million as of June 30, 2011).

16. CONTINGENT AND OFF-BALANCE SHEET ACCOUNTS

a) Derivative financial instruments

The Bank enters into forward agreements for the purchase and sale of foreign currency, interest rate swaps (IRS) and cross currency swaps (CCS). As of June 30, 2012 and December 31, 2011, the outstanding equivalent amounts in Nuevos Soles and the fair value of the derivative financial instruments were as follows:

	June 30, 2012		
	Nominal Value	**Assets**	**Liabilities**
	S/. 000	S/. 000	S/. 000
Trading Derivatives			
Currency forwards	7,604,576	58,381	96,262
Options	2,218,965	45,943	45,944
CCS-Cross Currency Swaps	4,025,901	261,441	104,688
Interest Rate Swaps	3,476,827	31,913	132,112
Hedging Derivatives			
Cross currency swap (ii)	201,508	3,617	-
Interest rate swap (i)	2,457,320	124,912	-
	19,985,097	**526,207**	**379,006**

	December 31, 2011		
	Nominal Value	**Assets**	**Liabilities**
	S/. 000	S/. 000	S/. 000
Trading Derivatives			
Currency forwards	5,721,589	55,937	54,083
Options	2,420,116	65,796	65,796
CCS-Cross Currency Swaps	4,024,176	218,756	69,250
Interest Rate Swaps	4,090,065	32,974	137,000
Hedging Derivatives			
Interest rate swap (i)	943,600	72,697	-

17,199,546	**446,160**	**326,129**

(i) As of June 30, 2012, the Bank had entered into interest rate swaps - IRS - for S/. 2,457 million worth of hedging for interest rates related to financing obtained. By means of the IRS, the Bank obtains a fixed interest rate in US Dollars and pays a variable interest rate in the same currency. As of June 30, 2012, the total variation of the fair value of the IRS, totaled S/. 48 million (profit), which is recorded under the “Earnings from Hedging Transactions” line item in the statement of income (as of December 31, 2011, the fair value amounted to a S/. 118.7 million profit).

(ii) As of June 30, 2012, the Bank had entered into a CCS to hedge the reasonable value of the bonds issued, at a nominal value of S/. 200 million. Through the CCS, the Bank converts its issue from fixed-rate local currency to variable-rate US Dollars. As of June 30, 2012, the fair value of the CCS was S/. 3 million (profit), which is recorded under the “Earnings from Hedging Transactions” line item in the statement of income.

b) Other creditors

As of December 31, 2008, Continental DPR Finance Company, a special purpose company incorporated in the Cayman Islands, issued notes through a private placement (debt instruments) which residual value as of June 30, 2012 was US$ 175 million. These notes mature on December 15, 2015, and they have quarterly coupons, which take a two-year grace period into account. These debt instruments accrue interest at Libor plus a spread (see Note 11).

As of April 30, 2010, Continental DPR Finance Company, entered into a loan through a private contract, which residual value as of June 30, 2012 amounted to US$ 190 million (Series 2010-A). This series expires on March 15, 2017, with quarterly coupons with a 2-year grace period. The aforementioned loan accrues interest at Libor plus a spread (see Note 10).

On June 26, 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, include two-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 11).

Both the 2008 and the 2012 issues related to the notes placed by Continental DPR Finance Company as well as the 2010 debt balance, are secured by the sale made by the Bank to Continental DPR Finance Company, of the present and future flows generated by customer electronic payment orders (Diversified Payments Rights - DPRs) forwarded to the Bank through SWIFT (Society for Worldwide Interbank Financial Telecommunications Network). This sale, which was conducted only 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. Grupo Continental management believes it was in compliance with such conditions as of June 30, 2012.

17. FINANCIAL INCOME

Financial income for the first six months of 2012 increased by 26% compared to the first six months of 2011, mainly due to higher interest income received from the loan portfolio and income from exchange differences.

18. FINANCIAL EXPENSES

Financial expenses for the first six months of 2012 increased by 44% compared to the first six months of 2011. The categories mainly explaining the variation are deposits and loans with foreign banks and financial organizations and losses in financial derivatives used in trading.

19. OTHER INCOME (EXPENSES)

During the first six months of 2012, income from financial services increased by 7% compared to the first six months of 2011 due to greater income from contingent operations (letters of guarantee), credit card fees, mutual fund administration fees and other income.

20. ADMINISTRATIVE EXPENSES

In the first six months of 2012, administrative expenses increased by 15% compared to the first six months of 2011. 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).

21. SUBSEQUENT EVENTS

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

On July 5, 2012, the Bank placed the sixth issue of the “Fifth Corporate Bonds Program of BBVA Banco Continental”, Series A, in the amount of USD 54 million, for a four-year term, at a fixed rate. The principal of such bonds is due in full at maturity and interest is payable on a semi-annual basis. The interest rate of the sixth issue is 4.6875%.

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